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Web Proof Information Pack of

Excellence Real Estate Group Limited

卓越置業集團有限公司

(Incorporated in the Cayman Islands with limited liability)

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SUMMARY

OVERVIEW

We are one of the few integrated property developers in China well recognized for its leadership position in the development of centrally located high-end commercial properties and mid-to-high-end residential properties in the top tier cities. Leveraging on our core competency in our dual-focused approach, we are well positioned to pursue a vigorous growth strategy that maximizes our profitability.

As of June 30, 2009, we were the largest non-government developer of commercial properties, including Grade A office buildings, in the Shenzhen CBD, with a total GFA of 831,081 square meters of commercial properties either completed or under development. We have a substantial land bank for office properties under development and further land parcels which we expect to acquire in the Shenzhen CBD, which (based on information currently available to us) is expected to account for a major proportion of the expected total saleable GFA of office properties in the Shenzhen CBD in the next five years. We continually expand our land bank at competitive costs primarily through non-auction-based channels. Targeting high-growth cities in China with highest GDP and focusing on developing sites located in such cities, we have penetrated seven of the top 10 cities in China ranked in terms of GDP, including Beijing, Shanghai, Shenzhen, Guangzhou, Hangzhou, Chongqing and Qingdao, and have successfully replicated the model of our commercial properties and residential product series in Shenzhen into some of these cities.

While pursuing vigorous growth, our business model has proven to be sustainable, as we have successfully weathered the challenges brought about by the 2008 financial crisis. We believe that such success is attributable to our dual-focused approach to commercial and residential property development. Moreover, the management’s decision not to accept structured [●] financing helped insulate us from the undesirable financial impact that may otherwise result in material adverse effect on our financial condition and results of operations. Our diversified product portfolio also contributes to the sustainability of our business model. Such portfolio not only enables our businesses to maintain flexibility within the rapidly growing real estate market in China, but also help us mitigate cyclical risks of the economy.

Our property projects are generally divided into two categories:

- *CBD commercial projects*, typically consisting of a combination of Grade A office buildings, hotels, retail properties and large shopping malls in designated CBDs.
- *Integrated mid-to-high-end residential projects*, including high-rise apartments, low-rise apartments, garden houses, townhouses and villas, and large integrated residential communities with ancillary facilities such as clubhouses, kindergartens, schools and shopping centers as well as commercial arcades.

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As of August 31, 2009, we had a land bank with a total GFA of approximately 11.7 million square meters with a total appraised value of approximately Rmb 44.6 billion. Of this value, a significant portion is represented by commercial properties. Our major commercial projects, comprising Shenzhen Excellence Century Center, Shenzhen Excellence Times Plaza (Phase 2 and remaining portion of Phase 1), Chongqing Excellence Mart (Phases 1 and 2) and Guangzhou Diwang, represent 28.2% of the total value of our appraised properties. After August 31, 2009, we further acquired the Shanghai Chengbang Villa Project, which has contributed an additional GFA of approximately 83,356 square meters to our land bank with an appraised value of approximately Rmb 881.0 million.

Since 2005, we have been expanding our business into other high-growth cities in China with highest GDP beyond the Shenzhen and Neighboring Area. Such cities include Shanghai, Guangzhou, Qingdao, Hangzhou, Chongqing, Wuhan, Changsha and Lianyungang. Most of our projects are located in the central areas of the cities, such as Shenzhen CBD, Houhai central area in Shenzhen Nanshan District (深圳南山后海中心), Guangzhou Zhonghua Plaza commercial circle (廣州中華廣場商圈), Changsha New Municipal Government Center (長沙新市政府中心) and Qingdao CBD.

As of June 30, 2009, we completed development of commercial and residential properties with a total GFA of approximately 1.9 million square meters. As of the same date, we had 14 property projects under development or held for future development in eight cities with an estimated total GFA of approximately 11.3 million square meters, among which approximately 1.3 million square meters were for commercial properties and 8.4 million square meters for residential properties. The remaining estimated GFA of 1.6 million square meters include common facilities, public areas, underground car parks and hotels. In September 2009, we further expanded into Shanghai and acquired the Shanghai Chengbang Villa Project.

For the years ended December 31, 2006, 2007 and 2008 and the six months ended June 30, 2009, our revenue was Rmb 1,369.9 million, Rmb 990.8 million, Rmb 2,149.6 million and Rmb 2,178.7 million, respectively. Our sales of commercial properties accounted for 99.0%, 19.1%, 16.7% and 7.2% of our total revenue from property development and our sales of residential properties accounted for 0.4%, 79.4%, 82.4% and 92.8% of our total revenue from property development during the same periods, respectively. Our net profit attributable to our equity holders for the same periods was Rmb 205.8 million, Rmb 323.7 million, Rmb 184.5 million and Rmb 382.9 million, respectively. We had a gain of Rmb 230.0 million in 2007 from our disposal of a 40% interest in a property project, Shenzhen Central Walk. For the years ended December 31, 2006, 2007 and 2008 and the six months ended June 30, 2009, our property management services contributed approximately 3.1%, 6.9%, 4.0% and 1.9% of our total revenue, respectively. We also hold certain properties for investment purposes, and the fair value gain on our investment properties contributed approximately 34.4%, 25.7%, 22.1% and 9.2% of our profit for the same respective periods on an after-tax basis.

The decrease in the percentage of the sales of commercial properties in our total revenue from property development during the Track Record Period was primarily due to fluctuations caused by our project construction schedules and the relevant accounting rules governing the recognition of revenue rather than a trend of change in property development focus. For example, our sales and pre-sales of commercial properties of Shenzhen Excellence Century Center constituted approximately 44.2% of

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our total sales and pre-sales from property development for the six months ended June 30, 2009, but none of these sales and pre-sales had been recognized as of June 30, 2009. We expect that the percentage of the sales of commercial properties will increase in line with the progress of our commercial projects.

OUR COMPETITIVE STRENGTHS

We believe that we possess the following principal strengths which enable us to compete successfully in the PRC property market:

- Our dual-focused business model to provide us greater protection against cyclical risks of the economy and policy risks;
- Our leading position in commercial and residential project development;
- Our sizable land bank acquired at competitive cost in strategic locations;
- Our experienced management team and efficient disciplined internal management system;
- Our high-quality products and distinguished property management services; and
- Our well-recognized brand name and established reputation.

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

OUR BUSINESS STRATEGIES

Our principal business strategies are:

- Maintain our leading position in the Shenzhen and Neighboring Area;
- Continue to replicate our success to top cities in China ranked by GDP with high growth;
- Continue to strategically increase our land bank in premium locations;
- Continue to maintain adequate liquidity and upgrade our information management system; and
- Continue to maintain an effective organizational structure and enhance employee performance.

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

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TRADING RECORD

The total GFA we delivered for the years ended December 31, 2006, 2007 and 2008 and the six months ended June 30, 2009 was 71,301 square meters, 69,909 square meters, 157,407 square meters and 166,071 square meters, respectively. For the years ended December 31, 2006, 2007 and 2008 and the six months ended June 30, 2009, our revenue was Rmb 1,369.9 million, Rmb 990.8 million, Rmb 2,149.6 million and Rmb 2,178.7 million, respectively, with our sales of commercial properties accounting for 99.0%, 19.1%, 16.7% and 7.2%, respectively, of our total revenue from property development and our sales of residential properties accounting for 0.4%, 79.4%, 82.4% and 92.8%, respectively, of our total revenue from property development during the same periods; and our net profit attributable to our equity holders for the same periods was Rmb 205.8 million, Rmb 323.7 million, Rmb 184.5 million and Rmb 382.9 million, respectively.

Due to the cyclical nature of the real estate industry, the interim fluctuations of our operating results caused by the timing of our property development and revenue recognition, unpredictable impact of government regulations governing the property market and other factors beyond our control, our results of operations have fluctuated in the past and are likely to continue to fluctuate in the future. Therefore, our operating results may not be directly comparable from period to period, and our past performance may not be a reliable indicator of our future results.

The following tables summarize our consolidated financial information as of, and for the years ended December 31, 2006, 2007 and 2008 and as of, and for the six months ended, June 30, 2008 and 2009, respectively. We extracted this summary financial information from the accountant’s report in Appendix IA to this document and you should read the entire financial information, including the notes, included in Appendix IA to this document for more details.

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SUMMARY CONSOLIDATED FINANCIAL INFORMATION

	Year ended December 31,						Six months ended June 30,			
	2006		2007		2008		2008		2009	
	(unaudited)									
(Rmb in millions, except percentage data)										
Revenue	1,369.9	100.0%	990.8	100.0%	2,149.6	100.0%	745.0	100.0%	2,178.7	100.0%
Cost of sales	(871.5)	(63.6)	(590.0)	(59.5)	(1,132.2)	(52.7)	(393.7)	(52.8)	(1,198.5)	(55.0)
Gross profit	498.4	36.4	400.8	40.5	1,017.4	47.3	351.4	47.2	980.1	45.0
Other income	19.7	1.4	1.4	0.1	3.6	0.2	1.0	0.1	1.2	0.1
Other gains — net ⁽¹⁾	72.8	5.3	317.5 ⁽²⁾	32.0	60.9	2.8	59.4	8.0	35.5	1.6
Selling and marketing costs	(58.9)	(4.3)	(58.6)	(5.9)	(109.8)	(5.1)	(50.8)	(6.8)	(57.0)	(2.6)
Administrative expenses	(82.2)	(6.0)	(112.7)	(11.4)	(157.8)	(7.3)	(88.9)	(11.9)	(76.2)	(3.5)
Operating profit.....	449.8	32.8	548.3	55.3	814.3	37.9	272.0	36.5	883.7	40.6
Finance income	18.0	1.3	9.9	1.0	9.0	0.4	5.6	0.8	8.7	0.4
Finance costs.....	(78.3)	(5.7)	(124.2)	(12.5)	(227.0)	(10.6)	(125.3)	(16.8)	(106.8)	(4.9)
Finance costs — net.....	(60.3)	(4.4)	(114.3)	(11.5)	(218.0)	(10.1)	(119.7)	(16.1)	(98.0)	(4.5)
Share of loss of jointly controlled entities	—	—	—	—	—	—	—	—	(2.7)	(0.1)
Share of loss of an associate	—	—	—	—	—	—	—	—	—	—
Profit before income tax	389.4	28.4	434.0	43.8	596.3	27.7	152.3	20.4	783.0	35.9
Income tax expenses.....	(188.3)	(13.7)	(111.9)	(11.3)	(411.0)	(19.1)	(127.4)	(17.1)	(400.6)	(18.4)
Profit for the year/period	201.2	14.7	322.1	32.5	185.3	8.6	24.8	3.3	382.4	17.6
Profit/(loss) attributable to:										
Equity owners of our company	205.8	15.0	323.7	32.7	184.5	8.6	25.4	3.4	382.9	17.6
Minority interests	(4.6)	(0.3)	(1.6)	(0.2)	0.9	0.0	(0.6)	(0.1)	(0.5)	(0.0)
	201.2	14.7%	322.1	32.5%	185.3	8.6%	24.8	3.3%	382.4	17.6%
Dividends ⁽³⁾	—	—	—	—	—	—	—	—	—	—

- (1) Other gains — net included fair value gains on investment properties of Rmb 69.2 million, Rmb 82.6 million, Rmb 41.0 million, Rmb 41.0 million and Rmb 35.0 million for the years ended December 31, 2006, 2007, 2008 and the six months ended June 30, 2008 and 2009, respectively. These fair value gains were unrealized.
- (2) Other gains - net for 2007 included a one-off gain of Rmb 230.0 million from the disposal of our interest in a project known as Shenzhen Century Walk. We acquired a minority interest in this project in 2004 and participated in its development. In 2007, we disposed of our interest in Shenzhen Century Walk. Investment and disposal of equity interest in property development projects are a part of our ordinary course of business.
- (3) We did not pay or declare any dividend during the Track Record Period. On October 17, 2009, we declared a special dividend of Rmb 400 million to our existing shareholders as of that date, being Sparkle Century and Broad Ocean. Before the completion of the [●], such special dividend will be fully settled out of our internally generated cash flow. Based on the estimated net proceeds from the [●], our cash on hand and available banking facilities, and our future cash flows from operations, and taking into account the distribution of this special dividend of Rmb 400 million, we are of the opinion that we have sufficient working capital for our present requirements and for the next 12 months from the date of this document.

SUMMARY

Summary Consolidated Balance Sheets Data

	As of December 31,			As of June 30,
	2006	2007	2008	2009
	<i>(Rmb in millions)</i>			
ASSETS				
Non-current assets				
Property, plant and equipment	30.4	36.4	34.4	30.2
Investment properties	572.5	665.0	706.0	741.0
Land use rights	771.4	1,186.9	1,320.9	1,312.5
Intangible assets	37.6	38.4	46.3	46.3
Investment in jointly controlled entities	—	—	65.2	62.5
Available-for-sale financial assets	322.7	—	—	—
Deferred income tax assets	34.0	54.5	82.5	79.7
Other receivables ⁽¹⁾	—	—	—	300.0
	<u>1,768.6</u>	<u>1,981.2</u>	<u>2,255.3</u>	<u>2,572.2</u>
Current assets				
Land use rights	445.3	1,276.2	1,947.5	1,820.7
Properties under development ⁽²⁾	255.5	616.9	1,770.7	1,938.5
Completed properties held for sale ⁽³⁾	550.0	750.8	1,933.0	1,517.1
Trade and other receivables	1,776.1	2,280.2	2,062.6	2,794.7
Prepaid taxation	60.4	38.9	77.5	124.9
Financial assets at fair value through profit or loss	2.3	—	—	—
Restricted cash	49.9	28.1	387.7	400.6
Cash and cash equivalents	<u>1,159.8</u>	<u>1,261.7</u>	<u>621.4</u>	<u>1,642.9</u>
	<u>4,299.4</u>	<u>6,252.7</u>	<u>8,800.4</u>	<u>10,239.3</u>
Total assets	<u>6,068.0</u>	<u>8,233.8</u>	<u>11,055.6</u>	<u>12,811.4</u>
EQUITY				
Capital and reserves attributable to equity owners of the company				
Share capital	6.5	6.9	6.9	6.9
Reserves	1,021.1	1,098.0	1,262.8	1,645.7
Minority interests	<u>227.3</u>	<u>180.1</u>	<u>164.6</u>	<u>164.1</u>
Total equity	<u>1,254.9</u>	<u>1,284.9</u>	<u>1,434.2</u>	<u>1,816.7</u>

SUMMARY

	As of December 31,			As of June 30,
	2006	2007	2008	2009
	<i>(Rmb in millions)</i>			
LIABILITIES				
Non-current liabilities				
Borrowings	1,733.0	3,165.0	3,584.5	3,985.8
Deferred income tax liabilities	215.5	240.5	261.0	288.3
	<u>1,948.5</u>	<u>3,405.5</u>	<u>3,845.5</u>	<u>4,274.2</u>
Current liabilities				
Advance proceeds received from customers . . .	598.5	558.1	1,217.7	1,725.1
Trade and other payables	1,137.5	711.4	1,755.3	1,764.0
Current income tax liabilities	238.6	296.0	646.9	941.2
Borrowings	890.0	1,977.9	2,135.9	2,290.3
	<u>2,864.6</u>	<u>3,543.4</u>	<u>5,775.9</u>	<u>6,720.6</u>
Total liabilities	<u>4,813.1</u>	<u>6,948.9</u>	<u>9,621.4</u>	<u>10,994.8</u>
Total equity and liabilities	<u>6,068.0</u>	<u>8,233.8</u>	<u>11,055.6</u>	<u>12,811.4</u>
Net current assets	<u>1,434.8</u>	<u>2,709.3</u>	<u>3,024.5</u>	<u>3,518.7</u>
Total assets less current liabilities	<u>3,203.4</u>	<u>4,690.4</u>	<u>5,279.8</u>	<u>6,090.8</u>

- (1) The other receivables in the amount of Rmb 300.0 million represented an advance we made to a minority shareholder of our 51%-owned subsidiary. For more details, please see note 14(c) in the accountant’s report set out in Appendix IA to this document and the section entitled “Business — Other Land-related Contractual Arrangements — Shenzhen Gangxia Project” in this document.
- (2) The balance of properties under development included interest capitalized amounting to Rmb 25.7 million, Rmb 53.6 million, Rmb 133.6 million and Rmb 141.9 million as of December 31, 2006, 2007 and 2008 and June 30, 2009, respectively, which were to be charged to the income statement upon sale of the relevant properties.
- (3) The balance of completed properties held for sale included interest capitalized amounting to Rmb 7.2 million, Rmb 18.3 million, Rmb 107.2 million and Rmb 80.6 million as of December 31, 2006, 2007 and 2008 and June 30, 2009, which were to be charged to the income statement upon sale of the relevant properties.

SUMMARY

PROFIT FORECAST FOR THE YEAR ENDING DECEMBER 31, 2009

We have prepared the following profit forecast for the year ending December 31, 2009 on the bases and assumptions described in Appendix III to this document. You should read the bases and assumptions in Appendix III when analyzing our profit forecast for the year ending December 31, 2009.

Forecasted consolidated profit attributable to our equity holders	
(net of fair value gains on investment properties,	
net of deferred tax effect)	Not less than Rmb 597.3 million

Forecasted gross fair value gains on investment properties	Rmb 35.0 million

Less: Provision for deferred tax liabilities on fair	
value gains on investment properties	Rmb (8.8 million)

Forecasted fair value gains on investment properties	
(net of deferred tax)	Rmb 26.2 million

Forecasted consolidated profit attributable to	
our equity holders	Not less than Rmb 623.5 million

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Summary of Property Projects Contributing to Our Revenue in 2009

The following table provides a summary of the property projects up to August 31, 2009 that are expected to contribute to our revenue in 2009:

Projects or project phases/parts delivered or to be delivered in 2009	As of August 31, 2009			
	Contract sales recognized or to be recognized in 2009	GFA sold or pre-sold and delivered or to be delivered in 2009	Average selling prices for properties sold or pre-sold and delivered or to be delivered in 2009	Actual or expected completion date
	(Rmb in millions)	(m ²)	(Rmb)	
Shenzhen Repulse Bay.	51	2,448	20,821	Apr 07
Shenzhen Excellence Times Plaza (Phase 1)	138	4,070	33,923	Oct 06
Shenzhen Excellence Century Center, Block 3	419	14,274	29,415	Nov 09
Shenzhen Victoria Harbour	1,924	65,803	29,243	Dec 08/Jun 09
Changsha Cote d’Azur (Phases 1A and 1B)	126	30,755	4,084	Dec 06
Wuhan Cote d’Azur (Phase 1)	67	21,394	3,130	Jan 08
Qingdao Azure Archipelagoes (Phases 1A, 1B, 1C and 1D)	389	81,837	4,753	Dec 08
Shenzhen Cote d’Azur	13	485	25,860	Nov 04
Dongguan Azure Polis (Phase 1)	222	39,870	5,569	Jun 09
Others	16	—	—	
Total.	3,365	260,936	12,898	

In the above table, the only item that had not been completed as of August 31, 2009 but is expected to be completed in 2009 is Shenzhen Excellence Century Center, Block 3. As of August 31, 2009, the construction progress with respect to Shenzhen Excellence Century Center, Block 3, was as follows: the superstructure and the installation of electrical and mechanical equipment have been completed; and the curtain wall of the building and interior decoration for the communal areas have been substantially completed. We expect to obtain the certificates of completion for Shenzhen Excellence Century Center, Block 3, in November 2009.

As of August 31, 2009, we had already achieved 74.1% of the total sales we have forecasted for the four months ending December 31, 2009, which consisted of the contract sales we had already made subject to recognition during the four months ending December 31, 2009. The balance 27.9% of the forecasted sales is expected to be mainly derived from the sale of Shenzhen Excellence Times Plaza (Phase 1), Shenzhen Cote d’Azur and Youpin Apartments, which are all completed projects. Marketing for these projects has been on-going, and as of August 31, 2009, we have already entered into certain provisional sale and purchase agreements. We expect to enter into formal sale and purchase agreements with the respective purchasers by October 2009. If the total contract value of these provisional sale and purchase agreements is also included, we would have achieved 85.9% of the total sales to be recognized in the four months ending December 31, 2009. Further, if we include both the

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amount of the contract sales and pre-sales as of August 31, 2009 and the total contract value of the above-mentioned provisional sale and purchase agreements, we would have already achieved 91.4% of the total forecast revenue for 2009. Accordingly, we are confident to achieve the profit forecast for the year ending December 31, 2009.

Sensitivity Analysis

Sensitivity analysis on targeted average selling price

The following table illustrates the sensitivity of the net profit attributable to our equity holders to the targeted average selling prices for the properties to be sold for the four months ending December 31, 2009.

% change in targeted selling prices per square meter . .	-15%	-10%	-5%	+5%	+10%
Impact on the net profit attributable to our equity holders targeted for the year ending December 31, 2009 (Rmb'000)	(40,545)	(20,363)	(10,181)	10,182	20,364

If the targeted average selling prices for all projects rise by 10%, the net profit attributable to our equity holders for the year ending December 31, 2009 will not be less than Rmb 643.8 million, or 3.3%, higher than our targeted 2009 net profit attributable to our equity holders.

If the targeted average selling prices for all projects rise by 5%, the net profit attributable to our equity holders for the year ending December 31, 2009 will not be less than Rmb 633.6 million, or 1.6%, higher than our targeted 2009 net profit attributable to our equity holders.

If the targeted average selling prices for all projects decline by 5%, the net profit attributable to our equity holders for the year ending December 31, 2009 will not be less than Rmb 613.3 million, or 1.6%, lower than our targeted 2009 net profit attributable to our equity holders.

If the targeted average selling prices for all projects decline by 10%, the net profit attributable to our equity holders for the year ending December 31, 2009 will not be less than Rmb 603.1 million, or 3.3%, lower than our targeted 2009 net profit attributable to our equity holders.

If the targeted average selling prices for all projects decline by 15%, our net profit attributable to our equity holders for the year ending December 31, 2009 will not be less than Rmb 582.9 million, or 6.5%, lower than our targeted 2009 net profit attributable to our equity holders.

As 87.1% of the forecasted revenue for the year ending December 31, 2009 is based on our contract sales as of August 31, 2009 together with the revenue already recognized in the first eight months of 2009, the above changes in average selling prices only apply to those properties expected to be sold during the four months ending December 31, 2009.

SUMMARY

Sensitivity analysis on targeted GFA to be sold and delivered

The following table illustrates the sensitivity of the net profit attributable to our equity holders to the targeted GFA to be sold and delivered for the four months ending 31 December 2009.

% change in targeted GFA sold and delivered	-15%	-10%	-5%
Impact on the net profit attributable to our equity holders targeted for the year ending December 31, 2009 (Rmb'000)	(73,633)	(49,079)	(24,526)

If the targeted GFA to be sold and delivered for all projects declines by 5%, the net profit attributable to our equity holders for the year ending December 31, 2009 will not be less than Rmb 598.9 million, or 3.9%, lower than our targeted 2009 net profit attributable to our equity holders.

If the targeted GFA to be sold and delivered for all projects declines by 10%, the net profit attributable to our equity holders for the year ending December 31, 2009 will not be less than Rmb 574.4 million, or 7.8%, lower than our targeted 2009 net profit attributable to our equity holders.

If the targeted GFA to be sold and delivered for all projects declines by 15%, the net profit attributable to our equity holders for the year ending December 31, 2009 will not be less than Rmb 549.8 million, or 11.8%, lower than our targeted 2009 net profit attributable to our equity holders.

Sensitivity analysis on fair value changes of investment properties

The total forecasted amount of our fair value gain on investment properties for the year ending December 31, 2009 is Rmb 35.0 million, representing a 5.0% increase from the total value of our investment properties as of 31 December 2008, and its related deferred taxation expense is Rmb 8.8 million. The following table illustrates the sensitivity of the net profit attributable to our equity holders (net of deferred tax effect) to different levels of revaluation increase or decrease on investment properties for the year ending December 31, 2009:

Changes in the fair value of investment properties based on figures as of December 31, 2008	-10%	-5%	5%	10%
Impact on the net profit attributable to our equity holders targeted for the year ending December 31, 2009 (Rmb'000) . .	(79,200)	(52,725)	225	26,700

If the estimated fair value of investment properties rises or declines by 5%, the net profit attributable to our equity holders for the year ending December 31, 2009 will be not less than Rmb 623.7 million or Rmb 570.7 million, or, 0.04% higher or 8.4% lower than our targeted 2009 net profit attributable to our equity holders.

If the estimated fair value of investment properties rises or declines by 10%, the net profit attributable to our equity holders for the year ending December 31, 2009 will be not less than Rmb 650.2 million or Rmb 544.3 million, or, 4.3% higher or 12.6% lower than our targeted 2009 net profit attributable to our equity holders.

SUMMARY

The above illustrations are intended to be for reference only and the actual variation could exceed the ranges given. The above sensitivity analyses are not meant to be exhaustive. While we have considered for the purposes of the profit forecast what we believe is the best estimate of the targeted average selling prices, GFA to be sold and delivered, and fair value changes of investment properties for the year ending 31 December 2009, the actual average selling prices, GFA to be sold and delivered, and fair value changes of investment properties may differ materially from our forecast and are dependent on market conditions and other factors which are beyond our control.

FUTURE PLANS

We intend to grow our business by continuing to focus on development of commercial and residential properties comprising office buildings, commercial complexes, hotels and residential properties.

Our current land bank is sufficient for property developments in the next five years and we plan to replenish our land bank on a rolling basis. As of June 30, 2009, we had a total of approximately 11.3 million square meters of GFA under development or held for future development. We will acquire additional land use rights for our future development and for our existing property developments. We intend to finance the remaining development costs with our operating cash flows and external borrowings.

RISK FACTORS

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

Risks Relating to Our Business

- Our operations are subject to extensive government regulations and, in particular, we are susceptible to changes in policies related to the real estate industry in China and in regions where we operate;
- We are heavily dependent on the performance of the PRC real estate market, particularly in the cities and regions in which we develop our property projects and manage the properties we have developed;
- Current global economic slowdown, crisis in the global financial markets and volatility of the property prices have negatively impacted, and may continue to negatively impact, our business and our ability to obtain necessary financing for our operations;

SUMMARY

- We may not always be able to obtain suitable land for development due to the PRC government’s control over land supply to property developers as well as the uncertainties related to land acquisition through secondary market or equity acquisition;
- We may not be able to obtain land use rights to certain parcels of land in connection with which we have entered into various contractual arrangements;
- We have made substantial payments in connection with land-related contractual arrangements, we may suffer losses as a result of default by any counterparty in its obligation to refund our payments if the land acquisition fails to materialize;
- We are required to relocate existing residents and pay demolition and resettlement costs associated with some of our future property developments and such costs may increase;
- We have incurred and will continue to incur a significant amount of interest expense in relation to our bank borrowings and we may not have adequate financing to fund our land acquisitions and property developments;
- Our financing costs are subject to changes in interest rates;
- Our LAT provisions may not be sufficient to meet our LAT obligations;
- We may not be able to effectively manage our expansion and growth;
- Our business will be adversely affected if we fail to obtain, or experience material delays in obtaining, necessary government approvals for any major property development;
- We maintain a significant amount of indebtedness and a deterioration of our cash flow position may materially adversely affect our ability to service our indebtedness and to continue our operations;
- We had negative operating cash flow during the Track Record Period and, if we are unable to meet our financial obligations, our business, financial condition and results of operations will be materially and adversely affected;
- We may be affected by the performance of third-party contractors;
- Our results of operations may vary significantly from period to period;
- The fair value of our investment properties is likely to fluctuate from time to time and may decrease significantly in the future, which may materially and adversely impact our profitability;
- The illiquidity of property investments and the lack of alternative uses for investment properties could limit our ability to respond to adverse changes in the performance of our portfolio of investment properties;

SUMMARY

- Changes of PRC laws and regulations with respect to pre-sale may adversely affect our cash flow position and business performance;
- We guarantee repayment obligations of mortgage loans of our customers and may become liable to mortgagee banks if our customers default on their mortgage loans;
- The terms on which mortgage loans are available, if at all, may affect our sales;
- We may suffer losses not covered by insurance;
- We may not be able to complete our development projects on time or at all;
- Our failure to meet all requirements for the delivery of completed properties and issuance of property ownership certificates may lead to compensatory liability to our customers;
- The appraisal value of our properties may be different from the actual realizable value and is subject to change;
- The PRC government may impose fines on us or reclaim our land if we fail to comply with the terms of the land grant contracts;
- The PRC government has implemented restrictions on the funding abilities of PRC property developers, which could adversely affect our ability and speed in deploying the funds we raise for our business in China;
- Our success depends on the continued services of our senior management team and other key personnel;
- We may not be able to protect our brand, trademarks and other intellectual property rights, which could have a material and adverse impact on our business;
- We may not be able to control the individual or collective decisions of tenants and property owners of our commercial properties, which may be adverse to our interests;
- Property owners may terminate our engagement as the provider of property management services;
- We may be involved from time to time in disputes and legal and other proceedings arising out of our operations and may face significant liabilities as a result;
- We have not fully paid the registered capital of some of our wholly owned subsidiaries in China;
- Our Original Shareholders, Li Wa and Li Xiaoping, are related to each other and have substantial control over our company and their interests may not be aligned with the interests of our other shareholders;

SUMMARY

- If we cannot continue to obtain qualification certificates, our business may be adversely affected;
- 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 may be deemed a PRC resident enterprise under the new PRC Enterprise Income Tax Law and be subject to the PRC taxation on our worldwide income; and
- Dividends payable by us to our foreign investors and gain on the sale of our Shares may become subject to withholding taxes under PRC tax laws.

Risks Relating to the Property Industry in China

- The PRC government may adopt further measures to slow down the growth in the property sector;
- We are exposed to pre-sale related contractual and legal risks;
- The real estate market in China is volatile;
- Intensified competition may adversely affect our business and our financial position; and
- Potential liability for environmental damages could adversely affect our business and financial condition.

Risks Relating to China

- PRC economic, political and social conditions as well as government policies could adversely affect our business and prospects;
- Changes in PRC foreign exchange regulations may adversely affect the value of your investment;
- Fluctuations in the value of Renminbi may adversely affect our business and the value of distributions by our PRC subsidiaries;
- Interpretation of PRC laws and regulations involves uncertainty and the current legal environment in China could limit the legal protections available to you;
- The national and regional economies in China and our prospects may be adversely affected by natural disasters, acts of God, and occurrence of epidemics; and
- We cannot guarantee the accuracy of facts, forecasts and other statistics with respect to China, the PRC economy and the PRC real estate industry contained in this document.

DEFINITIONS

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

“affiliate”	person or entity directly or indirectly controlled by, or under the direct or indirect common control of, one person or entity
“Articles of Association” or “Articles”	our articles of association, adopted on October 14, 2009 and as amended from time to time
“associates”	has the same meaning ascribed thereto under the Listing Rules
“Beijing Hengyin”	Beijing Hengyin Real Estate Development Co., Ltd. (北京恒銀房地產開發有限公司), a company established in China with limited liability and our 60%-owned subsidiary with 30% and 10% owned by Chen Hua (陳華) and Xiaoyinhu Investment Co., Ltd. (小銀狐投資有限公司), respectively
“Best Group”	Best Group Enterprises Development Limited (合眾企業發展有限公司), a company incorporated in Hong Kong with limited liability and wholly owned by Merry Wave
“Board of Directors” or “Board”	our board of Directors
“Broad Ocean”	Broad Ocean Investment Group Limited, a company incorporated in the British Virgin Islands wholly owned by Li Xiaoping (李曉平)
“CBD”	central business district
“CBRC”	China Banking Regulatory Commission (中國銀行業監督管理委員會)
“certificate of completion”	construction project inspection and examination certificate (竣工驗收備案表/合格證) issued by local construction committees or equivalent authorities with respect to the completion of property projects subsequent to their on-site examination and inspection
“Changsha Excellence”	Changsha Excellence Real Estate Development Co., Ltd. (長沙市卓越置業發展有限公司), a company established in China with limited liability and our wholly owned subsidiary
“China” or “PRC”	the People’s Republic of China and, except where the context requires, geographical or statistical references in this document to China or the PRC exclude Hong Kong, Macau and Taiwan

DEFINITIONS

“China Index Research Institute”	China Index Research Institute (中國指數研究院), an independent PRC real estate research organization established by the Development and Research Center of the State Council, Tsinghua University Institute of Real Estate Studies and China Index Academy, whose references are made in this document on a non-commission basis
“Chongqing Wanshang”	Chongqing Wanshang Real Estate Co., Ltd. (重慶市萬商置業有限公司), a company established in China with limited liability and our wholly owned subsidiary
“Companies Law”	The Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands
“Companies Ordinance”	the Companies Ordinance (Chapter 32 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Connected Person”	has the same meaning ascribed to it in the Listing Rules
“construction land planning permit”	construction land planning permit (建設用地規劃許可證) issued by local urban zoning and planning bureaus or equivalent authorities in China
“construction permit”	construction works commencement permit (建築工程施工許可證) issued by local construction committees or equivalent authorities in China
“construction works planning permit”	construction works planning permit (建設工程規劃許可證), issued by local urban zoning and planning bureaus or equivalent authorities in China
“controlling shareholder”	has the same meaning ascribed to it under the Listing Rules
“CSRC”	China Securities Regulatory Commission (中國證券監督管理委員會)
“Deed of Non-competition”	a deed of non-competition, dated <u>October 20</u> , 2009, given by our Original Shareholders in favor of us
“Director(s)”	our director(s)
“Dongguan Zhongtian”	Dongguan Zhongtian Plaza Development Co., Ltd. (東莞市中天廣場建造有限公司), a company established in China with limited liability and our 80%-owned subsidiary with the remaining 20% owned by Dongguan Xinghui Industry Co., Ltd. (東莞市星匯實業有限公司), an independent third party

DEFINITIONS

“Early State”	Early State Group Limited, a company incorporated in the British Virgin Islands with limited liability and our wholly owned subsidiary
“Excellence BVI”	Excellence Holdings Investment Limited, formerly known as Pendleton Systems Limited, our wholly owned subsidiary incorporated in the British Virgin Islands
“Excellence Century City”	Shenzhen Excellence Century City Real Estate Development Co., Ltd. (深圳卓越世紀城房地產開發有限公司), a company established in China with limited liability and our wholly owned subsidiary
“Excellence Chengdu”	Excellence Real Estate Chengdu Co., Ltd. (卓越置業成都有限公司), a company established in China with limited liability and our wholly owned subsidiary
“Excellence China”	Excellence Real Estate Holdings Co., Ltd. (卓越置業集團有限公司), a company established in China with limited liability and our wholly owned subsidiary
“Excellence Commercial”	Shenzhen Excellence Commercial Real Estate Co., Ltd. (深圳卓越商業置業有限公司), a company established in China with limited liability and our wholly owned subsidiary after the completion of the Reorganization
“Excellence Eastern”	Huizhou Excellence Eastern Real Estate Development Co., Ltd. (惠州市卓越東部房地產開發有限公司), a company established in China with limited liability and our wholly owned subsidiary
“Excellence Effort BVI”	Excellence Effort Property Development Limited, a company incorporated in the British Virgin Islands with limited liability and 50%-owned by us and 50%-owned by Deng Jia Gui (鄧家貴), an independent third party
“Excellence Effort HK”	Excellence Effort Property Development Limited (卓越通力地產發展有限公司), a company incorporated in Hong Kong with limited liability and wholly owned by Excellence Effort BVI
“Excellence Hong Kong”	Excellence Holdings Investment Limited (卓越集團投資有限公司), a company incorporated in Hong Kong with limited liability and our wholly owned subsidiary
“Excellence Property Management”	Shenzhen Excellence Property Management Co., Ltd. (深圳市卓越物業管理有限公司), a company established in China with limited liability and our wholly owned subsidiary

DEFINITIONS

“Excellence Qingdao”	Excellence Real Estate (Qingdao) Co., Ltd. (卓越置業集團(青島)有限公司), a company established in China with limited liability and our wholly owned subsidiary
“Excellence Qingdao Real Property”	Excellence Qingdao Real Property Limited (卓越集團(青島)置地有限公司), a company incorporated in China with limited liability and our wholly owned subsidiary
“Excellence Real Estate”	Excellence Real Estate Investment Limited (卓越置業投資有限公司), a company incorporated in Hong Kong with limited liability and our wholly owned subsidiary
“Excellence Weigang”	Shenzhen Excellence Weigang Real Estate Development Co., Ltd. (深圳市卓越維港房地產開發有限公司), a company established in China with limited liability and our 99.25%-owned subsidiary with the remaining 0.75% owned by Shenzhen Shekou Nanshui Industrial Co., Ltd. (深圳市蛇口南水實業股份有限公司), an independent third party
“GDP”	gross domestic product
“GFA”	gross floor area
“Grade A”	rating accorded to office buildings and spaces based on criteria formulated by DTZ Debenham Tie Leung Limited
“Grand Way”	Grand Way Real Estate Investment Limited (盛達置業投資有限公司), a company incorporated in Hong Kong with limited liability and our wholly owned subsidiary
“Guangzhou Guixin”	Guangzhou Guixin Industrial Co., Ltd. (廣州桂鑫實業有限公司), a company established in China with limited liability and our wholly owned subsidiary
“Hangzhou Hengxing”	Hangzhou Hengxing Real Estate Co., Ltd. (杭州恒興置業有限公司), a company established in China with limited liability and our 70%-owned subsidiary with the remaining 30% owned by Chen Qishui (陳其水), an independent third party
“HK\$” or “H.K. dollars”	Hong Kong dollars, the lawful currency of Hong Kong
“HKFRS”	Hong Kong Financial Reporting Standards
“Hong Kong”	the Hong Kong Special Administrative Region of China
“Huizhou Baisheng”	Huizhou Baisheng Real Estate Co., Ltd. (惠州市柏盛房地產有限公司), a company established in China with limited liability and our wholly owned subsidiary

DEFINITIONS

“Huizhou Luofu Shan”	Huizhou Luofu Shan Excellence Real Estate Co., Ltd. (惠州羅浮山卓越置業有限公司), a company established in China with limited liability and our 70%-owned subsidiary with 15% owned by Huizhou Luofu Shan Jiabaotian Country Club Company Limited (惠州市羅浮山嘉寶田鄉村俱樂部有限公司), an independent third party, and the remaining 15% owned by Liao Qiang (廖強), an independent third party
“Hunan Kaida”	Hunan Kaida Finance and Investment Co., Ltd. (湖南凱達財信投資有限責任公司), a company established in China with limited liability and an independent third party
“Hunan Lushan”	Hunan Lushan Villas Investment & Development Co., Ltd. (湖南麓山別墅投資開發有限公司), a company established in China with limited liability and our wholly owned subsidiary
“Jindi Dabaihui”	Shenzhen Jindi Dabaihui Property Development Co., Ltd. (深圳市金地大百匯房地產開發有限公司), a company established in China with limited liability and owned as to 35% by Shenzhen Jindi Old City Redevelopment Co., Ltd. (深圳市金地舊城改造開發有限公司), as to 33% by Shenzhen Dabaihui and as to 32% by Shenzhen Pengrun
“Jolly Park”	Jolly Park Holdings Limited, a company incorporated in the British Virgin Islands with limited liability and our wholly owned subsidiary
“Joyrun”	Joyrun Holdings Limited, a company incorporated in the British Virgin Islands with limited liability and our wholly owned subsidiary
“land grant contract”	state-owned land use rights grant contract (國有土地使用權出讓合同) entered into between a developer and the relevant PRC government land administrative authorities, typically the local state-owned land bureaus
“land use rights certificate”	state-owned land use rights certificate (土地使用權證) issued by a local real estate and land resources bureau with respect to the land use rights
“LAT”	land appreciation tax (土地增值稅) as defined in the PRC Provisional Regulations on Land Appreciation Tax of 1994 and its implementation rules, as described in Appendix VI to this document
“Latest Practicable Date”	October 14, 2009, being the latest practicable date for ascertaining certain information in this document prior to its publication

DEFINITIONS

“Lianyungang Jiatai”	Lianyungang Jiatai City Development Co., Ltd. (連雲港嘉泰城市發展有限公司), a company established in China with limited liability, an independent third party
“Lianyungang Ruihao”	Lianyungang Ruihao Real Estate Co., Ltd. (連雲港瑞豪置地有限公司), a company established in China with limited liability and wholly owned by Shenzhen Pengyue
“Lianyungang Tianjun”	Lianyungang Tianjun Real Estate Co., Ltd. (連雲港天峻置地有限公司), a company established in China with limited liability and our wholly owned subsidiary
“Lianyungang Tianqian”	Lianyungang Tianqian Real Estate Development Co., Ltd. (連雲港天乾房地產開發有限公司), a company established in China with limited liability and our wholly owned subsidiary
“Lianyungang Tianxingjian”	Lianyungang Tianxingjian Real Estate Development Co., Ltd. (連雲港天行健房地產開發有限公司), a company established in China with limited liability and wholly owned by Shenzhen Pengyue
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended, supplemented or otherwise modified from time to time
“Luck Sea”	Luck Sea International Limited, a company incorporated in the British Virgin Islands with limited liability and our wholly owned subsidiary
“Macau”	the Macau Special Administrative Region of China
“Meisha Seaview”	Shenzhen Meisha Seaview Golf Resort Co., Ltd. (深圳市梅沙海景高爾夫渡假村有限公司), a company established in China with limited liability and our 51%-owned subsidiary with the remaining 49% owned by Shenzhen Sanjiu Dalong Healthy City Company Limited (深圳三九大龍健康城有限公司), an independent third party
“Memorandum and Articles”	our memorandum of association and our Articles, conditionally approved and adopted on October 14, 2009 and to become effective on the [●], as amended, supplemented or otherwise modified from time to time
“Merry Wave”	Merry Wave Group Limited, a company incorporated in the British Virgin Islands with limited liability and our wholly owned subsidiary
“Ministry of Finance”	PRC Ministry of Finance (中華人民共和國財政部)

DEFINITIONS

“Ministry of Land and Resources”	PRC Ministry of Land and Resources (中華人民共和國國土資源部)
“MOFCOM”	PRC Ministry of Commerce (中華人民共和國商務部)
“MOHURD”	PRC Ministry of Housing and Urban-Rural Development (中華人民共和國住房和城鄉建設部) or its predecessor, PRC Ministry of Construction (中華人民共和國建設部)
“National Bureau of Statistics”	National Bureau of Statistics of China (中華人民共和國國家統計局)
“NDRC”	PRC National Development and Reform Commission (中華人民共和國國家發展和改革委員會)
“NPC” or “National People’s Congress”	PRC National People’s Congress (中華人民共和國全國人民代表大會) and its Standing Committee
“Oriental Rich”	Oriental Rich Holdings Group Limited (東潤控股集團有限公司), a company incorporated in Hong Kong with limited liability and our wholly owned subsidiary
“Original Shareholder”	each of Li Wa, including his wholly owned holding company, Sparkle Century, and Li Xiaoping, including his wholly owned holding company, Broad Ocean
“PBOC”	People’s Bank of China (中國人民銀行), the central bank of China
“PBOC Rate”	the exchange rate for foreign exchange transactions published daily by PBOC
“PRC Company Law”	PRC Company Law (中華人民共和國公司法), as enacted by the NPC on December 29, 1993 and effective on July 1, 1994, as amended, supplemented or otherwise modified from time to time
“PRC government”	the central government of China and its political subdivisions, including provincial, municipal and other regional or local government bodies or, as the context requires, any of them

DEFINITIONS

“pre-sale permit”	commodity property pre-sale permit (商品房預售許可證) issued by local housing and building administrative bureaus or equivalent authorities with respect to pre-sale of the relevant properties
“property ownership certificate”	<u>property ownership certificate (房屋所有權證) issued by relevant PRC government authorities with respect to the ownership rights of buildings</u>
“Property Valuation Report”	property valuation report prepared by DTZ Debenham Tie Leung Limited, independent property valuer, and included as Appendix IV to this document
“Qingdao Excellence Industrial”	Qingdao Excellence Industrial Development Co., Ltd. (卓越集團(青島)實業有限公司), a company established in China with limited liability and our wholly owned subsidiary
“Qingdao Excellence Real Estate”	Qingdao Excellence Construction Real Estate Development Co., Ltd. (青島卓越建業房地產開發有限公司), a company established in China with limited liability and our 60%-owned subsidiary with the remaining 40% owned by Qingdao Construction Investment Holding Co., Ltd. (青島政建投資集團有限公司), an independent third party
“Reorganization”	the reorganization of our assets and liabilities, including assets and liabilities of our subsidiaries and associated companies, as described in the section entitled “Corporate History — Reorganization” in this document and in “Appendix VIII — Statutory and General Information — Further Information About Us — Corporate history and reorganization” to this document
“Rmb” or “Renminbi”	Renminbi yuan, the lawful currency of China
“SAFE”	PRC State Administration of Foreign Exchange (中華人民共和國國家外匯管理局)
“SAIC”	PRC State Administration for Industry and Commerce (中華人民共和國國家工商行管理總局)
“Sapphire Nature”	Sapphire Nature International Limited (蔚然國際有限公司), a company incorporated in Hong Kong with limited liability and our wholly owned subsidiary
“SFC”	the Securities and Futures Commission of Hong Kong

DEFINITIONS

“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Shandong Excellence”	Shandong Excellence Real Estate Development Co., Ltd. (山東卓越房地產開發有限公司), a company established in China with limited liability and our 61%-owned subsidiary with the remaining 39% owned by Yantai Riying Huayuan Real Estate Development Company Limited (煙台日櫻花園房地產開發有限公司), an independent third party
“Shanghai Detian”	Shanghai Detian Real Estate Co., Ltd. (上海德天置業有限公司), a company established in China with limited liability and our wholly owned subsidiary
“Share Option Scheme”	the share option scheme conditionally adopted by the written resolutions of the shareholders of our company passed on October 14, 2009, the principal terms of which are summarized in the <u>section entitled “Statutory and General Information — D. Other Information — 2. Share Option Scheme”</u> in Appendix VIII to this document
“Shares”	ordinary shares in our capital with par value of HK\$0.01 each
“Shenzhen and Neighboring Area”	including Shenzhen, Dongguan and Huizhou
“Shenzhen Bangye”	Shenzhen Bangye Hotel Management Co., Ltd. (深圳邦業酒店經營管理有限公司), a company established in China with limited liability and our wholly owned subsidiary
“Shenzhen Dabaihui”	Shenzhen Dabaihui Property Development Co., Ltd. (深圳市大百匯房地產有限公司), a company established in China with limited liability and our 51%-owned subsidiary with the remaining 49% owned by Dabaihui Industrial Group Co., Ltd. (大百匯實業集團有限公司)
“Shenzhen Dongrunze”	Shenzhen Dongrunze Investment Consultancy Co., Ltd. (深圳東潤澤投資顧問有限公司), a company established in China with limited liability and our wholly owned subsidiary
“Shenzhen Excellence”	Shenzhen Excellence Real Estate Development Co., Ltd. (深圳卓越房地產開發有限公司), a company established in China with limited liability and our wholly owned subsidiary
“Shenzhen Excellence Property Consultancy”	Shenzhen Excellence Property Consultancy Co., Ltd. (深圳市卓越地產顧問有限公司), a company established in China with limited liability owned as to 25% by Excellence China and as to 22% by Excellence Property Management on trust for Li Wa prior to our Reorganization

DEFINITIONS

“Shenzhen Jinliju”	Shenzhen Jinliju Real Estate Development Co. Ltd. (深圳市金利居房地產開發有限公司), a company established in China with limited liability and our wholly owned subsidiary
“Shenzhen Kangyue”	Shenzhen Kangyue Design and Consultancy Co., Ltd. (深圳市康越策劃顧問有限公司), a company established in China with limited liability and our wholly owned subsidiary
“Shenzhen Pengrun”	Shenzhen Pengrun Property Development Co., Ltd. (深圳市鵬潤房地產開發有限公司), a company established in China with limited liability and wholly owned by Shenzhen Dabaihui
“Shenzhen Pengyue”	Shenzhen Pengyue Investment Co., Ltd. (深圳市鵬躍投資發展有限公司), a company established in China with limited liability and our wholly owned subsidiary
“Shenzhen Property Guaranty”	Shenzhen Property Guaranty Holdings Co., Ltd. (深圳市不動產擔保股份有限公司), a company established in China with limited liability owned as to 35% by Excellence China on trust for Li Wa prior to our Reorganization
“Shenzhen Qi’nian”	Shenzhen Qi’nian Industrial Development Co., Ltd. (深圳市祈年建業投資有限公司), a company established in China with limited liability and our wholly owned subsidiary
“Shenzhen Shekou”	Shenzhen Shekou Nanshui Industrial Holding Co., Ltd. (深圳市蛇口南水實業股份有限公司), a company established in China with limited liability, an independent third party
“Shenzhen Shengce”	Shenzhen Shengce Investment Co., Ltd. (深圳市勝策投資有限公司), a company established in China with limited liability which is owned as to 10% by Hainan Zhongyin Industrial Co., Ltd. (海南中銀實業有限公司), an independent third party and as to 90% by Shenzhen Pingsheng Investment Consultants Co., Ltd. (深圳市平勝投資諮詢有限公司), a company owned as to 50% by Xiao Xingping, the wife of Li Xiaoping and as to 50% by Li Xiaoping.
“Shenzhen Xianghua”	Shenzhen Xianghua Real Estate Development Co., Ltd. (深圳市祥華置業發展有限公司), a company established in China with limited liability and our wholly owned subsidiary
“Shenzhen Xinjinze”	Shenzhen Xinjinze Marketing Co., Ltd. (深圳新錦澤市場營銷策劃有限公司), a company established in China with limited liability and our wholly owned subsidiary

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“Shenzhen Xinweiran”	Shenzhen Xinweiran Investment Consultancy Co., Ltd. (深圳馨蔚然投資顧問有限公司), a company established in China with limited liability and our wholly owned subsidiary
“Shenzhen Yuelang”	Shenzhen Yuelang Science & Technology Co., Ltd. (深圳市月朗科技有限公司), a company established in China with limited liability, an independent third party
“Shenzhen Zhaohe”	Shenzhen Zhaohe Real Estate Development Co., Ltd. (深圳市兆和房地產開發有限公司), a company established in China with limited liability and our wholly owned subsidiary
“South Smart”	South Smart Investment Limited, a company incorporated in the British Virgin Islands with limited liability and our wholly owned subsidiary
“Sparkle Century”	Sparkle Century Holdings Development Limited, a company established in the British Virgin Islands with limited liability and wholly owned by Li Wa
“Splendid Profit”	Splendid Profit Holdings Limited (錦澤集團有限公司), a company incorporated in Hong Kong with limited liability and our wholly owned subsidiary
“State Administration of Taxation”	State Administration of Taxation of China (中華人民共和國國家稅務總局)
“State Council”	State Council of China (中華人民共和國國務院)
“subsidiary”	has the meaning ascribed to it in section 2 of the Companies Ordinance, pursuant to which, among other things, a company will be deemed to be a subsidiary of another company if (a) that other company (i) controls the composition of the board of directors of the first-mentioned company, or (ii) controls more than half of the voting power of the first-mentioned company, or (iii) holds more than half of the issued share capital of the first-mentioned company (excluding any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital); or (b) the first-mentioned company is a subsidiary of any company which is that other company’s subsidiary
“Success State”	Success State Hotel Management Limited (邦業酒店經營管理有限公司), a company incorporated in Hong Kong with limited liability and our wholly owned subsidiary

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“Success State International”	Success State International Limited, a company incorporated in the British Virgin Islands with limited liability and our wholly owned subsidiary
“tender-auction-listing”	public tender, auction and listing-for-sale, procedures as required by the PRC rules for the grant of state-owned land use rights
“Top Gate”	Top Gate Investment Holdings Limited, a company incorporated in the British Virgin Islands with limited liability and our wholly owned subsidiary
“Track Record Period”	the three years ended December 31, 2006, 2007 and 2008 and the six months ended June 30, 2009
“United States” or “U.S.”	the United States of America, its territories and possessions and all areas subject to its jurisdiction
“Universe Asia”	Universe Asia Int’l Enterprises Limited (環亞國際企業有限公司), a company incorporated in Hong Kong with limited liability and our wholly owned subsidiary
“urbanization rate”	the proportion of urban or non-agricultural population to the total population within a specific geographic region
“US\$” or “U.S. dollars”	United States dollars, the lawful currency of the United States
“Wanshang Marketing”	Chongqing Wanshang Marketing Management Co., Ltd. (重慶市萬商市場經營管理有限公司), a company established in China with limited liability and our 99%-owned subsidiary with the remaining 1% by Li Xiaohong (李小紅), the sister of Li Wa and Li Xiaoping
“we,” “us,” “our,” “our company” or “our group”	Excellence Real Estate Group Limited (卓越置業集團有限公司), a company incorporated in the Cayman Islands with limited liability on June 4, 2007 and, unless the context otherwise requires, all of its subsidiaries, or, where the context refers to any time prior to its incorporation, the businesses which the predecessors of its present subsidiaries were engaged in and which were subsequently assumed by such subsidiaries pursuant to the Reorganization
“Wellto Investment”	Wellto Investment Development Limited (佳濤投資發展有限公司), a company incorporated in Hong Kong with limited liability, our wholly owned subsidiary prior to the Reorganization, and disposed of in August 2009 pursuant to the Reorganization

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“Wuhan Huayuan”	Wuhan Huayuan Yaguang Electric Co., Ltd. (武漢華源亞光電力有限公司), a company established in China with limited liability, an independent third party
“Wuhan Excellence”	Wuhan Excellence Real Estate Development Co., Ltd. (武漢卓越房地產開發有限公司), a company established in China with limited liability and our wholly owned subsidiary
“Wuhan Zhenghe”	Wuhan Zhenghe Real Estate Co., Ltd. (武漢正和置業有限公司), a company established in China with limited liability and our wholly owned subsidiary

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

References to “m²” are to square meters.

RISK FACTORS

RISKS RELATING TO OUR BUSINESS

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

The real estate market in China is heavily regulated by the PRC government. As with other PRC property developers, we must comply with various requirements mandated by the PRC laws and regulations, including policies and procedures established by local authorities designed for the implementation of such laws and regulations. In particular, the PRC government exerts considerable direct and indirect influence on the development of the PRC property sector by imposing industry policies and other economic measures, such as control of land, foreign exchange, taxation and foreign investment. In particular, these measures include restricting land supply for certain types of property developments, raising benchmark interest rates of commercial banks for consumer loans used to finance purchases of properties, increasing reserve ratios on deposits of commercial banks to decrease liquidity generally available in the market, restrictions on commercial banks to limit their ability to make loans to property developers, imposing additional taxes and levies on property sales and restricting foreign investments in the PRC property sector. Many of the property industry policies carried out by the PRC government are unprecedented and are expected to be refined and improved over time. Other political, economic and social factors may also lead to further adjustments of such policies. This refining and adjustment process may not necessarily have a positive effect on our operations or our business development. For example, in September 2007, the Ministry of Land and Resources promulgated regulations to require that a land use rights grantee may apply for land registration and obtain land use rights certificates only after the grantee has paid the land premium in full under the land grant contract. In October 2007, the PRC government revised its Catalog of Guidance on Industries for Foreign Investment to remove the development of ordinary residences from the foreign-investment-encouraged category while emphasizing that the development and construction of villas, premium office buildings and high-end hotels falls within the foreign-investment-restricted category. As compared with encouraged or permitted categories, approval of higher level of authorities may be required if the projects fall within the restricted category. As part of the PRC government measures to adjust the structure of the PRC residential housing market, the PRC government has promulgated rules to require that at least 70% of the total development and construction area of residential projects approved or constructed on or after June 1, 2006 in any administrative jurisdiction must consist of units with a unit floor area of less than 90 square meters. Departure from this requirement may be permitted in special circumstances and with approval from the MOHURD. It is also required that at least 70% of the land supply approved by any local government for residential property development during any given year must be used for developing low- to medium-cost and small- to medium-size units for sale as commodity housing or for low-cost rental. The current PRC laws and regulations also limit the maximum amount of the monthly mortgage payment to 50% of an individual borrower’s monthly income and limit the maximum amount of all monthly debt service payments of an individual borrower to 55% of his or her monthly income. Furthermore, the PRC government has increased the minimum down-payment to 20% of the purchase price for first-time home buyers if such property has a unit floor area of less than 90 square meters, to 30% of the purchase price for first-time home buyers if such property has a unit floor area of 90 square meters or more, to 40% of the purchase price for second-time home buyers that use mortgage financing, to 45% for buyers of commercial-residential dual-purpose properties and to 50% for commercial property

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buyers. In October 2008, in order to combat the impact of the global economic downturn, the PBOC temporarily lowered the minimum lending rate for individual mortgage loans to 70% of the benchmark lending rate and lowered the minimum down payment ratio to 20% of the total purchase price. Such national policies and their adjustments are subject to more detailed implementation rules and guidelines issued by the relevant provincial or municipal government authorities. We cannot assure you that the PRC government or local regulatory authorities will not adopt additional and more stringent policies and regulations in the future. If we fail to adapt our operations to new policies and regulations that may come into effect from time to time with respect to the real estate industry, or if such policy changes disrupt our business or cause us to incur additional costs, our business prospects, results of operations and financial condition may be adversely affected.

You should read the various risk factors under the section entitled “Risks Relating to the Property Industry in China” below for more risks and uncertainties relating to extensive PRC regulations.

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

Our business and prospects depend on the performance of the real estate market in China and, particularly, in the cities and regions in which we develop our property projects, such as Shenzhen, Changsha, Lianyungang, Qingdao, Wuhan and their vicinities. While our residential properties business is more dependent on the general residential consumer market, our commercial properties business relies on the market segment of office buildings and retail malls, each in the localities of our operations. Any real estate market downturn in China generally or in the regions where we operate could adversely affect our business, results of operations and financial condition. As of June 30, 2009, we had 12 completed property projects and 14 projects under development or held for future development. Of the 12 completed projects, seven are located in the Shenzhen and Neighboring Area, two in Changsha, and one in each of Qingdao, Chongqing and Wuhan. Of the 14 projects under development or held for future development, five are located in the Shenzhen and Neighboring Area, three in Changsha, three in Qingdao and one in each of Wuhan, Chongqing and Lianyungang. The 12 completed projects have an aggregate site area of approximately 0.9 million square meters and an aggregate total GFA of approximately 1.9 million square meters. The 14 projects under development or held for future development have an aggregate site area of approximately 4.7 million square meters and an estimated aggregate total GFA of approximately 11.3 million square meters. There can be no assurance that the demand for new commercial or residential properties in the regions in which we operate and other regions in China will continue to grow. In addition, there can be no assurance that there will not be an over-supply of commercial and/or residential properties or an economic downturn in the property sectors in those regions and other parts of China. Any such over-supply or economic downturn may result in a decline in property sales and/or property prices on a regional or nationwide basis. Any adverse development in supply and demand with respect to commercial and/or residential properties or in property prices in the cities or regions where we operate in turn may adversely affect our business, results of operations and financial condition.

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

The current global economic slowdown and turmoil in the global financial markets that started in the middle of 2008 have resulted in general illiquid credit markets, an increased level of commercial and consumer delinquencies, lack of consumer confidence and increased market volatility. The slowdown of worldwide economy, including that of China, has caused a rapid slide in property prices. The negative impact of the current global economic slowdown on our business is manifold. For example, the uncertain economic prospect and tightened credit markets have resulted in a lower demand for our properties, particularly in areas outside Shenzhen. With respect to Changsha Cote d’Azur, for which we conducted sales and pre-sales throughout the Track Record Period, the total GFA sold and pre-sold decreased from 32,304 square meters in 2007 to 12,607 square meters in 2008, and the total sales and pre-sales amounts also decreased from Rmb 146.1 million to Rmb 59.6 million. In Shenzhen, where we maintained the momentum in property sales, our operations would have achieved better results had there been no global financial crisis. The global economic slowdown and financial market turmoil have adversely impacted, and may continue to adversely impact, home owners and potential property purchasers, which may lead to a further decrease in the general demand for our products and a further erosion of their selling prices.

The current global financial markets turmoil and the tightening of credit due to the rampant lack of liquidity have also negatively impacted our liquidity and our ability to obtain additional financings. We have significantly scaled back our original expansion plan, not only because of the slowdown of the global economy and its anticipated impact on our industry, but also due to the tightened credit market that is making it difficult for us to access affordable financing for the capital expenditure and working capital needs in our expansion plan. The current global financial market crisis and the unavailability or limited availability of financing in China have adversely impacted, and will continue to adversely impact, our liquidity, capital expenditure financing and working capital. You will find additional information on our liquidity and financial condition in the section entitled “Financial Information — Liquidity and Capital Resources” in this document. If the current global economic slowdown and financial market crisis continue on a sustained basis, they will adversely impact the demand for our products, adversely affect our ability to obtain necessary financing for our operations, and negatively impact our financial condition and results of operations.

We may not always be able to obtain suitable land for development due to the PRC government’s control over land supply to property developers as well as the uncertainties related to land acquisition through secondary market or equity acquisition

We derive our revenue principally from the sale of both residential and commercial properties that we have developed. We keep some of our commercial properties as investment properties for rent in the future. We must maintain or increase our land bank in strategic locations at an appropriate pace in order to ensure our sustainable business growth. Our commercial property developments are located in designated CBDs for office buildings and in prime shopping districts for our shopping mall properties. Our residential properties tend to be located in areas either with easy access to transportation or near scenic areas. Based on our current rate of property development, we believe we have sufficient land bank for property development for approximately the next five years. To have a

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steady stream of developed properties available for sale and continuous growth in the long term, we need to replenish and increase our land bank that is suitable for commercial and residential development. For the years ended December 31, 2006, 2007 and 2008 and the six months ended June 30, 2009, our revenue was Rmb 1,369.9 million, Rmb 990.8 million, Rmb 2,149.6 million and Rmb 2,178.7 million, respectively, with our sales of commercial properties accounting for 99.0%, 19.1%, 16.7% and 7.2% of our total revenue from property development and our sales of residential properties accounting for 0.4%, 78.9%, 82.4% and 92.8% of our total revenue from property development during these respective periods. Our ability to identify and acquire suitable development sites is subject to a number of factors, some of which are beyond our control. The supply of substantially all land in China is controlled by the PRC government. Thus the PRC government land supply policies have a direct impact on our ability to acquire land use rights for development and our costs of acquisition. In recent years, the PRC central and local governments have implemented various measures to regulate the means by which property developers may obtain land for property development. The PRC government also controls land supply through zoning, land usage regulations and other means. All these measures further intensify the competition for land in China among property developers. For example, since 2002, the PRC government has been granting land use rights on a nationwide basis through a mandatory public tender, auction and listing-for-sale system, which applies to all land use rights for commercial use, tourism, entertainment and commodity housing development. Although the regulation does not prevent privately held land use rights from being traded in the secondary market, the PRC government’s policy to grant state-owned land use rights at competitive market prices is likely to increase the acquisition cost of land bank. Secondary market land acquisitions and equity interest acquisitions are not without risks. For example, we acquired the land parcels underlying the Wuhan Houhu Village Project through the acquisition of the equity interest in Wuhan Zhenghe from a third party who claimed to have secured the right to acquire the land use rights underlying the Wuhan Houhu Village Project prior to the introduction by the PRC government of the public tender, auction and listing-for-sale system. We have paid the acquisition consideration to the transferor and have received the land use rights certificates for the Wuhan Houhu Village Project from the relevant PRC land authorities, but we cannot assure you that the contractual arrangement between the local government and Wuhan Zhenghe was valid and proper. Although the local land bureau has confirmed our payment of the land premium and taxes relating to such land and its due issuance of the land use rights certificates in writing in August 2009, there is no assurance that we will not forfeit our land use rights certificates for such land parcels if there existed irregularities sufficient enough to cause such consequences. For further details on our acquisition of the Wuhan Houhu Village Project, you may refer to the section entitled “Business — Our Property Projects — Properties Held for Future Development.” If we fail to acquire sufficient land bank suitable for commercial or residential development in a timely manner and at acceptable prices, our business prospects and competitive position may be adversely affected and our business strategies, growth potential and performance may also be adversely affected.

We may not be able to obtain land use rights to certain parcels of land in connection with which we have entered into various contractual arrangements

We have entered into various contractual arrangements with a view to facilitating possible acquisitions of the land use rights to certain parcels of land located in several cities in China. As of June 30, 2009, these land parcels occupied an aggregate site area of approximately 3.0 million square meters. These contractual arrangements are not land grant contracts or project company acquisition

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agreements pursuant to which land use rights can be secured with reasonable certainty. We agreed to enter into these arrangements largely because we historically acquired land use rights through similar contractual arrangements. As these land-related contracts often involve multiple government approvals and relatively complicated procedures, it is not uncommon to take years to acquire the underlying land, if at all, under normal circumstances. For example, in August 2007, we entered into a similar contract to acquire land use rights for a residential project in Qingdao city. Despite our efforts in assisting in the preparatory work and our payment for various preliminary items during the process pursuant to the contract, we were outbid by a third party at the land auction. We cannot assure you that the relevant PRC government authorities will grant us the land use rights or issue the relevant land use rights certificates in respect of these parcels of land. Nor can we assure you that our contractual arrangements will eventually result in our acquisition of any land use rights or in entry into any land grant contract with the relevant PRC government authorities. You will find more information on such contractual arrangements under the section entitled “Business — Our Property Projects — Other Land-related Contractual Arrangements” in this document. If we fail to obtain or experience delay in obtaining the land use rights with respect to these parcels of land, our business, results of operations and financial condition may be adversely affected.

We have made substantial payments in connection with land-related contractual arrangements, we may suffer losses as a result of default by any counterparty in its obligation to refund our payments if the land acquisition fails to materialize

We have prepaid an aggregate amount of approximately Rmb 1,287.7 million as of June 30, 2009 in the form of deposits, advances, share capital contribution, consideration for equity interest acquisition, and land premium, which represented 70.9% of our net assets as of June 30, 2009. These payments are unsecured and paid directly to the counterparty or to the project company as share capital instead of an escrow account. The timeframe and method for the refund were not specified and there is no mechanism in place to prevent any potential misuse of these funds by the counterparty or to ensure funds available when refund is due.

The collection process may be time consuming in China and may divert our management attention and financial resources especially if we have to protect our claims through litigation in the event of default. If our counterparties default in their obligations to refund our down payments or deposits, our results of operations and financial condition may be adversely affected.

We are required to relocate existing residents and pay demolition and resettlement costs associated with some of our future property developments and such costs may increase

We may be required to undertake and pay for demolition of existing buildings and resettlement of original residents with respect to our future urban redevelopment projects in Shenzhen. Generally, we negotiate and enter into agreements with entities representing the villagers, and pursuant to the agreements we are required to compensate such villagers in accordance with applicable laws and regulations. In addition to providing the villagers with comparable newly-built properties, the compensation generally includes a monthly stipend calculated in accordance with formulas published by the relevant local authorities. These formulas take into account the location, type and GFA of property subject to demolition, local income level and many other factors. There can be no assurance, however, that the local authorities will not change or adjust the formulas without sufficient advance

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notice or the villagers will agree to the compensation arrangements despite such government-sanctioned formulas. In addition, according to our PRC counsel, the parcels of land we intend to acquire under these programs, pursuant to which we cooperate with entities representing the villagers to participate in redevelopment projects, subject to approvals by competent government authorities, are not subject to the tender-auction-listing rules. Therefore, our costs associated with the acquisition of these parcels of land are generally lower than those acquired through the tender-auction-listing process. We cannot assure you that the local authorities will not change the practice and subject the land acquired under those programs to the tender-auction-listing rules. If that happens, our land costs may be subject to a substantial increase, which can adversely affect our cash flow, financial condition and results of operations.

We have incurred and will continue to incur a significant amount of interest expense in relation to our bank borrowings and we may not have adequate financing to fund our land acquisitions and property developments

Property development is capital intensive. We finance our property projects primarily through a combination of pre-sale and sale proceeds, borrowings from financial institutions and internally generated funds. As of December 31, 2006, 2007 and 2008 and June 30, 2009, our borrowings were Rmb 2,623.0 million, Rmb 5,142.9 million, Rmb 5,720.4 million and Rmb 6,276.1 million, respectively. We have incurred and will continue to incur a significant amount of interest expense in relation to our bank borrowings. Substantially all of this interest expense has been or will be capitalized as properties under development rather than being expensed in our consolidated income statement at the time it is incurred. The amounts of capitalized interest under completed properties held for sale were approximately Rmb 7.2 million, Rmb 18.3 million, Rmb 107.2 million and Rmb 80.6 million as of December 31, 2006, 2007, 2008 and June 30, 2009, respectively. The amounts of capitalized interest under properties under development were approximately Rmb 25.7 million, Rmb 53.6 million, Rmb 133.6 million and Rmb 141.9 million as of December 31, 2006, 2007, 2008 and June 30, 2009, respectively. In future periods, such capitalized interest expense will be expensed in the consolidated income statements as a portion of cost of sales upon the sale of such properties. As a result, such capitalized interest expense may adversely affect our gross profit margin upon the sale of such properties in 2009 and future periods. Our capitalized interest included in cost of sales for the years ended December 31, 2006, 2007 and 2008 and the six months ended June 30, 2009 were Rmb 17.3 million, Rmb 16.9 million, Rmb 48.2 million and Rmb 99.2 million, respectively.

Our ability to procure adequate financing for land acquisitions and property developments depends on a number of factors, some of which are beyond our control, such as general economic conditions, credit availability from financial institutions, and monetary policies in China. The PRC government has over the years implemented a number of measures to restrain money supply and credit availability especially with respect to the property development sector although the government took various temporary measures to combat the global economic downturn and financial market crisis since the middle of 2008. For example:

- The PBOC has increased the reserve requirement ratio for commercial banks 16 times between July 2006 and June 2008, from 7.5% in the first half of 2006 to 17.5% effective as of June 2008, which limited the amount the commercial banks in China were able to lend. In response to the global economic downturn the PBOC subsequently decreased the reserve requirement by 2% to 4% for different types of banks;

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- The CBRC has issued orders to prohibit PRC commercial banks from granting loans to property projects that have not obtained the relevant land use rights certificates, construction land planning permits, construction work planning permit and construction permits;
- Commercial banks may not grant loans to property developers to pay off land premiums;
- The CBRC has issued guidelines to require that no less than 35% of the total investment in a property project must be funded by the developer’s own capital; and
- The PRC government issued regulations to (i) restrict the grant or extension of credit facilities to property developers that hold a large amount of idle land or vacant commodity properties and (ii) prohibit commercial banks from taking commodity properties that have been vacant for more than three years as security for their loans.

These and other government actions and policy initiatives have further limited our ability and flexibility in using bank loans to finance our property projects. We cannot assure you that the PRC government will not introduce other initiatives which may further limit our access to capital and the ways we finance our property development. We cannot assure you that we will be able to secure adequate financing or renew our existing credit facilities prior to their expiration or that our business, financial condition and results of operations will not be adversely affected as a result of such and other government actions and policy initiatives.

Our financing costs are subject to changes in interest rates

Changes in interest rates have affected and will continue to affect our financing costs and, ultimately, our results of operations. The PBOC has adjusted the benchmark lending rates for PRC commercial banks a number of times in past few years. For example, the PBOC raised the benchmark one-year lending rate from 5.58% as of the end of 2005 to 7.47% as of the end of 2007. Such tightening measures caused interest rates to increase, although the PBOC, in response to the global economic downturn and financial market crisis, lowered the benchmark one-year lending rate to 5.31% toward the end of 2008. While we do not believe such changes in the Renminbi lending rates have had or will have a material adverse effect on our ability to obtain adequate financing for our operations or on our overall financial condition, the global economic downturn and financial markets crisis did cause significant negative impact on our business operations, as we have disclosed in the risk factor entitled “Current global economic slowdown, crisis in the global financial markets and volatility of the property prices have negatively impacted, and may continue to negatively impact, our business and our ability to obtain necessary financing for our operations” above. We cannot, however, assure you that lending rates will remain unchanged or will not increase. During the year ended December 31, 2008, the average interest rate of our bank borrowings was 7.09%. In addition, increases in interest rates may affect our residential property customers’ ability to secure mortgages on acceptable terms, or at all, which in turn may affect their ability to purchase our properties. We cannot assure you that the PBOC will not further raise lending rates and that our business, financial condition and results of operations will not be adversely affected as a result.

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Our LAT provisions may not be sufficient to meet our LAT obligations

In accordance with the provisions of the PRC regulations on LAT, all persons including companies and individuals that receive income from the sale or transfer of land use rights, buildings and their attached facilities are subject to LAT at progressive rates ranging from 30% to 60% of the appreciated value of the property, with certain exemptions for the sale of ordinary residential properties if the appreciated values do not exceed 20% of the deductible expense items as defined in the relevant LAT regulations. Sales of luxury residential properties and commercial properties are not eligible for such exemption. Pursuant to a circular issued by the State Administration of Taxation, effective February 1, 2007, LAT obligations must be settled with the relevant tax bureaus within specified timeframes of the completion of the property project. Accordingly, we have settled LAT payments on all of our completed property projects. You may find a more detailed description of the PRC regulations on LAT in the section entitled “Taxation — Mainland China Taxation — Our operations in mainland China — Land appreciation tax” in Appendix V to this document.

We have been prepaying LAT with reference to our pre-sale proceeds since 2006 after the Shenzhen municipal government adopted rules requiring such prepayments. We made LAT provisions of Rmb 149.3 million, Rmb 79.7 million, Rmb 284.1 million and Rmb 217.3 million for 2006, 2007 and 2008 and the six months ended June 30, 2009, respectively. Although we believe that we have made LAT provisions in accordance with all relevant PRC tax laws and regulations and our LAT provisions for 2006, 2007 and 2008 and the six months ended June 30, 2009, as reflected in our consolidated financial information included in the accountant’s report in Appendix IA to this document, are sufficient to cover our LAT liabilities in the respective periods, we cannot assure you that our provisions will be sufficient to cover our LAT liabilities as determined by the relevant PRC tax authorities. For instance, we cannot assure you that the relevant tax authorities will agree with the basis on which we have calculated our LAT liabilities. Our results of operations, cash flow and financial condition may be materially adversely affected if our LAT liabilities as finally determined by the relevant tax authorities are substantially higher than our LAT provisions.

We may not be able to effectively manage our expansion and growth

As of June 30, 2009, we completed 12 property developments with a total GFA of 1.9 million square meters, seven of which are located in the Shenzhen and Neighboring Area. Currently we have 14 projects under development or held for future development with an estimated total GFA of 11.3 million square meters in eight strategically selected cities across China. Although our planned projects are carefully chosen after rounds of screening, review and deliberation, significant increases in GFA under development may place a substantial strain on our managerial and financial resources. To succeed in such expansion, we will need to recruit and train new managers and other employees and build our operations and reputation in these new regional markets within a short period of time. Since we have primarily concentrated our prior property developments in Shenzhen, our knowledge, experience and mode of operations may not be readily applicable to the new markets. In addition, our expansion plans are based on our forward-looking assessment of market prospects, and we cannot assure you that our market assessment will turn out to be accurate, that we can execute our contemplated expansion plan successfully or that we will succeed in integrating our expanded operations. Neither can we assure you that our expanded operations will generate adequate returns on our investments or positive operating cash flow in the foreseeable future or at any time at all.

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While we will continue to expand our business operations in the regions where we currently have operations, we intend to further explore selected fast-growing regional centers in other parts of China. We have limited knowledge of the conditions of these local property markets and little or no experience in property development in these regions. In addition, as we enter into new markets, we may not have the same level of familiarity with contractors, business practices and customs and customer tastes, behavior and preferences as compared to the cities where we are an established property developer. Therefore, we may not be able to successfully leverage our experience and current knowledge as we expand our business operations into new regional markets. Moreover, when we enter into new regional markets, we may face intense competition from developers with an established presence and market share in those markets. We acquired a number of project companies during the Track Record Period and will consider suitable acquisition opportunities to effect our expansion plans in the future. Any failure to leverage our experience and knowledge, or failure to understand the regional property markets in other parts of China that we target for expansion, or failure to integrate our current or future acquisitions with our existing operations may have an adverse effect on our business, financial condition and results of operations.

Our business will be adversely affected if we fail to obtain, or experience material delays in obtaining, necessary government approvals for any major property development

The property industry in China is heavily regulated by the PRC government. Property developers must comply with various laws and regulations of the PRC government, including rules issued by local governments to enforce these laws and regulations. To develop and complete a property project, we must apply for various licenses, permits, certificates and approvals, including government approval of the relevant urban redevelopment plans, land use rights certificates, construction land planning permits, construction works planning permits, construction permits, pre-sale permits and certificates of completion with relevant government authorities. Before a government authority issues any certificate or permit, we must first meet specific conditions. We cannot guarantee that we will not encounter serious delays or other difficulties in fulfilling such conditions, or that we will be able to adapt to new rules and regulations that may come into effect from time to time with respect to the property industry. There may also be delays on the part of the relevant regulatory bodies in reviewing our applications and granting approvals. Therefore, in the event that we fail to obtain, or encounter significant delays in obtaining, the necessary government approvals for any of our major property projects, we will not be able to continue with our development plans, and our business, financial condition and results of operations may be adversely affected.

We maintain a significant amount of indebtedness and a deterioration of our cash flow position may materially adversely affect our ability to service our indebtedness and to continue our operations

We maintain a significant amount of indebtedness to finance our operations. As of December 31, 2006, 2007 and 2008 and June 30, 2009, our aggregate outstanding borrowings was Rmb 2,623.0 million, Rmb 5,142.9 million, Rmb 5,720.4 million and Rmb 6,276.1 million, respectively. Our gearing ratio, calculated by net debt divided by total capital, as of the same dates, was 53.0%, 75.0%, 76.7% and 70.0%, respectively. Of our total outstanding borrowings of Rmb 6,276.1 million as of June 30, 2009, approximately Rmb 2,290.3 million was repayable within 12 months and approximately Rmb 3,985.8 million was repayable after 12 months. There can be no assurance that the market conditions

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will continue to remain relatively favorable to our operations or that we will be able to generate sufficient cash inflow from continuous operations to service our indebtedness. We rely on pre-sale proceeds of residential and commercial properties as a principal source of funding for our operations. Should our pre-sale be significantly limited or otherwise adversely affected as a result of changes in the relevant PRC rules and regulations, or significant economic downturn in China or in the cities and regions where we operate, our cash flow position and our ability to service our debts may be adversely affected. We may also be called upon to honor our contingent liabilities if our guaranteed third-party indebtedness is in default. Such third-party indebtedness includes the mortgage loans of our customers that we guarantee in favor of the mortgage banks as we disclosed in the risk factor entitled “We guarantee repayment obligations of mortgage loans of our customers and may become liable to mortgagee banks if our customers default on their mortgage loans” below. If we are unable to make scheduled payments in connection with our debt and other fixed payment obligations as they become due, we may need to renegotiate such obligations or to obtain additional equity or debt financing. We cannot assure you that our renegotiation efforts would be successful or on a timely basis or that we could refinance our obligations on acceptable terms, or at all. If financial institutions decline to provide new financing facilities to us or to refinance our existing loans upon their maturity as a result of our credit risk and we fail to raise financing through other means, our financial condition, cash flow position and our business prospects may be adversely affected.

We had negative operating cash flow during the Track Record Period and, if we are unable to meet our financial obligations, our business, financial condition and results of operations will be materially and adversely affected

We had negative operating cash flow of Rmb 2,133.4 million and Rmb 327.3 million in 2007 and 2008, respectively while our operating cash flow was positive in 2006 and the six months ended June 30, 2009. Our negative operating cash flow was primarily attributable to the long-term and capital-intensive nature of property development, our land acquisitions and business expansion during the relevant periods. As disclosed in “Financial Information — Liquidity and Capital Resources — Operating activities” in this document, we applied internal operating cash flow and bank borrowings to finance our operating and investing activities during the Track Record Period.

Negative operating cash flow requires us to acquire sufficient financing to meet our current financial needs and obligations. If we are unable to do so, we will be in default of our payment obligations or cannot develop our projects as planned and, as a result, our business, financial condition and results of operations will be adversely affected.

We may be affected by the performance of third-party contractors

We engage third-party contractors to provide various services, including design, pile setting, foundation, construction, equipment installation, electromechanical engineering and pipeline engineering. We generally select third-party contractors through a tender process. We endeavor to employ companies with a good reputation, strong track record, performance reliability and adequate financial resources, and we have implemented strict quality control procedures to closely monitor the construction progress. We cannot, however, guarantee that any such third-party contractor will provide satisfactory services at the required quality level. If the performance of any third-party contractor is not satisfactory, we may need to replace such contractor or take other remedial actions, which could

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adversely affect the cost structure and development schedule of our projects. In addition, as we are expanding our business into other regional markets in China, there may be a shortage of third-party contractors that meet our development and quality requirements in such regions and we may not be able to engage sufficient quality third-party contractors in such regions. Moreover, our third-party contractors may undertake projects from other developers, engage in risky undertakings or otherwise encounter financial or other difficulties, which may adversely affect their ability to complete our property projects on time, within budget or at all. Any of these factors could have an adverse impact on our reputation, credibility, financial position and business operations.

Our results of operations may vary significantly from period to period

We derive the majority of our revenue from the sale of properties that we have developed. In accordance with our accounting policy, we recognize revenue upon the completion and delivery of the properties to purchasers, which may typically take 12 or more months after the commencement of the pre-sale. As a result, our results of operations may vary significantly from period to period due to the construction timetables and timing of sales and delivery of our various development projects. In addition, our business is subject to seasonal variations. For example, our delivery of properties in the first quarter of each year is negatively impacted by long vacations at the end of the year and during the Chinese New Year holidays. Therefore, our revenue and profit recognized upon delivery of properties in the first half of a year are often much lower than in the second half.

The fair value of our investment properties is likely to fluctuate from time to time and may decrease significantly in the future, which may materially and adversely impact our profitability

We are required to reassess the fair value of our investment properties at every balance sheet date for which we issue financial statements. Our investment properties include certain car parks and Guangzhou Diwang Shopping Arcade. Under HKFRS, gains or losses arising from changes in the fair value of our investment properties are included in our income statements in the period in which they arise. Our valuations are primarily based on a direct comparison approach, under which our investment properties are directly compared with other comparable properties of similar size, character and location, in order to provide a fair comparison of capital values. Our investment properties were revalued by DTZ Debenham Tie Leung Limited, an independent property valuer, as of June 30, 2009 on an open market, existing use basis which reflected market conditions on such date. Based on this valuation, we recognized the aggregate fair market value of our investment properties on our consolidated balance sheets, and recognized fair value gains on investment properties and the relevant deferred tax on our consolidated income statements. For the years ended December 31, 2006, 2007 and 2008 and the six months ended June 30, 2009, the fair value gains on our investment properties were Rmb 69.2 million, Rmb 82.6 million, Rmb 41.0 million and Rmb 35.0 million, respectively, and accounted for approximately 17.8%, 19.0%, 6.9% and 4.5%, respectively, of our profit before tax.

The significant increase in the fair market value of our investment properties in the Track Record Period was primarily due to the addition of our new investment properties and the overall appreciation of properties in Guangzhou and Shenzhen. Fair value gains or losses do not, however, change our cash position as long as the relevant investment properties are held by us, and thus do not increase our liquidity despite increased profit. The amount of revaluation adjustments has been, and will continue

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to be, subject to market fluctuations. Macroeconomic factors, including economic growth rate, interest rate, inflation rate, urbanization rate and disposable income level, in addition to any government regulations, can substantially affect the fair value of our investment properties and affect the supply and demand in the PRC property market. All these factors are beyond our control and we cannot assure you that changes in market conditions will continue to create fair value gains on our investment properties at the previous levels or at all, or that the fair value of our investment properties will not decrease in the future. In particular, the fair value of our investment properties could decline in the event that our industry experiences a downturn as a result of the PRC government policies aimed at “cooling-off” the PRC property market, or otherwise. Any such decrease in the fair value of our investment properties would adversely affect our profitability.

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

We had 21,069 square meters of investment properties as of June 30, 2009 and expect to increase our investment property portfolio in the future. Real estate investments are illiquid and as a result, our ability to sell our investment properties in response to changing economic, financial and investment conditions is limited. We cannot predict whether we will be able to sell any or all of our investment properties for the price or on the terms acceptable to us. We also cannot predict the length of time needed to find purchasers to complete the sale of such investment properties. In addition, we may also need to expend funds to maintain properties, correct defects or make improvements before our investment properties could be sold. We cannot give any assurances that such funds would be available.

Furthermore, we may not be able to convert our investment properties to alternative uses if they become unprofitable due to competition, age, demand, supply and other factors. Any conversion of investment properties to alternative uses will generally require substantial capital expenditure for re-fitting or renovation which we cannot assure would be available when needed. These and other factors that impede our ability to respond to adverse changes in the performance of our investment properties may adversely affect our business, financial condition and results of operations.

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

Our operations significantly rely on cash flows from pre-sales of properties as an important source of funding for our project development. Under current PRC laws and regulations, property developers must fulfill certain conditions before they can commence the pre-sale of properties and the pre-sale proceeds may only be used to finance the relevant property developments. In August 2005, the PBOC issued a report entitled “2004 Real Estate Financing Report,” in which it recommended discontinuation of the practice of pre-selling uncompleted properties as it creates significant market risks and generates transactional irregularities. This and other PBOC recommendations have not been adopted by the PRC government. However, there can be no assurance that the PRC government will not adopt such recommendations and abolish the practice of pre-selling uncompleted properties or

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

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

As we pre-sell properties before their actual completion of construction, consistent with the PRC industry practice, domestic banks require us to guarantee repayment obligations of our customers’ mortgage loans. Our guarantee obligations for such mortgage loans continue until we complete the relevant properties and the property ownership certificates and certificates of other interests with respect to the relevant properties are delivered to the mortgagee banks, which generally takes place one year after we deliver possession of the relevant properties to the purchasers, at which time such guarantees are released. If a purchaser defaults on a mortgage loan during our guarantee period, we may have to repurchase the underlying property by paying off the mortgage. If we fail to do so, the mortgagee bank may auction the underlying property and recover any additional amount outstanding from us as the guarantor of the defaulted mortgage loans. In line with industry practice, we do not conduct any independent credit checks on our customers and rely on the result of evaluations by the mortgagee banks relating to such individual customers.

As of December 31, 2006, 2007 and 2008 and June 30, 2009, our outstanding guarantees in respect of our customers’ mortgage loans amounted to Rmb 908.2 million, Rmb 606.5 million, Rmb 533.4 million and 1,287.7 million, respectively, which represented 72.2%, 44.3%, 37.2% and 70.9% of our net assets, respectively. During the Track Record Period and up to the Latest Practicable Date, we encountered one incident of default by purchasers, where the mortgagee bank sued a customer of Excellence Century City for payment in the amount of Rmb 19,259 plus interest. The lawsuit was still pending as of the Latest Practicable Date. As of June 30, 2009, our outstanding guarantees in respect of our customers’ mortgage loans were approximately Rmb 606.5 million. Should substantial defaults occur and if we are called upon to honor our guarantees, our financial condition and results of operations may be adversely affected.

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

Mortgage is becoming an increasingly important means of financing by property purchasers in China. A significant portion of our purchasers rely on mortgages to finance their purchases. An increase in interest rates may significantly increase the cost of mortgage financing and adversely affect the affordability of properties. In addition, the PRC government and commercial banks may also increase the down-payment requirement, impose other conditions or otherwise change the regulatory framework in a manner that would make mortgage financing unavailable or unattractive, or less available or less attractive, to potential property purchasers. Under current PRC laws and regulations, purchasers of residential properties generally must pay at least 20% of the purchase price of the properties before they can finance their purchases through mortgages. Since May 2006, the PRC government has generally increased the minimum amount for down-payments to 30% of the purchase price for first-time home buyers if such property has a unit floor area of 90 square meters or more.

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For second-time home buyers that use mortgage financing, the PRC government-sanctioned minimum down-payment has generally increased to 40% of the purchase price, with minimum mortgage loan interest rates at 110% of the relevant PBOC benchmark interest rate. For commercial property buyers, banks are now not 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 interest rate and maximum maturities of no more than 10 years. If the availability or attractiveness of mortgage financing is reduced or limited, many of our prospective customers may not be able to purchase our properties and, as a result, our business, liquidity and results of operations could be adversely affected.

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

We may suffer losses not covered by insurance

We do not carry comprehensive insurance against all potential losses or damages with respect to our properties before their delivery to customers nor do we maintain insurance coverage against liability from tortious acts or other personal injuries related to our project constructions. We believe that such liabilities should be borne primarily by third-party construction companies. However, we cannot assure you that we will not be sued or held liable for damages due to such tortious acts and other personal injuries. Moreover, there are certain losses for which insurance is not available on commercially practicable terms in China, such as losses suffered due to earthquake, typhoon, flooding, war and civil disorder. If we suffer from any losses, damages or liabilities in the course of our operations and property development, we may not have sufficient financial resources to remedy our damages or to satisfy any potential obligations. In addition, any substantial payment we may be required to make to cover such losses, damages or liabilities may have an adverse effect on our business, results of operations and financial condition.

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

Property development projects require substantial capital expenditures prior to and during the construction period, and construction of a property project may take over a year or longer before it may generate positive cash flow through pre-sales or sales. Meanwhile, the progress and costs for a development project can be adversely affected by many factors, most of which are beyond our control. These factors include:

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

Construction delays or failure to complete the construction of a project according to its planned specifications, schedule or budget as a result of the above factors may adversely affect our results of operations and financial condition and may also cause reputational damage. We cannot assure you that we will not experience any significant delays in completion or delivery of our projects or that we will not be subject to any liabilities for any such delays.

Our failure to meet all requirements for the delivery of completed properties and issuance of property ownership certificates may lead to compensatory liability to our customers

Once a property project has passed the requisite completion inspections, we are required to deliver such completed properties to our customers within the timeframe set out in the property sale and purchase agreements. Delays in project completion caused by factors such as adverse weather conditions and shortages of raw materials or skilled labor may affect our ability to deliver properties to our customers within the specified timeframe. We may become liable for monetary penalties to our customers for delays in property delivery in such circumstances. Delays in project completion may have an adverse impact on our reputation and business operations.

According to PRC law, property developers must meet various requirements within 90 days after delivery of property or such other time period provided in property sale and purchase agreements for the customers to apply for property ownership certificates, including passing various government clearances, formalities and procedures. Property developers, including us, generally elect to specify the deadline for the delivery of the individual property ownership certificates in the sale and purchase agreements to allow sufficient time for the application and approval process. We usually specify in the relevant contracts that we will deliver the property ownership certificates to individual property buyers within 210 to 240 days from the date we obtain the certificates of completion. Our specified

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timeframe is in compliance with the relevant government regulations, and we have not experienced any significant difficulties in fulfilling our obligations to property buyers. Under current PRC regulations, we are required to submit requisite government approvals in connection with our property developments, including land use rights documents and various construction related permits, to the local bureau of land resources and housing administration within 30 days after the receipt of the certificate of completion for the relevant properties and to apply for the general property ownership certificate in respect of these properties. We are then required to submit, within regulated periods after delivery of the properties, the relevant 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 review and its issuance of the individual property ownership certificates in respect of the properties purchased. Delay by the various administrative authorities in reviewing the relevant applications and granting approval as well as other factors beyond our control may affect the delivery of the general as well as individual property ownership certificates on a timely basis. Under current PRC laws and regulations and under our sales and purchase agreements, we are required to compensate our customers for delays in completing our deliverables. We have experienced delays in relation to delivery of completed properties and have paid approximately Rmb 1.3 million to compensate our customers for such delays during the Track Record Period. We cannot assure you that such delays will not occur with respect to our property projects in the future. In case of serious delays on one or more property projects, our business and reputation will be harmed.

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

The appraisal value of our properties as contained in the property valuation report prepared by DTZ Debenham Tie Leung Limited, independent professional surveyors and property valuers, in Appendix IV to this document is based on multiple assumptions that include elements of subjectivity and uncertainty. The assumptions, on which the appraised value of our properties and land bank is based, include that:

- we will develop and complete projects on a timely basis in accordance with our latest development proposals provided to DTZ Debenham Tie Leung Limited and set out in the property valuation report;
- we have obtained or will obtain on a timely basis all approvals from regulators necessary for the development of the projects; and
- we have paid all the land premiums and demolition and resettlement costs and obtained all land use right certificates and transferable land use rights without any payment obligation of additional land premium and demolition and resettlement costs.

If we fail to obtain the approvals from regulators necessary for the development of our projects, some assumptions used by DTZ Debenham Tie Leung Limited in reaching the appraisal values of our properties will prove inaccurate. Therefore, the appraised values of our properties should not be taken as their actual realizable value or a forecast of their realizable value. Unforeseeable changes to the development of the property projects as well as national and local economic conditions may affect the value of our property holdings.

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As for properties which we do not wholly own, their appraised values are allocated to us according to our attributable ownership in the relevant project companies.

As of the date of this document, PRC properties without proper land use right certificates were not assigned any commercial value for purposes of issuing any property valuation report. The Property Valuation Report makes reference to 7 piece of land under the section entitled “Summary of Valuations — Group VI — Property interests contracted to be acquired by the Group in the PRC” that we, as of August 31, 2009, had entered into land grant contracts or equity transfer agreements but had not paid the land premiums in full or satisfied other conditions for obtaining the relevant land use rights certificates. You should not rely on the estimated value of approximately Rmb 18,931.8 million attributable to us as described in the Property Valuation Report, because the issue by the government of the relevant land use rights certificates depends on our timely payment of the requisite land premiums and many other conditions, some of which are beyond our control.

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

Under the PRC laws and regulations, if we fail to develop a property project according to the terms of the land grant contract, including those relating to the payment of land premium, demolition and resettlement costs and other fees, specified use of the land and the time for commencement and completion of the property development, the PRC government may issue a warning, impose a penalty, and/or reclaim our land. 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 issue a warning notice to us and impose a land idle fee on the land of up to 20% of the land premium. If we fail to commence development for more than two years, the land may be subject to reclamation by the PRC government unless the delay in development is caused by government actions or force majeure. Moreover, notwithstanding that the commencement of the land development is in line with the land grant contract, if the developed GFA on the land is less than one-third of the total proposed GFA of the project or if the total invested capital is less than one-fourth of the total investment of the project and the suspension of the development of the land is over one year in time without government approval, the land may be treated as idle land. In September 2007, the Ministry of Land and Resources issued a new notice to further enhance the control of land supply, to require developers to develop land according to the terms of the land grant contracts, and restrict or prohibit any violating developers from participating in future land biddings. In January 2008, the State Council issued a Notice on Promoting the Land Saving and Efficient Use 《關於促進節約集約用地的通知》 to escalate the enforcement of the current rules on idle land management. This notice states, among other things, that the Ministry of Land and Resources and other authorities are required to formulate the implementation rules concerning the levy of additional land appreciation fees (增值地價) 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. As of June 30, 2009, we have properties held for future development with a total site area of approximately 4,045,276

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square meters. As identified below, we have not yet commenced development for some of these properties for more than one or two years from the commencement dates stipulated in the relevant land grant contracts and have not received extension for such properties from the relevant authorities. We have also suspended development of a project without the consent of the land grantor.

No.	Project	Location	Site Area (<i>m</i> ²)	Stipulated commencement date	Idle period	Total land premium (<i>Rmb in millions</i>)	Paid land premium (<i>Rmb in millions</i>)	Whether Group has breached agreed development plan other than timeframe	Whether Group has received notice of fine or forfeiture
1	Qingdao Azure Archipelagos (Phases 2 to 5)	Qingdao, Shandong Province	362,964 ⁽¹⁾	April 30, 2007	More than 2 years ⁽¹⁾	114.3 ⁽¹⁾	114.3	No	No
2	Huizhou Luofushan Project	Huizhou, Guangdong Province	597,329	July 18, 2008	More than 1 year but less than 2 years ⁽²⁾	192.0	192.0	No	No
3	N/A	Shuangliu County, Sichuan Province	60,503	None ⁽³⁾	More than 2 years ⁽³⁾	N/A ⁽³⁾	N/A ⁽³⁾	No	No
4	Shanghai Chengbang Villa (Phase 1)	Shanghai	82,687	N/A ⁽⁴⁾	N/A ⁽⁴⁾	12.3	12.3	No	No

- (1) The land consists of two parcels. The site area and land premium provided here are aggregated amounts. We initially won the auction for a whole tract of land, including these two parcels, but subsequently signed several land grant contracts with respect to different parcels of this tract of land in accordance with planning requirements. While construction has commenced on this tract of land as a whole, it has not yet commenced on the two parcels in question because the tract has a rather sizeable site area. We have received preliminary confirmation from local authorities indicating that this land should not be classified as idle land, but such confirmation is subject to further approval of relevant authorities.
- (2) This land is currently subject to only land idle fee, not reclamation. This land is located in the vicinity of a scenic and historic area. The overall planning of this scenic and historic area is currently subject to revision by the local governmental authorities. Such revision resulted in the need for adjustments of certain infrastructures in the vicinity of this area. As a result of these pending adjustments, we have been unable to commence construction on the land.
- (3) We acquired this land from a third party for a total consideration of Rmb 27.0 million pursuant to a court decision without signing any land grant contract. We received the land use rights certificate on July 23, 2007. When we held the land for future development, an earthquake hit Sichuan Province in May 2008. We subsequently decided not to develop this project as a result of the earthquake risks and signed an agreement in June 2009 to transfer the land to a third independent party. The total transfer price was approximately Rmb 44.5 million, which was based on our initial land acquisition cost, preliminary expenditures on the land and our interest expenses. Pursuant to the agreement, we plan to first transfer the land use rights to Excellence Chengdu and then transfer our 100% equity interest in Excellence Chengdu to the third party. We are currently preparing the documentation for transferring the land use rights to Excellence Chengdu and expect to complete the equity transfer of Excellence Chengdu to the third party by the end of 2009. Our PRC legal counsel have confirmed that the contemplated transfer is legal and not in violation of any PRC laws and regulations. We have not commenced construction on this land.

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This land is recorded under the land use rights during the Track Record Period in the accountant’s report in Appendix IA to this document. The book value of the land is Rmb 27.0 million. Since we have made arrangements to transfer this land to a third party, this land is included in neither the Property Valuation Report nor our land bank. We did not make any provision for the Rmb 27.0 million paid for the land as a result of the Sichuan earthquake because the earthquake did not cause any actual damage to the land. Our decision to transfer the land to a third party is based on our consideration of future commercial risks. We have not made other provisions for this land because (i) we have made arrangements to transfer this land to a third party, who has released us from any liability for land idle fee or reclamation after the contemplated transfer, and (ii) we believe the third party has sufficient financial capability in releasing us from such liabilities.

- (4) We acquired this project in September 2009 by purchasing a 100% equity interest in Shanghai Detian, which owns the project. The development of phase 1 of this project commenced in October 2005 and was suspended in June 2006. The total GFA of phase 1 under development has exceeded one third of the proposed total GFA and our actual investment in phase 1 has exceeded 25% of the total investment approved by the relevant government authority. Based on the above, our PRC legal counsel are of the view that phase 1 should not be deemed as idle land. Under the land grant contract with respect to the land of phase 1 of this project, if Shanghai Detian suspends the development of the project for more than two years without the consent of the land administrative authorities, the government may recover the land use rights. We have submitted our application for adjusting the project planning to the relevant government authority, which has given preliminary approval to our adjustment plan. As a result, our PRC legal counsel are of the view that the government should not recover from us the land use rights for phase 1 of this project.

Our total investment costs incurred for the above land Nos. 1 to 4 are Rmb 508.3 million. As of the Latest Practicable Date, none of the land Nos. 1 to 4 incurred any land idle fees. We have made arrangements to transfer the above land No. 3 to a third party. For land Nos. 1 and 2, we are in the process of consulting relevant authorities with a view to seeking extension of the commencement dates for construction. For land No. 4, we are in the process of re-submitting application in order to resume the development. However, we cannot assure you that we will be able to eventually obtain such extension or approval despite that we have received preliminary confirmation from local authorities indicating land No. 1 should not be classified as idle land. If we are unable to obtain such extension for land No. 2, we may incur a land idle fee in the amount of up to Rmb 38.4 million. If land Nos. 1, 3 and 4 are subject to reclamation, we may not only lose the opportunity to develop the property projects on such land, but may also lose all our past investments in the land in the total amounts of Rmb 114.3 million, Rmb 27.0 million and Rmb 175.0 million, respectively. If land No. 2 remains idle for more than 2 years and we fail to obtain extension of the commencement dates or other approval from relevant authorities, such land parcels may be subject to forfeiture, in which case we may lose all our past investments in the land in the total amounts of Rmb 192.0 million. There can be no assurance that circumstances leading to reclamation, land idle fees or significant delays in our development schedules will not arise in the future.

The PRC government has implemented restrictions on the funding abilities of PRC property developers, which could adversely affect our ability and speed in deploying the funds we raise for our business in China

In July 2007, 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 Registered 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》. Pursuant to this notice, SAFE (i) will not process foreign debt registrations or foreign debt applications for settlement of foreign exchange submitted by real estate enterprises with foreign investments that obtained authorization certificates from the relevant commerce authorities and

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registered with MOFCOM on or after June 1, 2007 and (ii) will not process foreign exchange registrations (or change of such registrations) or applications for settlement and sale of foreign exchange under the capital account submitted by real estate enterprises with foreign investments that obtained approval certificates from local government commerce departments on or after June 1, 2007 but did not register with MOFCOM. This regulation restricts the ability of foreign-invested real estate companies to raise funds offshore for the purpose of injecting such funds into their PRC subsidiaries by way of shareholder loans. Nonetheless, the SAFE notice does not restrict property developers from receiving foreign capital by way of increase of registered capital of the existing foreign-invested companies or the establishment of new foreign-invested project companies, provided that such increase in registered capital or new company establishment has been duly approved by local branches of MOFCOM and registered with or approved by MOFCOM.

We are subject to the notice and have fully complied with its requirements. Subsequent to June 1, 2007, we have registered with MOFCOM the increases of registered capital contribution to our four existing foreign-invested subsidiaries in China and the establishment of two new foreign-invested subsidiaries in China. We intend to inject the net proceeds from this [●] through capital contribution to our newly registered PRC subsidiaries and increased capital contribution to our other PRC subsidiaries. Because of the various timing requirements under the current MOFCOM rules relating to foreign investments in China, we may have to re-apply for approvals from the relevant PRC authorities before we may inject the net proceeds from the [●] into our operations in China. We cannot assure you that we will be able to obtain in a timely manner such approvals or the required registration with MOFCOM. Failure to obtain, or significant delays in obtaining, such approvals or registration may adversely affect our development plans and our operations. Further, we cannot assure you that the PRC government will not introduce new policies and regulations that may further restrict our ability to inject funds raised overseas into China for our operations.

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

Our success and growth depend on the continued services provided by our executive Directors and members of our senior management team. Competition for such managerial talents is intense in the PRC property development sector. We are heavily dependent on Li Wa, Chairman of the Board, and our senior management members, including Li Xiaoping, Vice Chairman of the Board and our president. All of them have extensive experience in the PRC property industry, with in-depth knowledge of various aspects of property development. In case any senior management member leaves and we fail to find and hire a suitable substitute, our business may be adversely impacted. Moreover, along with our steady growth and expansion into other regional markets in China, we will need to employ, train and retain suitable skilled and qualified manages and other employees on a much larger geographical scale. If we cannot attract and retain suitable personnel, our business and future growth will be adversely affected.

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We may not be able to protect our brand, trademarks and other intellectual property rights, which could have a material and adverse impact on our business

We believe that the success of our business depends in part on our continued ability to use and promote our brand and trademarks. To this extent, we rely on the intellectual property laws in China to protect our intellectual properties and any unauthorized use of our intellectual properties could materially and adversely affect our business and reputation.

It is difficult to monitor the unauthorized use of our intellectual properties. Although we have taken what we believe to be appropriate measures to protect our brand, trademarks and other intellectual properties, there can be no assurance that such measures will be adequate to prevent unauthorized use by third parties. Moreover, the application of laws governing intellectual property rights in China is uncertain and evolving and if we are unable to adequately protect our brand, trademarks and other intellectual properties, their value may be compromised and we may even lose our rights, which would adversely affect our business. In addition, the applications for registration of many of our trademarks are still pending. There can be no assurance that such applications will be approved in a timely manner or at all.

We may not be able to control the individual or collective decisions of certain tenants and property owners of our commercial properties, which may be adverse to our interests

We have in the past sold and will continue to sell units within our commercial complexes, including offices in our office buildings, and retail shop outlets in our shopping malls, to purchasers in order to realize better cash flow and free up capital for reinvestment. As the title to such units or outlets vests in the purchases, there can be no assurance that we will be able to control the decision-making process relating to these commercial complexes, including the individual and collective decisions of such property owners or their tenants. If we are unable to control the manner of use of such units or outlets or the way we would operate our commercial complexes in the absence of such difference in opinion or interest, we may not be able to implement the intended use of such units or outlets and such failure may have a material adverse effect on the reputation, operations and value of our commercial complexes.

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

We provide property management services to the owners of our residential and commercial projects through our wholly owned property management subsidiary, Excellence Property Management. 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 property owners have the right to change the property management service provider upon the consent of a certain percentage of property owners. If owners of properties that we have developed choose to terminate our property management services, or our customers are unsatisfied with our property management services, our reputation and property sales may be adversely affected.

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

We may from time to time be involved in disputes with various parties involved in the development and the sale of our properties, including contractors, suppliers, construction companies, original residents, partners and purchasers. You will find more information in the section entitled “Our Business — Legal Proceedings” in this document. These disputes may lead to protests or legal or other proceedings and may result in damage to our reputation, substantial costs and diversion of resources and management’s attention. As most of our projects are comprised of multiple phases, purchasers of our properties in earlier phases may file legal actions against us if our subsequent planning and development of the projects are perceived to be inconsistent with our representations and warranties made to such earlier purchasers. In addition, we may have compliance issues with regulatory bodies in the course of our operations, which may subject us to administrative proceedings and unfavorable decisions that may result in liabilities and cause delays to our properly developments.

We have not fully paid the registered capital of some of our wholly owned subsidiaries in China

The current PRC law requires that the registered capital of a wholly foreign owned enterprise be paid in full by instalments pursuant to its articles of association within two years of its establishment in China. As of the date of this document, we have not fully paid the registered capital of Lianyungang Tianqian, Lianyungang Tianjun, Shenzhen Xinjinze and Shenzhen Xinweiran and Shenzhen Dongrunze in accordance with their initial instalment payment dates.

In accordance with the Notice on Carrying out Joint Annual Review for Year 2009 of Foreign Invested Enterprises 《關於開展2009年外商投資企業聯合年檢工作的通知》 jointly issued by the MOFCOM, the Ministry of Finance, the State Administration of Taxation, SAIC, the National Bureau of Statistics and SAFE and based on our inquiries with the Lianyungang industry and commerce authority, the time period for paying up the remaining registered capital of Lianyungang Tianqian and Lianyungang Tianjun has been extended to the end of 2009. According to the approvals issued by the Trade and Industry Bureau of Futian District of Shenzhen (深圳市福田區貿易工業局), the time period for paying up the remaining registered capital of Shenzhen Xinjinze and Shenzhen Xinweiran has been extended to May 23, 2010 and June 4, 2010, respectively. The time period for paying up the second installment of registered capital of Shenzhen Dongrunze was up to October 15, 2009. We have transferred requisite funds to Shenzhen Dongrunze to make the second installment payment in full and are currently in the process of completing the relevant procedures for such capital injection required by the PRC Law. The remaining registered capital of Lianyungang Tianqian, Lianyungang Tianjun, Shenzhen Xinjinze and Shenzhen Xinweiran that has not been paid as of the date of this document was approximately US\$11.2 million, US\$11.2 million, HK\$8.5 million and HK\$8.5 million, respectively. The second installment of registered capital of Shenzhen Dongrunze is HK\$4.5 million.

Our Original Shareholders, Li Wa and Li Xiaoping, are related to each other and have substantial control over our company and their interests may not be aligned with the interests of our other shareholders

Li Wa, our founder and Chairman of the Board, and Li Xiaoping, Vice Chairman of the Board and our president, who are brothers, beneficially owned 95.0% and 5.0%, respectively, of our outstanding share capital upon completion of our Reorganization and will beneficially own approximately 71.25% and 3.75%, respectively, of our outstanding share capital upon completion of the [●], assuming no exercise by the [●] of their [●], or approximately 67.69% and 3.56%, respectively, of our outstanding share capital if the [●] exercise their [●] in full. As a result, Li Wa

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and Li Xiaoping, by virtue of their controlling ownership of our share capital as well as their positions on our Board, they will be able to exert significant influence over our business and otherwise on matters of significance to us and other shareholders by voting at the general meetings of shareholders or at the meetings of our Board, including:

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

The interests of Li Wa and Li Xiaoping may differ from the interests of other shareholders and they are free to exercise their votes according to their interests. In connection with this [●], each of our Original Shareholders has given an undertaking in the Deed of Non-competition that it and its affiliates, other than our company, will not engage in property development business that may compete with us. To the extent the interests of each of our Original Shareholders has conflict with the interests of other shareholders, the interests of other shareholders can be disadvantaged and harmed.

If we cannot continue to obtain qualification certificates, our business may be adversely affected

As a precondition to engage in property development and property management in China, a company engaging in property development and property management must obtain a qualification certificate and must generally renew it on an annual basis. According to the PRC regulation on qualification of property developers issued in 2000, a newly established property developer must first apply for a provisional qualification certificate with a one-year validity, which can be extended for not more than two years through renewal. If, however, the newly established property developer fails to commence a property development project within the one-year period when the provisional qualification certificate is in effect, it will not be allowed to extend its provisional qualification certificate. More established developers must also apply for renewal of their qualification certificates mostly on an annual basis. It is mandatory under government regulations that developers must fulfill all statutory requirements before they may obtain or renew their qualification certificates. Before commencing business operations, entities engaged in property management are required to obtain qualification certificates of property management enterprises.

We conduct property development through project companies. These project companies must also hold valid qualification certificates to be able to conduct their business. We, including all our project companies, have fully complied with the rules and regulations with regard to obtaining or renewing qualification certificates. However, there can be no assurance that we or our project companies will continue to be able to obtain or renew our qualification certificates in a timely manner, or at all, as and when they expire. If we or our project companies do not possess valid qualification certificates, the government will refuse to issue pre-sale and other permits necessary for the conduct of the property development business. In addition, the government may impose a penalty on us and our

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project companies for failure to comply with the relevant licensing requirements. If we or any of our project companies are unable to meet the relevant requirements, and therefore unable to obtain or renew the qualification certificates, our business and financial condition could be adversely affected.

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, the instruments governing the debt may restrict dividends or other distributions on its equity interest to us. Furthermore, applicable PRC laws, rules and regulations permit payment of dividends by our PRC subsidiaries on a consolidated basis only out of their retained earnings, if any, determined in accordance with the PRC accounting standards. Our PRC subsidiaries are required to set aside a certain percentage of their after-tax profit based on the PRC accounting standards each year for their reserve fund in accordance with the requirements of relevant laws and provisions in their respective articles of associations. As a result, our PRC subsidiaries may be restricted in their ability to transfer any portion of their net income to us in the form of dividends. Any limitation on the ability of our subsidiaries to pay dividends to us could materially adversely limit our ability to grow, make investments or acquisitions that could be beneficial to our businesses, pay dividends or otherwise fund and conduct our business. Under the new PRC Enterprise Income Tax Law and its implementation regulations, 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 such establishment or place of business 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. 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 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 the 10% rate (or the lower treaty rate).

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

We are a Cayman Islands holding company with substantially all of our operations conducted through our operating subsidiaries in China. Under the new PRC Enterprise Income Tax Law that took effect on January 1, 2008, enterprises established outside China whose “de facto management bodies” are located in China are considered “resident enterprises” for PRC tax law purposes and will generally be subject to the uniform 25% enterprise income tax rate as to their global income. Under the implementation regulations issued by the State Council relating to the new PRC Enterprise Income Tax Law, a “de facto management body” is defined as the body that has the significant and overall management control over the business, personnel, accounts and properties of an enterprise. In April 2009, the 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

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enterprises. It, however, remains unclear how the tax authorities will treat an overseas enterprise invested or controlled by another overseas enterprise and ultimately controlled by a PRC individual resident and a Hong Kong permanent resident as is in our case. Although we are currently not treated as a PRC resident enterprise by the relevant PRC tax authorities, substantially all of our management is currently based in China and will remain in China in the future. As a result, we may be treated as a PRC resident enterprise for PRC enterprise income tax purposes and subject to the uniform 25% enterprise income tax as to our global income. You should also read the risk factor entitled “—Dividends payable by us to our foreign investors and gain on the sale of our Shares may become subject to withholding taxes under PRC tax laws” below. If we are treated as such a PRC resident enterprise under the PRC tax law, we could face adverse tax consequences.

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

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

RISKS RELATING TO THE PROPERTY INDUSTRY IN CHINA

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

Along with the economic growth in China, investments in the property sectors have increased significantly in the past few years. In response to concerns over the increase in property investments, from 2004 to the first half of 2008, the PRC government introduced various policies and measures to curtail property developments, including:

- requiring real estate developers to finance, with their internal resources, at least 35% of the total investment property projects;

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- 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;
- suspending land supply for villa construction and restricting land supply for high-end residential property construction;
- requiring that at least 70% of the land supply approved by any local government for residential property development during any given year must be used for developing low to medium-cost and small to medium-size units for sale or as low-cost rental properties;
- requiring that at least 70% of the total development and construction area of residential projects approved or constructed on or after June 1, 2006 in any administrative jurisdiction must consist of units with a unit floor area of less than 90 square meters and that projects which have received project approvals prior to this date but have not obtained construction permits must adjust their planning in order to comply with this new requirement, with the exception that municipalities under direct administration of the PRC central government and provincial capitals and certain cities may deviate from such ratio under special circumstances upon approval from the MOHURD;
- requiring any first-time home owner to pay the minimum amount of down-payment at 30% of the purchase price of the underlying property if the underlying property has a unit floor area of 90 square meters or more and the purchaser is buying the property as a primary residence;
- requiring any second-time home buyer to pay an increased minimum amount of down-payment at 40% of the purchase price of the underlying property and an increased minimum mortgage loan interest rate at 110% of the relevant PBOC benchmark lending interest rate;
- 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, with commercial banks 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;
- limiting the grant or extension of revolving credit facilities to property developers that hold a large amount of idle land and vacant commodity properties; and
- imposing more restrictions on the types of property developments that foreign investments may engage in.

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Although since the middle of 2008, in order to combat the impact of the global economic slowdown, the PRC government has adopted measures to encourage consumption in the residential property market and to support real estate development, we cannot assure that the PRC government will not change or modify these temporary measures in the future. For more information on the various restrictive measures taken by the PRC government, you should refer to “Appendix VI — Summary of PRC Laws Relating to the Property Sector” in this document. These measures may limit our access to capital resources, reduce market demand for our products and increase our operating costs in complying with these measures. We cannot assure you that the PRC government will not adopt additional and more stringent measures, which could further slow down property development in China and adversely affect our business and prospects.

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 breaches of such undertakings. For example, if we pre-sell a property project and we fail to complete that property project, we will be liable to the purchasers for their losses. Should we fail to complete a pre-sold property project on time, our purchasers may seek compensation for late delivery pursuant to either their contracts with us or relevant PRC laws and regulations. If our delay extends beyond a specified period, our purchasers may terminate the pre-sale contracts and claim compensation. We have experienced delays in relation to delivery of completed properties and have paid approximately Rmb 1.3 million to compensate our customers for such delays during the Track Record Period. However, we cannot assure you that we will not experience delays in completion and delivery of our projects in the future.

The real estate market in China is volatile

The PRC real estate market is volatile and may experience undersupply or oversupply and significant property price fluctuations. The PRC central and local governments frequently adjust monetary, fiscal or other economic policies to prevent and curtail the overheating of the economies, which may affect the real estate market in China. From time to time, the central and local governments make policy adjustments and adopt new regulatory measures in an effort to control the overdevelopment in the real estate market in China. The central and local governments have taken a variety of measures to discourage speculation in the residential property market and to increase the supply of affordable housing. Such policies may lead to changes in market conditions, including price instability and an imbalance of supply and demand in respect of commercial, residential, retail and hotel properties which may materially and adversely affect our business and financial condition. We cannot assure you that there will not be overdevelopment in the real estate markets in China, which may cause an oversupply of properties that depress the price and result in an undersupply of potential development sites or increase the cost of land acquisitions in the markets where we operate. Such effects may adversely affect our business and financial condition.

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Intensified competition may adversely affect our business and our financial position

In recent years, many property developers, including overseas property developers, have entered into the property development markets in the regions of China where we have operations. Our existing and potential competitors include domestic developers, as well as developers from Hong Kong and elsewhere. Some of them may have greater marketing, financial, technical or other resources than us and greater economies of scale, broader name recognition and more established relationships in certain markets. Competition among property developers may cause an increase in land premiums and raw material costs, shortages in quality construction contractors, surplus in property supply leading to decreasing property prices, further delays in issuance of government approvals and higher costs to attract or retain talented employees. Moreover, residential property markets across China are influenced by various other factors, including changes in economic conditions, banking practices and consumer sentiments. If we fail to compete effectively, our business operations and financial condition could be adversely affected.

Potential liability for environmental damages could adversely affect our business and financial condition

We are subject to a variety of laws and regulations concerning the protection of health and environment. The particular environmental laws and regulations that 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. Efforts taken to comply with environmental laws and regulations may result in delays in development, may cause us to incur substantial compliance costs and can prohibit or severely restrict project development activity in environmentally-sensitive regions or areas. As required by PRC laws and regulations, each project we develop is required to undergo environmental assessments and we are required to submit an environmental impact assessment report to the relevant government authorities for approval before commencement of construction. Although the environmental audits conducted by the relevant PRC environmental protection agencies to date have not revealed any environmental violations that we believe would have a material adverse effect on our business, financial condition or results of operations, it is possible that there are potential environmental liabilities of which we are unaware. In addition, we cannot ensure that our operations will not result in environmental liabilities or that our contractors will not violate any environmental laws and regulations in their operations that may be attributed to us.

RISKS RELATING TO CHINA

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

The PRC economy differs from the economies of most of the developed countries in many aspects, including:

- political structure;
- the amount and degree of the PRC government involvement and control;

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- growth rate and degree of development;
- level and control of capital investment and reinvestment;
- control of foreign exchange; and
- allocation of resources.

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

In addition, many of the economic reforms carried out by the PRC government are unprecedented or experimental and are expected to be refined and improved over time. Other political, economic and social factors may also lead to further adjustments of the reform measures. This refining and adjustment process may not necessarily have a positive effect on our operations and business development. For example, the PRC government has in the past implemented a number of measures intended to slow down certain segments of the economy, including the real estate industry, that the government believed to be overheating, such as raising benchmark interest rates of commercial banks, reducing currency supply and placing additional limitations on the ability of commercial banks to make loans by raising bank reserves against deposits. These actions, as well as other actions and policies of the PRC government could cause a decrease in the overall level of economic activity, and in turn have an adverse impact on our business and financial condition.

Changes in PRC foreign exchange regulations may adversely affect the value of your investment

The PRC government imposes controls on the convertibility between Renminbi and foreign currencies and the remittance of foreign exchange out of China. We receive all our operating revenue in Renminbi. Under existing PRC foreign exchange regulations, payments of current account items may be made in foreign currencies without prior approval from SAFE by complying with certain procedural requirements. However, approval from appropriate government authorities is required when Renminbi is converted into foreign currencies and remitted out of China for capital account transactions, such as the repatriation of equity investment in China and the repayment of the principal of loans denominated in foreign currencies. Such restrictions on foreign exchange transactions under capital accounts also affect our ability to finance our PRC subsidiaries. Subsequent to this [●], we have the choice, as permitted by the PRC foreign investment regulations, to invest our net proceeds from this [●] in the form of registered capital of our PRC subsidiaries to finance our operations in China. Our choice of investment is affected by the relevant PRC regulations with respect to capital-account and current-account foreign exchange transactions in China. In addition, the transfer of funds between us and our subsidiaries in China is subject to approval by PRC government authorities in the case of an increase in registered capital. These limitations on the flow of funds between us and our PRC subsidiaries could restrict our ability to act in response to changing market conditions and 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.

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Fluctuations in the value of Renminbi may adversely affect our business and the value of distributions by our PRC subsidiaries

The value of Renminbi depends, to a large extent, on China’s domestic and international economic, financial and political developments and government policies, as well as the currency’s supply and demand in the local and international markets. For over 10 years from 1994, the conversion of Renminbi into foreign currencies were based on exchange rates set and published daily by the PBOC in light of the previous day’s inter-bank foreign exchange market rates in China and the then current exchange rates on the global financial markets. The official exchange rate for the conversion of Renminbi into the U.S. dollar was largely stable until July 2005. On July 21, 2005, the PBOC revalued Renminbi by reference to a basket of foreign currencies, including the U.S. dollar. As a result, the value of Renminbi appreciated by more than 2% on that day. Since then, the PRC central bank has allowed the official Renminbi exchange rate to float against a basket of foreign currencies. There can be no assurance that such exchange rate will not fluctuate widely against the U.S. dollar or any other foreign currency in the future. Since our income and profits are denominated in Renminbi, any appreciation of Renminbi will increase the value of dividends and other distributions payable by our PRC subsidiaries in foreign currency terms. Conversely, any depreciation of Renminbi will decrease the value of dividends and other distributions payable by our PRC subsidiaries in foreign currency terms. Fluctuation of the value of Renminbi will also affect the amount of our foreign debt service in Renminbi terms since we have to convert Renminbi into foreign currencies to service our indebtedness denominated in foreign currencies.

Interpretation of PRC laws and regulations involves uncertainty and the current legal environment in China could limit the legal protections available to you

Our core business is conducted in China and is governed by PRC laws and regulations. Our principal operating subsidiaries are located in China and are subject to PRC laws and regulations. The PRC legal system is a civil law system based on written statutes, and prior court decisions have little precedent value and can only be used as a reference. Additionally, PRC written statutes are often principle-oriented and require detailed interpretations by the enforcement bodies to further apply and enforce such laws. Since 1979, the PRC legislature has promulgated laws and regulations in relation to economic matters such as foreign investment, corporate organization and governance, commercial transactions, 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 the PRC laws and regulations involves a degree, sometimes a significant degree, of uncertainty. 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. 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 limit the legal protections available to foreign investors including you.

RISK FACTORS

The national and regional economies in China and our prospects may be adversely affected by natural disasters, acts of God, and occurrence of epidemics

Our business is subject to general economic and social conditions in China. Natural disasters, epidemics and other acts of God which are beyond our control may adversely affect the economy, infrastructure and livelihood of the people in China. Some regions in China, including the cities where we operate, are under the threat of flood, earthquake, sandstorm, snowstorm, fire, drought, or epidemics such as Severe Acute Respiratory Syndrome, or SARS, H5N1 avian flu or the human swine flu, also known as Influenza A (H1N1). For instance, a serious earthquake and its successive aftershocks hit Sichuan province in May 2008 and resulted in tremendous loss of lives and destruction of assets in the region. In addition, past occurrences of epidemics, depending on their scale, have caused different degrees of damage to the national and local economies in China. A recurrence of SARS or an outbreak of any other epidemics in China, such as the H5N1 avian flu or the human swine flu, especially in the cities where we have operations, may result in material disruptions to our property development and our sales and marketing, which in turn may adversely affect our financial condition and results of operations.

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

Facts, forecasts and other statistics in this document relating to China, the PRC economy and the PRC real estate industry have been derived from various official government publications generally believed to be reliable. However, we cannot guarantee the quality or reliability of such source materials. They have not been prepared or independently verified by us or any of our affiliates or advisors and, therefore, we make no representation as to the accuracy of such facts, forecasts and statistics, which may not be consistent with other information compiled within or outside China. We have, however, taken reasonable care in the reproduction and/or extraction of the official government publications for the purpose of disclosure in this document. Due to possibly flawed or ineffective collection methods or discrepancies between published information and market practice, these facts, forecasts and statistics in this document may be inaccurate or may not be comparable to facts, forecasts and statistics produced with respect to other economies. Further, there can be no assurance that they are stated or compiled on the same basis or with the same degree of accuracy as the case may be in other jurisdictions. Therefore, you should not unduly rely upon the facts, forecasts and statistics with respect to China, the PRC economy and the PRC real estate industry contained in this document.

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

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

RISK FACTORS

China does not have treaties providing for the reciprocal recognition and enforcement of judgments of courts with the Cayman Islands and many other countries and regions. Therefore, recognition and enforcement in China of judgments of a court in any of these non-PRC jurisdictions in relation to any matter not subject to a binding arbitration provision may be difficult or impossible.

DIRECTORS

Name	Address	Nationality
<i>Executive Directors</i>		
Li Wa (李華)	Unit 309, Block 13 Eastern Area Huaifu Village, Futian District Shenzhen, Guangdong Province China	Hong Kong, China
Li Xiaoping (李曉平)	Unit 202, Block 15 Lianghuaer Village, Futian District Shenzhen, Guangdong Province China	China
Wang Dou (王斗)	Luohu Hospital Dormitory 47 Youyi Road, Luohu District Shenzhen, Guangdong Province China	China
Xie Limin (謝利民)	Unit 27D, Block 37 Shenzhen Cote d’Azur Phase 3 Shenzhen, Guangdong Province China	China
Duan Shijun (段世軍)	Unit 106, Block 12 Yinglun Mingyuan (Phase 3) 27 Shahexi Road Nanshan District Shenzhen, Guangdong Province China	China
Zhang Yuan (張遠)	Unit 12B, Block 15 Shenzhen Cote d’Azur Phase 2 Shenzhen, Guangdong Province China	China
Tam Lai Ling (譚禮寧)	5B, Hong Villa 12 Bowen Road Mid-Levels Hong Kong	British
<i>Independent Non-executive Directors</i>		
Shek Lai Him Abraham (石禮謙)	Flat C, 13/F 39 MacDonnell Road Hong Kong	Hong Kong, China

DIRECTORS

Ho Chi Ping Patrick (何志平)	Flat A, 10th Floor Block 1, Estoril Court 55 Garden Road Hong Kong	Hong Kong, China
Kenny Tam King Ching (譚競正)	Flat E, 13/F, Tower 6 The Belcher’s 89 Pok Fu Lam Road Hong Kong	Hong Kong, China

CORPORATE INFORMATION

Registered office and headquarters in China	22nd Floor, Excellence Mansion No. 98 Fuhua First Road Futian Central District Shenzhen, Guangdong Province China
Place of business in Hong Kong	Suite 3603, 36th Floor Citibank Tower 3 Garden Road Central, Hong Kong
Registered office in the Cayman Islands	Cricket Square Hutchins Drive P.O. Box 2681 Grand Cayman KY1-1111 Cayman Islands
Company secretary	Leung Yau Bong, CPA
Authorized representatives	Tam Lai Ling 5B, Hong Villa 12 Bowen Road Mid-levels, Hong Kong Leung Yau Bong Room 2120, Tung Cheong House Lei Tung Estate Aberdeen, Hong Kong
Audit committee	Kenny Tam King Ching (<i>Chairman</i>) Shek Lai Him Abraham Ho Chi Ping Patrick
Remuneration committee	Li Wa (<i>Chairman</i>) Shek Lai Him Abraham Kenny Tam King Ching
Nomination committee	Li Wa (<i>Chairman</i>) Shek Lai Him Abraham Kenny Tam King Ching
Cayman Islands principal share registrar	Butterfield Fulcrum Group (Cayman) Limited Butterfield House, 68 Fort Street P.O. Box 609, George Town Grand Cayman KY1-1107 Cayman Islands

CORPORATE INFORMATION

Hong Kong Share Registrar	Computershare Hong Kong Investor Services Limited Shops 1712-1716, 17th Floor Hopewell Centre 183 Queen’s Road East Wanchai, Hong Kong

Compliance advisor	Anglo Chinese Corporate Finance Limited 40th Floor, Two Exchange Square 8 Connaught Place Central, Hong Kong

Principal bankers	Industrial and Commercial Bank of China Limited Shenzhen Branch North Tower, Finance Center Shennandong Road Shenzhen, Guangdong Province, China China Construction Bank Limited Shenzhen Branch CCB Building, Finance Center Honglingnan Road Shenzhen, Guangdong Province, China Bank of China Limited Shenzhen Branch International Finance Building 2022 Jianshe Road Shenzhen, Guangdong Province, China Agricultural Bank of China Shenzhen Branch ABC Building 5088 Shennan Road Shenzhen, Guangdong Province, China

Company website	<u>www.excegroup.com</u> (information contained on the website does not form a part of this document)

INDUSTRY OVERVIEW

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

CHINA'S ECONOMY

The PRC economy has grown significantly since the PRC government introduced economic reforms in the late 1970s. China's accession to the World Trade Organization, or WTO, in 2001 has further accelerated the reform of the PRC economy. China's GDP increased from approximately Rmb 16.0 trillion in 2004 to approximately Rmb 30.1 trillion in 2008 at a compound annual growth rate, or CAGR, of approximately 17.1%. GDP per capita in China reached approximately Rmb 22,640 in 2008, representing an increase of approximately 19.6% over 2007. Per capita disposable income reached approximately Rmb 15,781 in 2008, representing an increase of approximately 14.5% over 2007. Investments in real estate in China were approximately Rmb 3.1 trillion in 2008, representing an increase of approximately 20.9% over 2007. You should note that the following statistical conventions apply to this section in accordance with the disclosures made by the relevant statistical agencies in China:

- Population for any locality means the total population of that locality (also known as the permanent population) unless otherwise stated;
- GDP per capita for any locality is calculated on the basis of the total population of that locality (also known as the permanent population) unless otherwise stated; and
- Per capita disposable income for any locality is based on a sample survey in such locality and does not relate to any measure of population.

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The table below sets out selected economic statistics for China for the years indicated.

	2004	2005	2006	2007	2008
GDP (Rmb in billions)	15,987.8	18,321.7	21,192.4	24,953.0	30,067.0
Real GDP growth rate (%)	10.1	10.4	11.6	11.9	9.0
GDP per capita (Rmb).....	12,336	14,053	16,165	18,934	22,640 ⁽¹⁾
Real GDP per capita growth rate (%)	9.4	9.8	11.0	11.4	N/A
Total imports and exports (US\$ in billions).....	1,154.6	1,421.9	1,760.4	2,173.7	2,561.6
Utilized FDI (US\$ in billions)	60.6	60.3	63.0	74.8	92.4
Per capita disposable income (Rmb).....	9,422	10,493	11,760	13,786	15,781
Total savings of urban households (Rmb in billions)	11,955.5	14,105.1	16,158.7	17,253.4	21,788.5

Source: China Statistical Yearbook 2008; Provisional figure from China Statistical Announcement 2008

(1) The GDP per capita in 2008 was calculated by dividing the GDP by the population, while the remaining data is extracted from relevant yearbooks directly.

CHINA'S PROPERTY MARKETS

The development of the PRC property markets did not commence until the 1990s. Prior to such reform, the PRC property development industry was part of the nation's centrally planned economy. In the 1990s, the PRC government initiated housing reform and, as a result, China's real estate and housing sector began the transition to a market-based system. A brief timeline of key housing reforms is set out below:

1988	The NPC amended the national constitution to permit the transfer of state-owned land use rights
1992	Sale of formerly public housing commenced in major cities
1994	The PRC government further implemented reforms and established an employer/employee-funded housing fund, and issued regulations regarding pre-sale of commodity housing in cities
1995	The PRC government issued regulations regarding the transfer of properties, establishing a regulatory framework for sale of properties
1998	The PRC government abolished the state-allocated housing policy

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1999	The PRC government extended the maximum mortgage term to 30 years The PRC government increased the maximum mortgage financing ratio from 70% to 80% The PRC government formalized procedures for the sale of properties in the secondary market
2000	The PRC government issued regulations to standardize the quality of construction projects, establishing a framework for controlling construction quality
2001	The PRC government issued regulations relating to the sale of commodity properties
2002	The PRC government promulgated rules requiring that state-owned land use rights be granted by way of tender-auction-listing The PRC government eliminated the dual system for domestic and overseas home buyers in China
2003	The PRC government promulgated rules to require more stringent administration of real estate financing for the purpose of reducing credit and systemic risks associated with such financing The State Council issued a notice to promote the sustainable and healthy development of the real estate market
2004	The State Council issued a notice to require that real estate development projects (excluding affordable housing programs) be financed by developers’ own capital funds accounting for at least 35%, rather than 20%, of the total projected capital outlay for such projects The Ministry of Construction amended rules on the pre-sale of commodity housing in cities The CBRC issued guidelines to commercial banks to further tighten their risk control over real estate financing
2005	The PRC government adopted additional measures to discourage speculation in the real estate market, such as increasing the minimum down payment ratio to 30% of the total purchase price in selected cities where housing prices increased too fast, eliminating the preferential mortgage interest rate for residential housing, imposing a business tax of 5% on the proceeds from sales that occur within two years of purchase and prohibiting resale of unfinished properties
2006	The PRC government implemented additional land supply, bank financing and other measures to curb rapid increases in property prices, to encourage the development of mid-to-low-end housing and to promote healthy development of the property industry

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- 2007 The PRC government issued regulations to increase the annual land use tax, and to start imposing such land use tax on foreign invested enterprises as well
- The Ministry of Land and Resources issued regulations that land use rights certificates may not be issued unless and until all land premium has been paid with respect to the whole land lot under a land grant contract, which effectively stopped the practice of issuing land use rights certificates in installments
- The CBRC issued notices to strengthen the administration over real estate financing, prohibiting commercial banks from extending loans to real estate developers solely for payment of land premium
- The MOFCOM and the SAFE issued a notice to further strengthen the approval requirement and supervision on foreign investment in real estate sector, which requires the filing with the MOFCOM for establishment of foreign-invested real estate entities or increase of registered capital for such entities
- 2008 The State Council issued a circular to urge all local governments to enforce its policies on idle land, which mandate that a piece of land idle for two full years or longer must be withdrawn unconditionally subject to reuse
- The PRC government issued regulations to promote the development of real estate market and to encourage the purchase of ordinary commodity housing
- 2009 The State Council issued a notice to require that the minimum ratio of capital fund for low-to-mid-income housing and ordinary commodity housing projects be 20% and that the minimum ratio of capital fund for other real estate projects be 30%

For additional information on housing reforms and recent regulatory developments with respect to China’s real estate industry, see the section entitled “Summary of PRC Laws Relating to the Property Sector” in Appendix VI to this document. |

Housing reforms, together with economic growth, the emergence of the mortgage lending market and rapid urbanization are key factors in creating a real estate market in China and in sustaining the growth of China’s real estate market. These and other government housing reform measures will continue to encourage private housing ownership in China. According to the National Bureau of Statistics, China’s urbanization rate rose from approximately 41.8% in 2004 to approximately 45.7% in 2008. The increase in the urban population of China will likely result in an increase in demand for residential and commercial properties.

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The table below shows China’s urbanization rate for the periods indicated.

	2004	2005	2006	2007	2008
Total population (millions).....	1,299.9	1,307.6	1,314.5	1,321.3	1,328.0
Urban population (millions)	542.8	562.1	577.1	593.8	606.7
Urbanization rate (%).....	41.8	43.0	43.9	44.9	45.7

Source: China Statistical Yearbook 2008; Provisional figure from China Statistical Announcement 2008

Measures Taken by the PRC Government in Recent Years Relating to the Real Estate Market

Since 2004, in order to prevent China’s economy from expanding too rapidly and to achieve balanced and sustainable economic growth, the PRC government has taken measures to control money supply, credit availability and fixed assets investment. The PRC government has also taken measures to discourage speculation in the residential property market and to increase the supply of affordable housing rather than high-end residential properties. In response to concerns over the scale of the increase in property investment, the PRC government has introduced policies and measures to restrict such increase, including but not limited to:

- limiting the monthly mortgage payment ratio to 50% of an individual borrower’s monthly income and limiting all monthly debt service payments of an individual borrower to 55% of his or her monthly income;
- requiring real estate developers to finance 35% rather than 20% of the total projected capital outlay of any property development project with their own capital funds;
- increasing the required reserve ratio of funds that a commercial bank must hold on deposit from 7.5% in first half of 2006 to 17.5% in June 2008, effectively reducing the amount of money a bank is able to lend;
- increasing the PBOC benchmark lending interest rates and public housing fund lending rates, with the PBOC one-year benchmark lending interest rate at 5.31% and the public housing fund lending rates at 3.33% for loans with maturities of no more than five years and 3.87% for loans with maturities of over five years in December 2008; and
- tightening regulations governing mortgage lending and restricting approval of new large-scale development sites.

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On May 9, 2005, the General Office of the State Council issued the Notice on the Opinions of the Ministry of Construction and other Departments on Stabilizing Property Prices 《國務院辦公廳轉發建設部等部門關於做好穩定住房價格工作意見的通知》 followed by a set of new measures. As a result:

- from June 1, 2005, a business tax would be levied on the proceeds from sales of properties, depending upon the length of the holding period and the type of properties;
- resale of acquired interests in uncompleted properties was banned;
- a land idle fee would be imposed on land the development of which does not commence within one year of the commencement date stipulated in the land grant contract and the land use rights would be cancelled for land sitting idle for two years or more;
- planning permits would be revoked if the projects fail to comply with their respective planning permits; and
- land provision for villa construction was banned and land provision for high-end residential property construction was restricted.

On May 24, 2006, the General Office of the State Council promulgated the Opinion on Adjusting Housing Supply Structures and Stabilizing Housing Prices 《關於調整住房供應結構穩定住房價格的意見》 (the “Notice 37”) jointly prepared by nine ministerial departments, including the Ministry of Construction, the NDRC, the Ministry of Land and Resources and the State Administration of Taxation. Notice 37 was aimed at guiding and promoting sustainable and healthy development of the real estate industry through adjusting housing supply structures and curbing soaring housing prices. As a result of the introduction of Notice 37:

- from June 1, 2006 and with respect to newly approved and newly commenced commodity property construction, the ratio of residential housing with a GFA of less than 90 square meters (including affordable housing) must reach more than 70% of the total GFA for development and construction. Projects that have been approved but have not obtained construction permits should be adjusted accordingly to the extent that those projects are not in line with the above ratio requirement;
- from June 1, 2006, a business tax of 5% would be levied on the proceeds from sales of residential housing purchased and held for less than five years, and a business tax of 5% would be levied on gains realized with respect to non-ordinary commodity residential properties even after the lapse of five years;

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- commercial banks shall not make loans to developers whose project capital ratio is less than 35%, so as to restrict developers’ practice of financing land acquisitions and house reservations by using bank loans. Commercial banks should exercise due caution strict control when they make loans to developers in possession of relatively large areas of idle land and/or unsold commodity properties. Commercial banks should not accept commodity properties unsold and/or left idle for over three years as security for their loans; and
- from June 1, 2006 and with respect to property mortgages, down payments should be at a minimum of 30%. A down payment of 20% would still be applicable with respect to purchases of housing for buyers’ own use with a GFA of less than 90 square meters.

On May 30, 2006, the State Administration of Taxation issued a Circular on Issues of Strengthening Levy of Business Tax on Residential Housing 《關於加強住房營業稅徵收管理有關問題的通知》 which further confirmed the policies provided under Notice 37 with respect to the levy of business tax on the transfer of residential housing.

The Ministry of Construction promulgated the Supplemental Opinion on Implementing Ratio Requirements for the Structural Composition of Newly-Constructed Residential Buildings 《關於落實新建住房結構比例要求的若干意見》 on July 6, 2006 to clarify the scope of application of the restriction contained in Notice 37. Based on the supplemental opinion, the restriction relates to all new residential projects within a city taken as a whole. This means that for any given city, at least 70% of the total GFA for development and construction within that city shall consist of residential housing with a GFA under 90 square meters. Unlike any project-specific requirement, the application of such citywide restrictions will vary from city to city.

Notice 37 calls for sustainable land supplies for low-to-mid-price and small-to-mid-size ordinary commodity properties, as well as a continued curb of land supplies for housing projects such as villas and other low-density and luxury housing. On May 30, 2006, the Ministry of Land and Resources issued the Urgent Notice on Further Tightening of Land Administration 《關於當前進一步從嚴土地管理的緊急通知》, which reiterates the aforesaid land supply policies specified in Notice 37 and provides that land supply for villa development projects and the processing of relevant land use procedures be suspended.

Notice 37 also requires land and planning administrative authorities to strengthen the supervision over land development. Higher levels of charges on idle land should be levied where the construction has not been commenced within one year after the commencement date as set forth in the relevant land grant contract. Land use rights should be revoked where construction has not commenced within two years after the commencement date as set forth in the land grant contract. Land should be considered as idle even if the construction is carried out according to the contract, where (1) the suspension of land development lasts consecutively for one year or longer without approval from the applicable authorities, and (2) the land developed is less than one-third of the total development area or the investment for land development is less than one-fourth of the total amount, exclusive of payment of land premium. With respect to idle land, a land idle fee equal to a maximum of 20% of the land

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premium may be levied where development work has not commenced one year after the stipulated date of commencement as set forth in the land grant contract, and land use rights may be revoked where development is not commenced two years after such stipulated date in accordance with the Measures on Disposing Idle Land 《閑置土地處置辦法》issued by the Ministry of Land and Resources on April 28, 1999.

On July 11, 2006, the Ministry of Construction, the MOFCOM, the NDRC, the PBOC, the SAIC and the SAFE jointly issued the Opinion on Regulating the Access and Administration of Foreign Capital in the Real Estate Market 《關於規範房地產市場外資准入和管理的意見》 (the “Opinion 171”). Opinion 171 aims to regulate foreign investment in the domestic property market and to strengthen the oversight of property purchases by foreign-invested enterprises. Opinion 171 also provides stricter standards for foreign investors to purchase real property in China not intended for personal use.

On December 28, 2006, the State Administration of Taxation issued the Notice on the Administration of the Settlement of Land Appreciation Tax of Property Development Enterprises 《關於房地產開發企業土地增值稅清算管理有關問題的通知》 to strengthen collection of LAT effective February 1, 2007.

On March 16, 2007, the NPC promulgated the Properties Rights Law of the People’s Republic of China 《中華人民共和國物權法》 effective October 1, 2007, which provides that the construction land use rights may be created through grant, allocation or other means. As regards the land used for purposes of industry, business, tourism, entertainment or commodity housing, as well as the land with two or more intended users, such land must be granted through tender, auction or listing-for-sale. Creation of construction land use rights through allocation is strictly limited.

On May 23, 2007, the MOFCOM and the SAFE jointly issued the Notice on Further Strengthening and Regulating the Approval and Supervision of 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》 to impose stricter requirements on foreign-invested real estate enterprises.

On July 10, 2007, the General Department of the SAFE issued the Notice Regarding the Publication of the First Group of Real Estate Enterprises 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》 to restrict foreign-invested real estate companies from raising funds offshore to inject into their companies in China by way of shareholder loans.

On September 27, 2007, the PBOC and the CBRC jointly issued the Circular on Strengthening the Administration of Commercial Real Estate Credit 《關於加強商業性房地產信貸管理的通知》, which provides that when a borrower applies for individual home loans for his or her first self-used residential unit with a GFA of more than 90 square meters, the first instalment must be at least 30% of the purchase price. With respect to loan application for purchases of additional residential unit(s), the first instalment should not be less than 40% of the purchase price, and the loan interest should not

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be lower than 1.1 times of the then benchmark lending rate published by the PBOC. The amount of the first instalment and interest of the loan should increase as the borrower purchases more residential units. The circular also provides that loans obtained from commercial banks must be used solely for the property developments in the region where the lending bank is located.

In accordance with the Regulations on the Grant of State-owned Construction Land Use Rights Through Public Tender, Auction and Listing-for-sale 《招標拍賣掛牌出讓國有建設用地使用權規定》 issued by the Ministry of Land and Resources on September 28, 2007 and effective November 1, 2007, land for industry, business, tourism, entertainment, and commodity housing development shall be granted by means of tender, auction or listing-for-sale. No land use rights certificates shall be issued before 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 upon partial payment of the land premium. Our PRC legal advisor has advised us that the regulations do not prohibit us from paying the land premium by instalments if such arrangement is stipulated under the land grant contract.

On September 30, 2007, the Ministry of Land and Resources issued Notice on Implementation of the State Council's Certain Opinions on Resolving Residence Difficulties of Urban Low-income Families 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 provides that the supply of the land to be developed for low-rent housing, affordable 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 piece of land and increase the number of pieces to be supplied in order to prevent the coemption of land by property developers. The developers shall develop land according to the terms of the land grant contract, and any violation of such contract may restrict or prevent such developers from participating in future land bidding. Generally, the development period of each piece of land shall not exceed three years.

On October 31, 2007, the MOFCOM and the NDRC jointly issued a revised Foreign Investment Industrial Guidance Catalogue 《外商投資產業指導目錄》 effective December 1, 2007, which provides, among other things, that the development and construction of ordinary residential properties should be removed from the category of industries in which foreign investment is encouraged and emphasizes that the development and construction of villas, premium office buildings, international conference and exhibition centers and high-end hotels by foreign investment enterprises is restricted.

In order to control the land market and promote reasonable land utilization, the Ministry of Land and Resources, Ministry of Finance and PBOC jointly promulgated the Administration Measures on Land Reserve 《土地儲備管理辦法》 on November 19, 2007, which regulates the land development and land reserve before the land and resources authorities grant land according to relevant laws and regulations. Pursuant to the measures, the establishment of land reserve should be implemented by land reserve entities, which should be public institutions affiliated with the land and resources authorities at city or county level. The contractors shall be elected through public tender to conduct the land development involving road development, supply of water, power and gas, telecommunications, lighting, landscaping and land leveling.

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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 number of mortgage loans should be calculated on a family basis. Pursuant to the circular, family includes the borrower and the borrower’s spouse and minor children.

On January 3, 2008, the State Council issued a Notice of the State Council on Promoting the Land Saving and Intensive Use 《關於促進節約集約用地的通知》 with respect to the collection of additional land premium, establishment of a land utilization priority planning scheme and the formulation of a system for assessing the optimal use of land and other measures. The notice urges the full and effective use of existing construction land and the preservation of farming land. The notice also emphasizes the enforcement of the current rules on land idle fee for any land left idle for over one year but less than two years, with such land idle fee charged at 20% of the land 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 failed to invest at least 25% of the total investment within one year of the construction commencement date stipulated in the land grant contract. Pursuant to the notice, the relevant governmental authorities will formulate and issue further rules and regulations on such requirements. 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.

On December 20, 2008, the General Office of the State Council issued Certain Opinions on Promoting the Healthy Development of Real Estate Market 《國務院辦公廳關於促進房地產市場健康發展的若干意見》 to expand domestic demand and promote the healthy development of real estate. The opinion provides that, among other things:

- while the policy of preferential treatments on mortgage rate and down-payment percentage applies to those who purchase ordinary housing for their own use on first mortgage, similar policy may be, with necessary changes, applied to those whose living space is below local average standard and who apply for mortgage to purchase a second ordinary housing unit to improve living condition. For others who purchase their second or more housing units, mortgage rate will be determined by commercial banks based on benchmark interest rate with consideration of relevant risk factors.
- from January 1, 2009 to December 31, 2009, the business tax exemption will apply to transfer of ordinary housing that has been held over two years (including two years). For those who transfer ordinary housing that has been purchased for less than two years, the business tax will be levied on the total proceeds minus such housing’s original purchase

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price. The business tax on transfer by individuals of non-ordinary housing purchased two years or more ago will be calculated based on the proceeds from the transfer minus such housing’s original purchase price. For transfer of non-ordinary housing purchased for less than two years, business tax calculation will still be based on the total proceeds from the transfer.

On March 6, 2009, the State Administration of Taxation issued Measures Relating to Enterprise Income Tax Treatment of Real Estate Entities 《房地產開發經營業務企業所得稅處理辦法》to address the application of income tax to real estate enterprises, taking into account the changes in the PRC Enterprise Income Tax Law and the unique features of the real estate industry. For more information, see the section entitled “Summary of PRC Laws Relating to the Property Sector” in Appendix VI to this document.

On May 25, 2009, the State Council issued the Notice on Adjusting the Portion of Capital Fund for Fixed Assets Investment 《國務院關於調整固定資產投資項目資本金比例的通知》, under which the minimum capital ratio of low-to-mid-income housing and ordinary commodity housing projects shall be 20% and the minimum capital ratio of other real estate projects shall be 30%.

Commodity Property Sales

Demand for real estate in China has steadily increased over the past five years. According to the National Bureau of Statistics of China, the total revenue from real estate sales of development properties in China increased from approximately Rmb 1,037.6 billion in 2004 to approximately Rmb 2,407.1 billion in 2008. During the same period, the aggregate GFA sold in China increased from approximately 382.3 million square meters in 2004 to approximately 620.9 million square meters in 2008. Of the 620.9 million square meters of aggregate GFA sold in 2008, approximately 558.9 million square meters were residential properties, representing a decrease of approximately 20.3% over 2007. This is mainly due to the effect of various cooling down measures adopted by the PRC government since 2007.

The average selling price of commodity properties in China increased from approximately Rmb 2,778 per square meter in 2004 to approximately Rmb 3,877 per square meter in 2008, while the average selling price of residential commodity properties increased from approximately Rmb 2,608 per square meter to approximately Rmb 3,655 per square meter during the same period.

INDUSTRY OVERVIEW

The table below sets out key statistics relating to the PRC real estate market for the years indicated.

	2004	2005	2006	2007	2008
Real estate investment (Rmb in billions)	1,315.8	1,590.9	1,942.3	2,528.9	3,058.0
GFA of commodity properties sold (million square meters)	382.3	554.9	618.6	773.5	620.9
GFA of residential properties sold (million square meters)	338.2	495.9	554.2	701.4	558.9
Average selling price of commodity properties (Rmb per square meter) ..	2,778	3,168	3,367	3,864	3,877
Average selling price of residential properties (Rmb per square meter) ..	2,608	2,937	3,119	3,645	3,655 ⁽¹⁾
Total sales revenue from commodity properties (Rmb in billions)	1,037.6	1,757.6	2,082.6	2,988.9	2,407.1
Total sales revenue from residential properties (Rmb in billions)	861.9	1,456.4	1,728.8	2,556.6	2,042.7 ⁽¹⁾

Source: China Statistical Yearbook 2008; Provisional figure from China Statistical Announcement 2008 and yearly data published by National Bureau of Statistics of China

- (1) The residential property sales revenue in 2008 is calculated by multiplying the announced year-on-year rate to the 2007 sales revenue figure. The average selling prices in 2008 are calculated by dividing the sales revenue by the area sold. The remaining data are extracted directly from relevant yearbooks.

INDUSTRY OVERVIEW

The map below sets out the cities in which we have property development operations.



(1) Shanghai Chengbang Villa Project was acquired after August 31, 2009 the cut-off date in the Property Valuation Report.

SHENZHEN

Located in the southern part of Guangdong Province, Shenzhen is China’s first special economic zone. In about 30 years, Shenzhen has developed from a small fishing village into a key commercial and industrial center in southern China.

Shenzhen’s GDP in 2008 reached approximately Rmb 780.7 billion at a real GDP growth rate of approximately 12.1%, ranking fourth in China for 13 consecutive years, and accounting for over 20% of Guangdong Province’s GDP.

Shenzhen’s GDP per capita grew at more than 10% every year from 2004 to 2008, and reached approximately Rmb 89,814 in 2008, the highest among all cities in China.

INDUSTRY OVERVIEW

Shenzhen's Key Socioeconomic Statistics (2004-2008)

	2004	2005	2006	2007	2008
Nominal GDP (Rmb in billions).....	428.2	495.1	581.4	680.2	780.7
Real GDP growth rate (%)	17.3	15.1	16.6	14.8	12.1
GDP per capita (Rmb).....	54,236	60,801	69,450	79,645	89,814
Population (Millions)	8.0	8.3	8.5	8.6	8.8
Per capita consumer expenditure of urban households (Rmb)	19,570	15,912	16,628	18,753	19,779

Source: Shenzhen Statistical Yearbook 2008; Provisional figure from Shenzhen Statistical Announcement 2008

Investment in Real Estate in Shenzhen (2004-2008)

	2004	2005	2006	2007	2008
	(Rmb in billions)				
Investments in real estate.....	43.4	42.4	46.2	46.1	44.0
Investments in residential real estate.....	25.6	26.6	32.5	33.2	31.5

Source: Shenzhen Statistical Yearbook 2008; Shenzhen Real Estate Yearbook 2009

Residential Property Market

The Shenzhen government has restricted its land supply since 2003 as a result of a series of macro-economic control regulations. These measures drove the supply of residential properties downward in 2004. The residential GFA completed then decreased gradually from approximately 7.7 million square meters in 2004 to approximately 4.4 million square meters in 2007. In 2008, the residential GFA completed in Shenzhen slightly increased by approximately 1.5% from 2007.

The total residential GFA under development in Shenzhen has remained above 20 million square meters since 2004. The total residential GFA under development was approximately 22.1 million square meters in 2008, representing a growth of 1.5% from 2007.

The demand for residential properties remained strong in Shenzhen until 2005. With the tightening the macro-economic control policy by the PRC government, the residential GFA sold in Shenzhen witnessed a drop by 17.3% on a year-on-year basis from 2007 to approximately 4.1 million square meters in 2008.

The average selling price of residential properties in Shenzhen experienced steady growth from 2004 to 2007. The average selling price decreased by 4.3% from 2007 to approximately Rmb 12,794 per square meter in 2008.

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Shenzhen’s Key Residential Property Market Statistics (2004-2008)

	2004	2005	2006	2007	2008
Residential GFA completed (thousand square meters)	7,722.0	7,044.4	5,818.7	4,371.4	4,437.7
Residential GFA under development (thousand square meters)	22,576.8	21,525.8	21,573.9	21,777.8	22,103.6
Residential GFA sold (thousand square meters)	8,025.8	9,011.3	7,048.9	5,003.5	4,136.9
Average selling price of residential properties (Rmb per square meter)	6,419	6,996	9,190	13,370	12,794

Source: Shenzhen Statistical Yearbook 2008; Shenzhen Real Estate Yearbook 2009

Shenzhen Urban Redevelopment Program

According to Shenzhen Real Estate Yearbook 2005 and 2007, over 200 inner-city villages in Shenzhen were subject to, or planned for, redevelopment step by step over a period of years. Over 90 of these city-villages are inside the Shenzhen Special Economic Zone. The majority of the redevelopment projects within the Shenzhen Special Economic Zone are located in the southern and eastern parts of Shenzhen CBD, Caiwuwei village in Luohu District and the Overseas Chinese Town in Futian District. According to the Shenzhen inner-city village redevelopment plan 2005-2010, these village redevelopment projects are scheduled for redevelopment between 2006 and 2010. The principal redevelopment projects outside the Shenzhen Special Economic Zone are mostly located in Baoan district, Longgang district and Longhua Township. According to the Shenzhen inner-city village redevelopment plan 2006-2010, such redevelopment projects will generate a total site area of approximately 8.0 million square meters.

Strong demand for Grade A office space coupled with relatively limited supply in Shenzhen reduced the vacancy rate and kept rentals at relatively high levels. According to the DTZ reports, Property Times 2004 Q4, 2007 Q4 and 2008 Q4, the vacancy of Grade A office space in Shenzhen dropped to 10.4% in 2008 from 11.4% in 2004. Meanwhile, the overall rentals in 2008 increased by 2.1% from 2007 to approximately Rmb 140 per square meter per month. Among the three districts (Luohu, Futian and Nanshan) in Shenzhen, Luohu District recorded the highest average rental of approximately Rmb 145 per square meter per month, followed by Futian District at approximately Rmb 144 per square meter per month and Nanshan District at approximately Rmb 113 per square meter per month.

INDUSTRY OVERVIEW

Retail Property Market

The total completed retail GFA was volatile from 2004 to 2008. It reached approximately 598,000 square meters in 2008, representing a 19.2% decrease as compared with that of 2007.

The total retail GFA under development remained steady from 2004 to 2006 and drop in 2007. In 2008, the retail GFA under construction increased by 3.1% from 2007 to approximately 3.5 million square meters.

The total retail GFA sold was approximately 581,000 square meters in 2004 and then followed a downward trend from 2004 to 2007 as a result of restriction on Shenzhen land supply. The policy of restriction on development period has accelerated the development speed and increase the supply in 2008. The total retail GFA sold in 2008 increased by 9.8% to approximately 336,000 square meters as compared with that of 2007.

The average selling price of retail properties was approximately Rmb 12,764 per square meter in 2004. From 2004 to 2007, the tightened supply drove the selling price up and the average selling price increased to approximately Rmb 19,103 per square meter in 2007. Because of cooling down of the property market, the average selling price of retail properties in 2008 decreased by approximately 32.8% to approximately Rmb 12,833 per square meter in 2008.

Shenzhen's Key Retail Property Market Statistics (2004-2008)

	2004	2005	2006	2007	2008
Retail GFA completed (thousand square meters)	1,055.4	966.7	1,266.3	739.9	597.9
Retail GFA under development (thousand square meters)	3,791.5	3,703.4	3,857.1	3,359.8	3,464.5
Retail GFA sold (thousand square meters)	580.9	534.8	468.9	306.4	336.3
Average selling price of retail properties (Rmb per square meter)	12,764	15,083	18,257	19,103	12,833

Source: Shenzhen Statistical Yearbook 2008; Shenzhen Real Estate Yearbook 2009

INDUSTRY OVERVIEW

DONGGUAN

Dongguan is located in the mid-south of Guangdong Province and at the eastern coast of the Pearl River’s estuary. It borders Huizhou to the north and east, Shenzhen to the south, Guangzhou to the west and north.

Dongguan’s Key Socioeconomic Statistics (2004-2008)

	2004	2005	2006	2007	2008
Nominal GDP (Rmb in billions)...	180.6	218.2	262.7	315.2	370.3
Real GDP growth rate (%)	21.0	19.4	19.2	18.2	14.0
GDP per capita (Rmb).....	27,554	33,263	39,478	46,027	53,285
Population (millions)	6.6	6.6	6.7	6.9	6.9
Urbanization rate (%).....	38.0 ⁽¹⁾	73.0	85.1	85.2	86.4
Per capita consumer expenditure of urban households (Rmb)	18,426	21,768	18,995	21,545	23,208

Source: Guangdong Statistical Yearbook 2008; Dongguan Statistical Yearbook 2008; Provisional figure from Dongguan Statistical Announcement 2008

- (1) The figure of urbanization rate in 2004 is calculated by dividing non-agricultural household population by total household population, but the figures of urbanization rate in other years are published statistics which are based on the permanent population.

Real Estate Investments in Dongguan (2004-2008)

	2004	2005	2006	2007	2008
	(Rmb in billions)				
Investments in real estate.....	11.4	14.4	16.4	20.9	27.0

Source: Dongguan Statistical Yearbook 2008; Provisional figure from Dongguan Statistical Announcement 2008

INDUSTRY OVERVIEW

Residential Property Market

Dongguan’s Key Residential Property Market Statistics (2004-2008)

	2004	2005	2006	2007	2008
Residential GFA completed (thousand square meters)	1,264.3	1,152.0	1,141.0	1,119.0	N/A
Residential GFA under development (thousand square meters)	6,229.1	8,899.0	12,294.0	13,710.0	N/A
Residential GFA sold (thousand square meters)	1,423.7	2,972.0	3,530.0	5,411.0	4,940.0
Average selling price of residential properties (Rmb per square meter) ⁽¹⁾	3,297	3,671	4,137	5,058	5,411

Source: Dongguan Statistical Yearbooks 2005/2008; Provisional figure from Dongguan Statistical Announcement 2008

(1) Average selling price is calculated by dividing sales revenue by area sold.

HUIZHOU

Huizhou is located in the southeast of Guangdong Province and at the northeastern end of the Pearl River Delta.

Huizhou’s Key Socioeconomic Statistics (2004-2008)

	2004	2005	2006	2007	2008
Nominal GDP (Rmb in billions) ..	68.6	80.3	92.6	110.5	129.0
Real GDP growth rate (%)	15.1	15.8	16.6	17.4	11.5
GDP per capita (Rmb)	19,189	21,896	24,795	28,945	33,077
Population (millions)	3.6	3.7	3.8	3.9	3.9
Urbanization rate (%)	39.0 ⁽¹⁾	55.0	61.2	62.0	61.3
Per capita consumer expenditure of urban households (Rmb)	11,929	12,931	14,035	15,015	16,581

Source: Guangdong Statistical Yearbook 2008; Huizhou Statistical Yearbook 2008; Provisional figure from Huizhou Statistical Announcement 2008 and monthly data published by Huizhou Bureau of Statistics

(1) The figure of urbanization rate in 2004 is calculated by dividing non-agricultural household population by total household population, but the figures of urbanization rate in other years are statistics which are based on the permanent population.

INDUSTRY OVERVIEW

Real Estate Investments in Huizhou (2004-2008)

	2004	2005	2006	2007	2008
	<i>(Rmb in billions)</i>				
Investments in real estate	3.0	4.4	6.9	13.8	18.7

Source: Huizhou Statistical Yearbook 2008; Provisional figure from Huizhou Statistical Announcement 2008

Residential Property Market

Huizhou’s Key Residential Property Market Statistics (2004-2008)

	2004	2005	2006	2007	2008
Residential GFA completed (thousand square meters)	773.0	1,101.0	1,437.5	1,794.0	N/A
Residential GFA under development (thousand square meters)	2,874.3	3,905.3	5,692.4	10,610.4	N/A
Residential GFA sold (thousand square meters)	912.6	1,321.0	2,423.7	3,634.7	2,708.0
Average selling price of residential properties (Rmb per square meter)	2,076	2,227	2,840	3,771 ⁽¹⁾	N/A

Source: Guangdong Statistical Yearbook 2008; Huizhou Statistical Yearbooks 2005/2006/2007/2008; Provisional figure from Huizhou Statistical Announcement 2008

(1) The average selling price in 2007 is calculated by dividing the sales revenue by the area sold, while the remaining data are extracted from relevant yearbooks directly.

GUANGZHOU

Guangzhou is located in the southern part of China, the mid-south of Guangdong Province and the north fringe of the Pearl River Delta.

Guangzhou’s GDP grew steadily since 2004 from approximately Rmb 445.1 billion in 2004 to approximately Rmb 821.6 billion in 2008 at a CAGR of approximately 16.6%. In line with the GDP growth, Guangzhou’s per capita GDP grew at a CAGR of approximately 15.3% from 2004 to 2008.

INDUSTRY OVERVIEW

Guangzhou’s Key Socioeconomic Statistics (2004-2008)

	2004	2005	2006	2007	2008
Nominal GDP (Rmb in billions)...	445.1	515.4	607.4	710.9	821.6
Real GDP growth rate (%)	15.0	12.9	14.8	14.9	12.3
GDP per capita (Rmb).....	45,906	53,809	63,100	71,808	81,233
Population (millions)	9.7	9.5	9.8	10.0	10.2
Urbanization rate (%).....	88.7 ⁽¹⁾	91.5	82.0	82.2	N/A
Per capita consumer expenditure of urban households (Rmb).....	13,121	14,468	15,445	18,951	20,836

Source: Guangzhou Statistical Yearbooks 2006/2008; Guangdong Statistical Yearbook 2008; Provisional figure from Guangzhou Statistical Announcement 2008 and yearly data published by Guangzhou Bureau of Statistics.

- (1) The figure of urbanization rate in 2004 is calculated by dividing non-agricultural household population by total household population, but the figures of urbanization rate in other years are published statistics which are based on the permanent population.

Real Estate Investments in Guangzhou (2004-2008)

	2004	2005	2006	2007	2008
	(Rmb in billions)				
Investments in real estate.....	47.7	50.8	55.7	70.4	76.2

Source: Guangzhou Statistical Yearbook 2008; Provisional figure from Guangzhou Statistical Announcement 2008.

Retail Property Market

Guangzhou’s Key Retail Property Market Statistics (2004-2007)

	2004	2005	2006	2007
Retail GFA completed (thousand square meters)	993.1	833.5	709.5	683.6
Retail GFA under development (thousand square meters)	5,341.8	5,462.3	4,908.5	5,180.9
Retail GFA sold (thousand square meters)	318.3	475.1	725.6	726.1
Average selling price of retail properties ⁽¹⁾ (Rmb per square meter)	8,118	10,909	10,219	9,532

Source: Guangzhou Statistical Yearbooks 2005/2006/2007/2008

- (1) Average selling price is calculated by dividing sales revenue by area sold.

INDUSTRY OVERVIEW

On January 3, 2008, Guangzhou municipal government issued the Measures on the Sales and Management of Restricted-Price Residential Properties in Guangzhou (Tentative) 《廣州市限價商品住宅銷售管理辦法(試行)》. Restricted-price residential properties (限價房) are a type of commodity property that is strictly regulated by the government through various measures including sale price, unit floor area and eligibility of buyers. Participating developers attend the land auction designated for such restricted-price development and develop and sell the relevant properties according to the measures. We do not engage in any type of residential property development in Guangzhou, and have no plan to enter into Guangzhou residential property market in the foreseeable future. These regulations on restricted-price residential properties in Guangzhou have no bearing on our operations.

CHONGQING

Chongqing is a key commercial and industrial center in western China.

Chongqing’s Key Socioeconomic Statistics (2004-2008)

	2004	2005	2006	2007	2008
Nominal GDP (Rmb in billions)...	269.3	307.0	345.2	412.3	509.7
Real GDP growth rate (%)	12.2	11.5	12.2	15.6	14.3
GDP per capita (Rmb).....	9,624	10,982	12,316	14,660	18,025
Population (millions)	27.9	28.0	28.1	28.2	28.4
Urbanization rate (%).....	43.5	45.2	46.7	48.3	50.0
Per capita consumer expenditure of urban households (Rmb).....	7,973	8,623	9,399	10,876	11,147

Source: Chongqing Statistical Yearbook 2008; Provisional figure from Chongqing Statistical Announcement 2008

Real Estate Investments in Chongqing (2004-2008)

	2004	2005	2006	2007	2008
	(Rmb in billions)				
Investments in real estate	40.5	51.8	63.0	85.0	99.1

Source: Chongqing Statistical Yearbook 2008; Provisional figure from Chongqing Statistical Announcement 2008

INDUSTRY OVERVIEW

CHANGSHA

Changsha is the capital city of Hunan Province.

Changsha’s Key Socioeconomic Statistics (2004-2008)

	2004	2005	2006	2007	2008
Nominal GDP (Rmb in billions)...	129.7	152.0	179.9	219.0	300.1
Real GDP growth rate (%)	16.0	14.9	14.8	16.0	15.1
GDP per capita (Rmb).....	20,625	23,968	27,982	33,711	45,765
Population (millions)	6.3	6.4	6.5	6.5	6.6
Urbanization rate (%).....	51.2	53.9	56.5	60.2	61.3
Per capita consumer expenditure of urban households (Rmb)	9,032	9,660	10,680	12,288	12,960

Source: Hunan Statistical Yearbooks 2005/2006/2007/2008; Changsha Statistical Yearbook 2008; Provisional figure from Changsha Statistical Announcement 2008

Real Estate Investments in Changsha (2004-2008)

	2004	2005	2006	2007	2008
	(Rmb in billions)				
Investments in real estate.....	17.6	25.6	30.4	41.3	47.0

Source: Changsha Statistical Yearbook 2008; Provisional figure from Changsha Statistical Announcement 2008

Residential Property Market

Changsha Key Residential Property Market Statistics (2004-2007)

	2004	2005	2006	2007
Residential GFA completed (thousand square meters)	4,371.1	4,676.5	4,783.8	5,830.9
Residential GFA under development (thousand square meters)	10,936.7	15,094.8	21,509.6	25,999.3
Residential GFA sold (thousand square meters)	4,081.7	6,107.7	6,939.1	9,285.1
Average selling price of residential properties (Rmb per square meter)	1,775	2,089	2,431	3,191

Source: China Real Estate Statistical Yearbooks 2007/2008

INDUSTRY OVERVIEW

Retail Property Market

Changsha Key Retail Property Market Statistics (2004-2007)

	2004	2005	2006	2007
Retail GFA completed (thousand square meters)	671.7	542.8	391.2	591.3
Retail GFA under development (thousand square meters)	2,307.5	2,148.3	2,386.8	2,920.3
Retail GFA sold (thousand square meters)	403.6	448.4	334.9	313.4
Average selling price of retail properties (Rmb per square meter)	4,190	4,976	6,516	6,013

Source: China Real Estate Statistical Yearbooks 2007/2008

WUHAN

Wuhan is the capital city of Hubei Province.

Wuhan's Key Socioeconomic Statistics (2004-2008)

	2004	2005	2006	2007	2008
Nominal GDP (Rmb in billions)...	188.2	223.8	259.1	314.2	396.0
Real GDP growth rate (%)	14.5	14.7	14.8	15.6	15.1
GDP per capita (Rmb).....	23,148	26,279	29,899	35,500	44,290
Population (millions) ⁽¹⁾	7.9	8.0	8.2	8.3	8.3
Urbanization rate (%).....	61.7	62.8	63.4	63.8	64.5 ⁽²⁾
Per capita consumer expenditure of urban households (Rmb).....	7,793	8,234	9,182	10,600	11,433

Source: Wuhan Statistical Yearbook 2008; Provisional figure from Wuhan Statistical Announcement 2008 and statistical reports published by Wuhan Bureau of Statistics.

(1) Population is household population.

(2) The urbanization rate in 2008 is calculated by dividing the non-agricultural household population by the total household population, while the remaining data are extracted from relevant yearbooks directly.

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Real Estate Investments in Wuhan (2004-2008)

	2004	2005	2006	2007	2008
	<i>(Rmb in billions)</i>				
Investments in real estate	23.3	29.8	36.6	46.0	57.0

Source: Wuhan Statistical Yearbook 2008; Provisional figure from Wuhan Statistical Announcement 2008

Residential Property Market

Wuhan's Key Residential Property Market Statistics (2004-2008)

	2004	2005	2006	2007	2008
Residential GFA completed (thousand square meters)	6,089.1	7,222.5	7,744.7	8,116.2	7,682.3
Residential GFA under development (thousand square meters)	20,124.9	22,979.6	24,291.6	26,595.7	32,221.4
Residential GFA sold (thousand square meters)	6,139.1	8,341.8	9,089.2	10,698.9	6,832.4
Average selling price of residential properties (Rmb per square meter)	2,463	2,986	3,535	4,516	4,680

Source: China Real Estate Statistical Yearbooks 2007/2008; Provisional figure from Wuhan Statistical Announcement 2008

INDUSTRY OVERVIEW

QINGDAO

Qingdao is a coastal city in Shandong Province.

Qingdao’s Key Socioeconomic Statistics (2004-2008)

	2004	2005	2006	2007	2008
Nominal GDP (Rmb in billions)...	227.0	269.6	320.7	378.7	443.6
Real GDP growth rate (%)	16.7	16.9	15.7	16.0	13.2
GDP per capita (Rmb).....	28,540	33,188	38,892	45,399	N/A
Population (millions) ⁽¹⁾	7.3	7.4	7.5	7.6	7.6
Urbanization rate (%) ⁽²⁾	35.3	35.8	36.2	36.4	36.3
Per capita consumer expenditure of urban households (Rmb)	9,002	9,883	11,945	13,376	14,999

Source: *Qingdao Statistical Yearbooks 2005/2008; Provisional figure from Qingdao Statistical Announcement 2008*

(1) Population is household population.

(2) Urbanization rate is calculated by dividing household population in urban area by total household population.

Real Estate Investments in Qingdao (2004-2008)

	2004	2005	2006	2007	2008
	<i>(Rmb in billions)</i>				
Investments in real estate	16.3	22.4	26.8	32.2	37.3

Source: *Qingdao Statistical Yearbook 2008; Provisional figure from monthly data published by Qingdao Bureau of Statistics*

INDUSTRY OVERVIEW

Residential Property Market

Qingdao's Key Residential Property Market Statistics (2004-2008)

	2004	2005	2006	2007	2008
Residential GFA completed (thousand square meters)	5,040.0	6,783.0	5,450.0	5,480.0	4,958.0
Residential GFA under development (thousand square meters)	16,898.0	18,628.0	21,730.0	24,650.0	27,404.0
Residential GFA sold (thousand square meters)	4,465.0	6,500.0	6,460.0	7,700.0	6,898.0
Average selling price of residential properties ⁽¹⁾ (Rmb per square meter)	2,747	3,466	3,998	5,103	4,758

Source: Qingdao Statistical Yearbooks 2005/2006/2007/2008; Provisional figure from monthly data published by Qingdao Bureau of Statistics

(1) Average selling price is calculated by dividing sales revenue by area sold.

Office Property Market

Qingdao's Key Office Property Market Statistics (2004-2007)

	2004	2005	2006	2007
Office GFA completed (thousand square meters)	203.0	77.0	160.0	180.0
Office GFA under development (thousand square meters)	928.0	930.0	1,510.0	1,520.0
Office GFA sold (thousand square meters)	191.0	90.0	190.0	220.0
Average selling price of office properties ⁽¹⁾ (Rmb per square meter)	7,847	7,710	9,331	7,623

Source: Qingdao Statistical Yearbooks 2005/2006/2007/2008

(1) Average selling price is calculated by dividing sales revenue by area sold.

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Retail Property Market

Qingdao’s Key Retail Property Market Statistics (2004-2007)

	2004	2005	2006	2007
Retail GFA completed (thousand square meters)	590.0	814.0	520.0	470.0
Retail GFA under development (thousand square meters)	1,949.0	2,271.0	2,190.0	3,520.0
Retail GFA sold (thousand square meters)	344.0	652.0	440.0	330.0
Average selling price of retail properties ⁽¹⁾ (Rmb per square meter)	3,723	4,356	5,794	6,485

Source: Qingdao Statistical Yearbooks 2005/2006/2007/2008

(1) Average selling price is calculated by dividing sales revenue by area sold.

HANGZHOU

Hangzhou is the capital city of Zhejiang Province.

Hangzhou’s Key Socioeconomic Statistics (2004-2008)

	2004	2005	2006	2007	2008
Nominal GDP (Rmb in billions)...	254.3	294.3	344.2	410.0	478.1
Real GDP growth rate (%)	15.0	13.0	14.3	14.6	11.0
GDP per capita (Rmb) ⁽²⁾	39,293	44,853	51,878	61,258	60,414
Population (millions) ⁽¹⁾	6.5	6.6	6.7	6.7	6.8
Urbanization (%) ⁽³⁾	43.4	45.1	46.5	48.2	50.3
Per capita annual consumer expenditure of urban household (Rmb)	11,213	13,438	14,472	14,896	16,719

Source: Hangzhou Statistical Yearbook 2008; Provisional figure from Hangzhou Statistical Announcement 2008

(1) Population is household population.

(2) GDP Per Capita is calculated by household population.

(3) Urbanization rate is calculated by dividing non-agricultural household population by total household population.

INDUSTRY OVERVIEW

Real Estate Investments in Hangzhou (2004-2008)

	2004	2005	2006	2007	2008
	<i>(Rmb in billions)</i>				
Real Estate Investment.....	32.9	41.1	44.3	51.9	59.7

Source: Hangzhou Statistical Yearbook 2008; Provisional figure from Hangzhou Statistical Announcement 2008

Residential Property Market

Hangzhou's Key Residential Property Market Statistics (2004-2008)

	2004	2005	2006	2007	2008
Residential GFA completed (thousand square meters)	5,128.5	7,054.5	6,263.4	7,716.1	6,935.4
Residential <u>GFA</u> under development (thousand square meters)	26,421.0	33,158.4	34,842.7	36,142.8	36,315.3
Residential GFA Sold (thousand square meters)	5,094.9	6,206.6	6,799.6	10,436.7	6,274.8
Average selling price of residential properties (Rmb per square meter)	3,884	5,454	5,967	7,432	N/A

Source: China Real Estate Statistical Yearbooks 2007/2008; Provisional figure from Hangzhou Statistical Announcement 2008 and monthly data published by Hangzhou Bureau of Statistics.

INDUSTRY OVERVIEW

Office Property Market

Hangzhou's Key Office Property Market Statistics (2004-2007)

	2004	2005	2006	2007
Office GFA completed (thousand square meters)	310.3	574.9	345.4	407.6
Office GFA under development (thousand square meters)	2,351.0	2,780.6	3,724.3	3,674.0
Office GFA Sold (thousand square meters)	295.1	301.8	380.3	517.1
Average selling price of office properties (Rmb per square meter)	7,011	8,221	8,672	10,411

Source: China Real Estate Statistical Yearbooks 2007/2008

LIANYUNGANG

Lianyungang is located in the middle of China's east coastline, northeast of Jiangsu Province.

Lianyungang's Key Socioeconomic Statistics (2004-2008)

	2004	2005	2006	2007	2008
Nominal GDP (Rmb in billions) ..	39.2	45.6	52.7	61.8	75.0
Real GDP growth rate (%)	13.9	14.2	15.2	15.1	13.1
GDP per capita (Rmb)	8,551	10,003	11,656	13,776	16,808
Population (millions)	4.6	4.5	4.5	4.5	4.5
Urbanization (%)	36.3	37.2	39.0	40.5	42.0
Per capita annual consumer expenditure of urban household (Rmb)	6,218	7,213	8,324	8,357	10,598

Source: Jiangsu Statistical Yearbooks 2005/2006/2007/2008; Lianyungang Statistical Yearbook 2008; Provisional figure from Lianyungang Statistical Announcement 2008

INDUSTRY OVERVIEW

Real Estate Investments in Lianyungang (2004-2008)

	2004	2005	2006	2007	2008
	<i>(Rmb in billions)</i>				
Real Estate Investment	2.7	3.5	5.5	7.9	11.3

Source: Lianyungang Statistical Yearbooks 2004/2005/2006/2007/2008; Jiangsu Statistical Yearbook 2008; Provisional figure from Lianyungang Statistical Announcement 2008

Residential Property Market

Lianyungang’s Key Residential Property Market Statistics (2004-2008)

	2004	2005	2006	2007	2008
Residential GFA completed (thousand square meters)	980.2	967.0	1,442.8	1,977.0	2,225.6
Residential <u>GFA</u> under development (thousand square meters)	2,153.9	3,057.5	5,180.3	8,133.7	11,083.7
Residential GFA Sold (thousand square meters)	983.3	1,189.9	1,595.6	2,403.3	1,956.3
Average selling price of residential properties ⁽¹⁾ (Rmb per square meter)	1,559	2,036	2,192	2,396	2,629

Source: Lianyungang Statistical Yearbooks 2004/2005/2006/2007/2008; Provisional figure from monthly data published by Lianyungang Bureau of Statistics

(1) Average selling price is calculated by dividing sales revenue by area sold.

INDUSTRY OVERVIEW

PROPERTY MANAGEMENT INDUSTRY IN CHINA

The Measures for the Administration of Qualifications of Property Management Enterprises 《物業管理企業資質管理辦法》 promulgated by the Ministry of Construction require that the business activities of property management enterprises be regulated through the administration of qualifications starting May 1, 2004.

Under the measures, property management enterprises will be categorized into Class I, II and III. The issuance of qualification certificate for and administration of Class I enterprises will be handled by the competent department for construction under the State Council. The measures also require that property management professionals working at all three classes of property management enterprises must obtain applicable professional credentials according to state regulations. The measures also set out the penalties for various misconducts by property management enterprises.

In 2007, the certification of professional property managers was introduced in China. It is expected that such certification will standardize and thus improve property management services.

On November 26, 2007, MOHURD issued a decision to amend the measures. According to this decision, property management enterprises are called property service enterprises instead.

CORPORATE HISTORY, REORGANIZATION AND GROUP STRUCTURE

OUR COMPANY

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

HISTORY AND DEVELOPMENT

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

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

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

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

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

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

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

CORPORATE HISTORY, REORGANIZATION AND GROUP STRUCTURE

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

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

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

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

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

CORPORATE HISTORY, REORGANIZATION AND GROUP STRUCTURE

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

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

CORPORATE HISTORY, REORGANIZATION AND GROUP STRUCTURE

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

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

CORPORATE HISTORY, REORGANIZATION AND GROUP STRUCTURE

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

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

CORPORATE HISTORY, REORGANIZATION AND GROUP STRUCTURE

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

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

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

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

Current Status

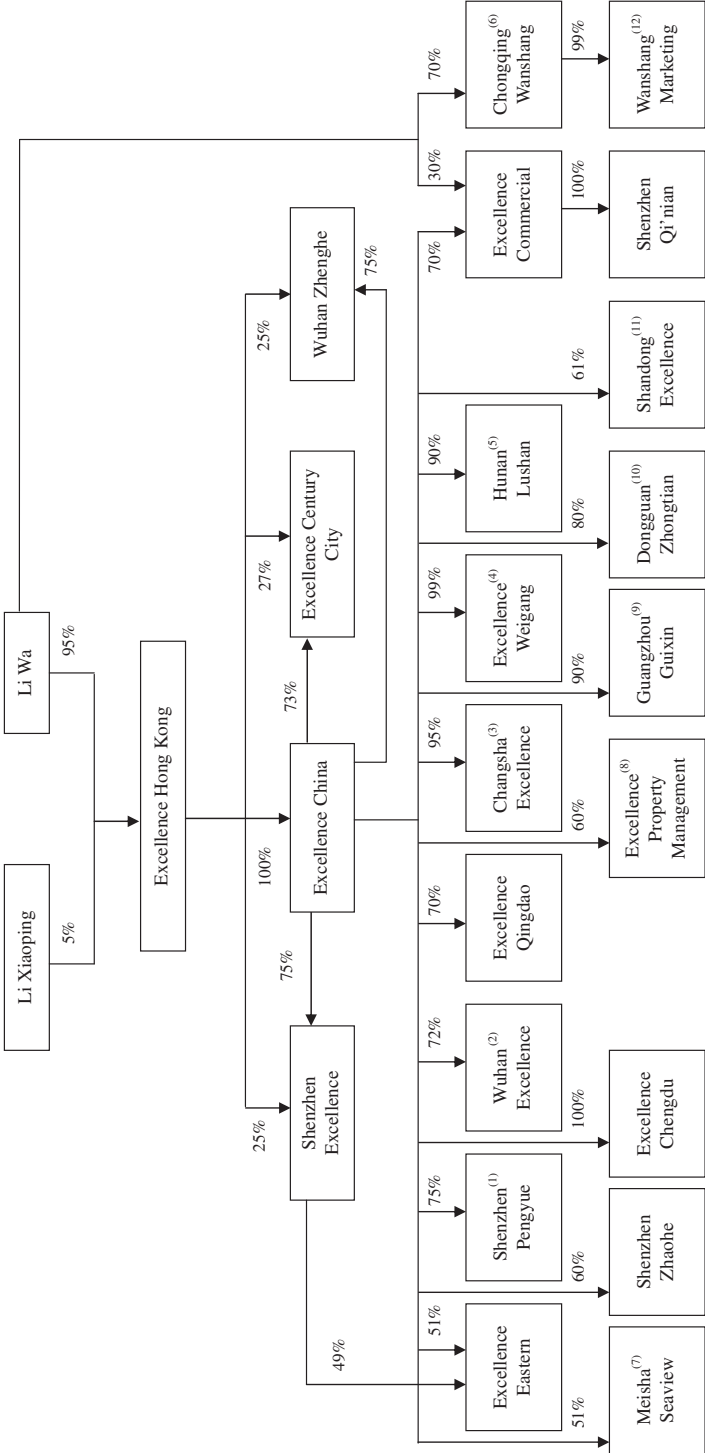
As of June 30, 2009, we had 14 projects under development or held for future development in Shenzhen and Neighboring Area, Changsha, Qingdao, Wuhan, Chongqing and Lianyungang.

CORPORATE HISTORY, REORGANIZATION AND GROUP STRUCTURE

REORGANIZATION

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

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



CORPORATE HISTORY, REORGANIZATION AND GROUP STRUCTURE

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

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

CORPORATE HISTORY, REORGANIZATION AND GROUP STRUCTURE

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

Domestic Reorganization

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

(a) Chongqing Wanshang

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

(b) Wuhan Excellence

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

CORPORATE HISTORY, REORGANIZATION AND GROUP STRUCTURE

(c) Hunan Lushan

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

(d) Excellence Property Management

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

(e) Excellence Commercial

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

(f) Excellence Weigang

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

(g) Excellence Century City

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

CORPORATE HISTORY, REORGANIZATION AND GROUP STRUCTURE

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

(h) Guangzhou Guixin

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

(i) Shenzhen Excellence

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

(j) Shenzhen Qi'nian

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

(k) Changsha Excellence

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

CORPORATE HISTORY, REORGANIZATION AND GROUP STRUCTURE

(l) Excellence Qingdao

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

(m) Shenzhen Zhaohe

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

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

Offshore Reorganization

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

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

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

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

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

CORPORATE HISTORY, REORGANIZATION AND GROUP STRUCTURE

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

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

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

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

CORPORATE HISTORY, REORGANIZATION AND GROUP STRUCTURE

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

CORPORATE HISTORY, REORGANIZATION AND GROUP STRUCTURE

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

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

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

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

CORPORATE HISTORY, REORGANIZATION AND GROUP STRUCTURE

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

(a) Shenzhen Property Guaranty

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

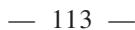
(b) Shenzhen Excellence Property Consultancy

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

(c) Wellto Investment

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

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CORPORATE HISTORY, REORGANIZATION AND GROUP STRUCTURE

- (1) Shenzhen Shekou, an independent third party, held the remaining 0.75% interest in Excellence Weigang.
- (2) Each of Huizhou Luofu Shan Jiabaotian Country Club Co., Ltd. (惠州市羅浮山嘉寶田鄉村俱樂部有限公司), an independent third party, and Liao Qiang (廖強), an independent third party, held 15% interest in Huizhou Luofu Shan.
- (3) Prior to our Reorganization, 70% of Excellence Commercial was held by Excellence China and 30% was held by Li Wa (李華). Pursuant to our Reorganization, Li Wa transferred his 30% interest in Excellence Commercial to Excellence Hong Kong. In September 2007, Excellence Commercial increased its registered capital from Rmb100,000,000 to Rmb460,000,000. As of the Latest Practicable Date the increase of registered capital and the transfer had not been completed yet. After completion of the transfer and the increase of the registered capital, Excellence Commercial will be held as to 84.78% by Excellence Hong Kong and as to 15.22% by Excellence China.
- (4) Shenzhen Sanjiu Dalong Healthy City Co., Ltd. (深圳三九大龍健康城有限公司), an independent third party, held the remaining 49% interest in Meisha Seaview.
- (5) Dongguan Xinghui Industry Co., Ltd. (東莞市星匯實業有限公司), an independent third party, held the remaining 20% interest in Dongguan Zhongtian.
- (6) Yantai Riying Huayuan Real Estate Development Co., Ltd. (煙台日櫻花園房地產開發有限公司), an independent third party, held the remaining 39% interest in Shandong Excellence. Shandong Excellence is currently being liquidated.
- (7) Qingdao Construction Investment Holding Co., Ltd. (青島政建投資集團有限公司), an independent third party, held the remaining 40% interest in Qingdao Excellence Real Estate.
- (8) Li Xiaohong (李小紅), the sister of Li Wa and Li Xiaoping, held the remaining 1% interest in Wanshang Marketing.
- (9) Chen Qishui (陳其水), an independent third party, held the remaining 30% interest in Hangzhou Hengxing.
- (10) Chen Hua (陳華) and Xiaoyinhu Investment Co., Ltd. (小銀狐投資有限公司), independent third parties, held the remaining 30% and 10% interest in Beijing Hengyin, respectively.
- (11) Shenzhen Jindi Old City Reform Development Co., Ltd. (深圳市金地舊城改造開發有限公司), an independent third party, held the remaining 35% interest in Jindi Dabaihui.
- (12) Excellence BVI held a 100% interest in South Smart. However, pursuant to a share transfer agreement entered into between Excellence BVI and HNA Group (Hong Kong) Co., Limited (海航集團(香港)有限公司), or HNA Group, Excellence BVI agreed to transfer a 99% interest in South Smart to HNA Group. The transfer is expected to be completed in June 2010. Excellence BVI further agreed to transfer the remaining 1% interest in South Smart to HNA Group for US\$1.00 either (i) when HNA Group transfers its equity interest in South Smart to a third party or (ii) five years after the transfer of the 99% interest in South Smart to HNA Group, whichever is earlier.
- (13) Dabaihui Industrial Group Co., Ltd. (大百匯實業集團有限公司) held the remaining 49% interest in Shenzhen Dabaihui.
- (14) Prior to our Reorganization, Shenzhen Excellence was held as to 75% by Excellence China and as to 25% by Excellence Hong Kong. Pursuant to our Reorganization, Shenzhen Excellence increased its registered capital from HK\$128,000,000 to HK\$16,000,000 and the additional capital is to be contributed by Excellence Hong Kong. As of the Latest Practicable Date the increase of registered capital had not been completed. Upon completion of the increase of registered capital, Shenzhen Excellence will be held as to 18.6% by Excellence China and 81.4% by Excellence Hong Kong.
- (15) Deng Jia Gui, an independent third party, held the remaining 50% interest in Excellence Effort BVI.

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OVERVIEW

We are one of the few integrated property developers in China well recognized for its leadership position in the development of centrally located high-end commercial properties and mid-to-high-end residential properties in top tier cities. Leveraging on our core competency in our dual-focused approach, we are well positioned to pursue a vigorous growth strategy that maximizes our profitability.

As of June 30, 2009, we were the largest non-government developer of commercial properties, including Grade A office buildings, in the Shenzhen CBD, with a total GFA of 831,081 square meters of commercial properties either completed or under development. We have a substantial land bank for office properties under development and further land parcels which we expect to acquire in the Shenzhen CBD, which (based on information currently available to us) is expected to account for a major proportion of the expected total saleable GFA of office properties in the Shenzhen CBD in the next five years. We continually expand our land bank at competitive costs primarily through non-auction-based channels. Targeting high-growth cities in China with highest GDP and focusing on developing sites located in such cities, we have penetrated seven of the top 10 cities in China ranked in terms of GDP, including Beijing, Shanghai, Shenzhen, Guangzhou, Hangzhou, Chongqing and Qingdao, and have successfully replicated the model of our commercial properties and residential product series in Shenzhen into some of these cities.

While pursuing vigorous growth, our business model has proven to be sustainable, as we have successfully weathered the challenges brought about by the 2008 financial crisis. We believe that such success is attributable to our dual-focused approach to commercial and residential property development. Moreover, the management decision not to accept structured [●] financing helped insulate us from the undesirable financial impact that may otherwise result in material adverse effect on our financial condition and results operations. Our diversified product portfolio also contributes to the sustainability of our business model. Such portfolio not only enables our businesses to maintain flexibility within the rapidly growing real estate market in China, but also help us mitigate cyclical risks of the economy.

In March 2009, we received the honor as one of the “Top 10 Developers in Terms of Profitability among the 2009 China Top 100 Real Estate Developers” (2009中國房地產百強企業 — 贏利性 TOP10) and as one of the “China Top 100 Real Estate Developers for 2004-2009 Consecutive Years” (2004-2009連續六年中國房地產百強企業) by the China Index Research Institute, based on scale, profitability, debt servicing ability, operating efficiency and growth potential. In October 2008, we were named a “Blue-Chip Real Estate Enterprise in China” (中國藍籌地產企業) by the Economic Observer (經濟觀察報), Sina.com (新浪網) and Cheung Kong Graduate School of Business (長江商學院) for the four consecutive years since 2005.

We believe that, as a result of our premium project locations, competitive land cost and prudent financial policies, our well-established business model focusing on both commercial and residential property development has enabled us to effectively mitigate cyclical risks of the economy and the property market in China. In addition, the absence of a structured [●] financing has provided us with more financial flexibility under the tightened credit conditions in 2008. We were able to

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continually obtain financing, including financing overseas, to support our business development in 2008 at a competitive financing cost. During the year ended December 31, 2008, our Shenzhen Victoria Harbour achieved the highest contract sales value among all real estate development projects in Shenzhen according to statistics compiled by www.Soufun.com.

Our Dual-focused Property Development

Our property projects are generally divided into two categories:

- *CBD commercial projects*, typically consisting of a combination of Grade A office buildings, hotels, retail properties and large shopping malls in designated CBDs.
- *Integrated mid-to-high-end residential projects*, including high-rise apartments, low-rise apartments, garden houses, townhouses and villas, and large integrated residential communities with ancillary facilities such as clubhouses, kindergartens, schools and shopping centers as well as commercial arcades.

As of June 30, 2009, we were the largest non-government developer of commercial properties including Grade A office buildings in the Shenzhen CBD, with a total GFA of 831,081 square meters of commercial properties either completed or under development. As of the same date, we had residential properties, either completed or under development, with a total GFA of 2,126,722 square meters in China, among which Shenzhen Cote d’Azur (深圳蔚藍海岸) is one of the largest residential complex projects within Shenzhen.

Our diversified product portfolio has enabled our business to maintain flexibility and growth amid the weak PRC property market over the past year, effectively mitigating cyclical risks of the economy. From the beginning of 2008 through the first quarter of 2009, our development projects maintained a good momentum in sales, primarily driven by our sales in Shenzhen, which constituted the majority of our total sales. Leveraging on the premium locations of our development projects in Shenzhen and applying reasonable pricing strategies in light of the market conditions, we achieved satisfactory results despite the weak market. For example, our Shenzhen Victoria Harbour was launched for sale in May 2008, while the PRC property market was at its cyclical low. However, we still achieved a half-year sales of over Rmb 2 billion. With regards to commercial properties, we sold a total GFA of approximately 52,000 square meters at our Shenzhen Excellence Century Center within the first few days of its launch in 2009, which also benefited from the overall recovery of the real estate market in China. In comparison, only approximately 48,800 square meters of office building were pre-sold in Shenzhen for the whole year of 2008.

We managed to maintain access to a variety of different financing channels and were able to obtain substantial financing even in a tight credit market during the last quarter of 2008 when banks generally tightened customers’ credit lines. For instance we managed to secure an overseas loan of US\$100 million from ICBC Asia in September 2008.

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As of August 31, 2009, we had a land bank with a total GFA of approximately 11.7 million square meters with a total appraised value of approximately Rmb 44.6 billion. Of this value, a significant portion is represented by commercial properties. Our major commercial projects, comprising Shenzhen Excellence Century Center, Shenzhen Excellence Times Plaza (Phase 2 and remaining portion of Phase 1), Chongqing Excellence Mart (Phases 1 and 2) and Guangzhou Diwang, represent 28.2% of the total value of our appraised properties. After August 31, 2009, we further acquired the Shanghai Chengbang Villa Project, which has contributed an additional GFA of approximately 83,356 square meters to our land bank with an appraised value of approximately Rmb 881.0 million.

Our Geographic Expansion and Successful Replication

Based in Shenzhen, we gradually established ourselves as a leading developer of commercial properties and large-scale integrated mid-to-high-end residential properties in the Shenzhen and Neighboring Area. In May 2009, the PRC government approved the General Proposal of Shenzhen Comprehensive Reforms (2009-2011) (深圳市綜合配套改革總體方案(2009-2011)) for the purpose of enhancing the complementation between Shenzhen and Hong Kong, promoting Shenzhen-Hong Kong interaction, and developing the region into a global financial center, a logistics center, a trade center, an innovation center and a center of international culture and creative industries. We believe this proposal and related policies adopted for the implementation of the proposal will provide significant growth opportunities for the Shenzhen real estate industry.

Since 2005, we have been expanding our business into other high-growth cities in China with highest GDP beyond the Shenzhen and Neighboring Area. Such cities include Shanghai, Guangzhou, Qingdao, Hangzhou, Chongqing, Wuhan, and Changsha. Most of our projects are located in the central areas of the cities, such as Shenzhen CBD, Houhai central area in Shenzhen Nanshan district (深圳南山后海中心), Guangzhou Zhonghua Plaza commercial circle (廣州中華廣場商圈), Changsha New Municipal Government Center (長沙新市政府中心) and Qingdao CBD. Our Qingdao Azure Archipelagoes (青島蔚藍群島), for example, achieved total sales of Rmb 134.7 million in June and July of 2009 and was one of the best selling residential projects in Qingdao for the two consecutive months in terms of GFA sold, units sold and sales revenue, respectively, according to the statistics of the local government.

Outlook

We plan to maintain our dual-focused strategy to develop centrally located high-end commercial properties and mid-to-high-end residential properties in top tier cities. We intend to continue to strengthen our leading position in Shenzhen, where our headquarters is based, while replicating our successful business model in Qingdao, Hangzhou, and expanding our operations to Beijing, Shanghai and other top cities in China ranked by GDP.

Development and Operation data

As of June 30, 2009, we completed development of commercial and residential properties with a total GFA of approximately 1.9 million square meters. As of the same date, we had 14 property projects under development or held for future development in eight cities with an estimated total GFA of approximately 11.3 million square meters, among which approximately 1.3 million square meters

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were for commercial properties and 8.4 million square meters for residential properties. The remaining estimated GFA of 1.6 million square meters include common facilities, public areas, underground car parks and hotels. In September 2009, we further expanded into Shanghai and acquired the Shanghai Chengbang Villa Project, which is a residential project under development with a total GFA of approximately 83,356 square meters.

For the years ended December 31, 2006, 2007 and 2008 and the six months ended June 30, 2009, our revenue was Rmb 1,369.9 million, Rmb 990.8 million, Rmb 2,149.6 million and Rmb 2,178.7 million, respectively. Our sales of commercial properties accounted for 99.0%, 19.1%, 16.7% and 7.2% of our total revenue from property development and our sales of residential properties accounted for 0.4%, 79.4%, 82.4% and 92.8% of our total revenue from property development during the same periods. Our net profit attributable to our equity holders for the same periods was Rmb 205.8 million, Rmb 323.7 million, Rmb 184.5 million and Rmb 382.9 million, respectively. We realized a gain of Rmb 230.0 million in 2007 from our disposal of a 40% interest in a property project. For the years ended December 31, 2006, 2007 and 2008 and the six months ended June 30, 2009, our property management services contributed approximately 3.1%, 6.9%, 4.0% and 1.9% of our total revenue, respectively. We also hold certain properties for investment purposes, and the fair value gain on our investment properties contributed approximately 34.4%, 25.7%, 22.1% and 9.2% of our profit for the same respective periods on an after-tax basis.

The decrease of the percentage of the sales of commercial properties in our total revenue from property development during the Track Record Period was primarily due to fluctuations caused by our project construction schedules and the relevant accounting rules governing the recognition of revenue rather than a trend of change in property development focus. For example, our sales and pre-sales of commercial properties of Shenzhen Excellence Century Center constituted approximately 44.2% of our total sales and pre-sales from property development for the six months ended June 30, 2009, but none of these sales and pre-sales had been recognized as of June 30, 2009. We expect that the percentage of the sales of commercial properties will increase in line with the progress of our commercial projects.

COMPETITIVE STRENGTHS

We believe we possess the following principal competitive strengths which enable us to compete successfully in the PRC property market.

Our dual-focused business model to provide us greater protection against cyclical risks of the economy and policy risks

We have a dual-focused business model to develop both high-end commercial properties and mid-to-high-end residential properties in the central districts of the top cities in China ranked by GDP.

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As the retail, office and residential property markets target different customer groups and are affected by different factors and cycles of the economy, our dual-focused business model helps us mitigate both cyclical and government policy risks to which our business may be subject. Despite the downturn of the properties market in 2008, our retail properties of Shenzhen Cote d’Azur (蔚藍海岸) and the Shenzhen Excellence Times Plaza (Phase 1) (深圳卓越時代廣場一期) recorded satisfactory sales, achieving sales value of Rmb 125.81 million and Rmb 206.51 million, respectively, during the year of 2008.

In addition, our business model reduces our exposure to risks created by changing government policies. For example, in May 2006, the PRC government promulgated policies requiring that at least 70% of the total planned GFA development for residential projects approved or constructed on or after June 1, 2006 be developed for small units of less than 90 square meters. Moreover, it is required that at least 70% of the land supplied by local governments for residential use must be used for the development of mid-to-low-price and affordable housing. The policies were to curb the over-heated residential market. Those government policies were not related to the commercial property market.

Our high-quality retail, office and residential properties projects launched in 2008 were well received by the market. We managed to secure substantial offshore financing despite the tight credit market amid the financial crisis in 2008. Meanwhile, we have also been able to access domestic financing channels despite fluctuations in the property market, which ensures our continuous healthy development amid the market cycles.

Our leading position in commercial and residential property development

Largest commercial property developer in the Shenzhen CBD

As of June 30, 2009, in terms of GFA completed and GFA under development, we were the largest non-government developer of commercial properties and Grade A office buildings in Shenzhen CBD. As of June 30, 2009, we have completed two commercial projects in Shenzhen with a total GFA of 254,874 square meters, including office buildings and retail space. As of the same date, we had two commercial projects with an aggregate planned GFA of 576,207 square meters in Shenzhen under development.

Furthermore, our Shenzhen projects are all centrally located in the Shenzhen CBD. They are in close proximity to large exhibition centers, subway exits or interchanges of transportation networks.

In September 2008, our “Excellence” brand was named one of the “2008 Leading Brand in China Real Estate for the Category of CBD Office Property Development” (2008中國房地產CBD商務地產專業領先品牌) by the China Index Research Institute. Our Shenzhen Excellence Times Plaza (Phase 1) also was awarded the 2008 State Excellent Project Silver Medal (2008年度國家優質工程銀質獎) in December 2008 and received the honor of the “2007 Commercial Property Grand Award” (2007年商業地產大獎) at the Boao 21st Century Real Estate Forum 2007 (博鰲•21世紀房地產論壇2007屆年會).

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In 2006, the Qingdao municipal government extended to us the opportunity to participate in the development of a large-scale commercial complex in the Qingdao CBD following a visit made by a delegation of the Qingdao municipal government to our Shenzhen Excellence Times Plaza. As a result, we had the opportunity to assist the Qingdao municipal government in the land clearance stage of the project. Additionally in December 2007, we acquired through the acquisition of a project company a piece of land with a proposed GFA of 207,202 square meters in the Binjiang District of Hangzhou to develop a large modern complex with a combination of luxury hotels, premium grade office buildings and service apartments. Leveraging on our core competency in our dual-focused approach and strong brand recognition, we believe we will be able to replicate our success in Qingdao, Hangzhou and other top cities in China ranked by GDP.

We believe that our proven capability in developing and operating commercial properties will continue to facilitate us to acquire sites or projects in premium locations and will enable us to further expand in other top cities in China ranked in terms of GDP.

Large-scale residential property developer with successful experience in the Shenzhen and Neighboring Area and other high-growth cities in China with highest GDP

Over the years, we have established “Excellence” as a brand recognized for high-quality residential properties. We have completed five large-scale residential complex projects in Shenzhen with an aggregate total GFA of 1,195,783 square meters, among which Shenzhen Cote d’Azur is one of the largest residential complex projects in Shenzhen. As of June 30, 2009, we have six residential projects under construction in China, with an aggregate total planned GFA of 539,266 square meters and eight projects held for future development, with an aggregate total planned GFA of 10,104,166 square meters.

From 2000 to 2004, we developed a large-scale boutique residential community project Shenzhen Cote d’Azur (Phases 1 to 4) with an aggregate total GFA of approximately 779,766 square meters. Leveraging on our success from the Shenzhen Cote d’Azur residential property project, we expanded our operations into other cities and developed large-scale integrated residential projects with brands such as “Azure Archipelagoes” and “Cote d’Azur” in Qingdao, Wuhan, Changsha and Lianyungang. In 2007, our mid-to-high-end residential product brand “Azure Archipelagoes” was awarded “2007 Brand Value Top 10 of China Real Estate Development.”

Our sizable land bank acquired at competitive cost in strategic locations

We have a sizeable land bank in strategic locations. As of August 31, 2009, we had a land bank of an aggregate planned GFA of approximately 11.7 million square meters. We believe that our current land bank will be sufficient for our development needs for the next five years. We select our land in strategic locations. For example, all of the land bank for our commercial projects are located in downtown areas, while the land bank for our planned mid-to-high-end residential projects are generally located in key areas under urban redevelopment planning. We believe that these advantages will substantially enhance the value of the properties developed by us in the future.

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We believe we are competitive in urban redevelopment projects in Shenzhen as a result of our commitment to, and extensive experience in, addressing the needs and concerns of local governments and the parties affected by resettlement plans. We also believe our ability to acquire land in strategic locations at competitive prices through diversified channels is one of our distinctive competitive advantages, which is paramount to our long-term growth and profitability. Our primary channels for land acquisition include the following:

- ***Acquire project companies that have quality land bank.*** We actively acquire controlling interests in project companies with quality land bank. For example, we acquired the land parcel for Dongguan Azure Polis by acquiring a majority equity interest in project companies from local developers. Additionally, we intend to acquire the land underlying our Shenzhen Gangxia Project, which is located in the center of Shenzhen CBD, through the acquisition of a project company during the downturn of the property market in 2008.
- ***Participate in the urban redevelopment projects in Shenzhen to secure land without going through the tender-auction-listing process.*** We participate in the urban redevelopment programs in Shenzhen through: (i) government requisition related redevelopment (徵地返還), i.e., jointly developing the land which the government has granted to villagers in exchange for their original habitation; and (ii) inner-city village redevelopment (城中村改造), i.e., participating in the redevelopment of urban areas originally occupied by villagers. We have acquired the land for Shenzhen Victoria Harbour and Shenzhen Excellence Century Center through participating in such government requisition related redevelopment programs. In a typical redevelopment project, we negotiate with the collective entities which act on behalf of the villagers on land transfers or development which require subsequent approval from relevant government authorities. Leveraging on our reputation for quality developments, we were able to establish a mutually beneficial relationship with the local government and the parties affected by resettlement plans and obtain land in premium locations at competitive cost. In accordance with the relevant rules promulgated by the Shenzhen municipal government, the compensation land granted to the villagers and the land acquired through joint development with the villages are exempted from the tender-auction-listing requirement.
- ***Participate in the tender-auction-listing.*** The qualifications for the participation in a tender-auction-listing process prescribed by local governments generally require the developer to possess good reputation, in-depth industry knowledge and extensive experience in real estate development. We believe that our development capability, track record, recognized brand name as one of the leading developers in Shenzhen have led to invitations from a number of local governments of other cities to allow us to participate in the tender-auction-listing process for the development of integrated and large-scale real estate projects.

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Our experienced management team and efficient disciplined internal management system

We have an experienced management team, led jointly by Li Wa, our founder and Chairman, and Li Xiaoping, our Vice Chairman of the Board and President. Li Wa was named “China Real Estate Top 20 Individuals Over 20 Years” (中國房地產20年20人) at the China Real Estate Annual Conference 2007-2008 and “Youth Leader in China Real Estate Sector” (中國房地產青年領袖) at the 2006 Boao 21st Century Real Estate Forum Annual Conference (博鰲•21世紀房地產論壇年會). Li Xiaoping was named as one of the “2004 Most Outstanding Persons in China Real Estate Sector” (2004中國地產十大傑出人物) in 2005 jointly by sohu.com (搜狐網), focus.cn (焦點房產網), China Real Estate Institute (中國不動產學院) and the Market Research Center of China Central Television (中國中央電視台市場研究中心). Our senior management team has extensive experience in property development and corporate management.

We are committed to establishing an efficient management system for our business. Since 2004, we have engaged a number of strategic, operational and human resources consulting firms including Adfaith Management Consulting (北京正略鈞策管理公司), Shenzhen SAP Management Consulting (深圳賽普顧問公司), HAY Group (合益集團) and Watson Wyatt (華信惠悅諮詢公司) to assist our company in formulating expansion strategies and corporate management system. This process was implemented through the setting up of a more defined internal organization structure, enhanced operation process system and human resources system. We believe that our strong management team and efficient management system will continue to support our long term growth and business expansion in China.

Our sound internal management system has enabled us to mitigate the impact of cyclical adjustments of the real estate industry. For example, in 2008, we had relatively strong property sales during the cyclical slowdown of the property industry. We were able to continue accessing our financing channels despite the tightened credit market and our financing cost remained low in the economic environment with low liquidity. Additionally, we do not have structured [●] financing which provided us with more financial flexibility under the tightened credit conditions in 2008.

Our high-quality developments and distinguished property management services

We focus on the development of high quality developments complemented by comprehensive property management services. In keeping with our commitment to product quality of our development, we place a significant emphasis on the overall aesthetics and artistic appeal, modern designs with practical features, landscaping and comprehensive ancillary facilities. We collaborate with reputable international architecture and interior design firms and well-established construction companies such as architecture firms Peddle Thorp Melbourne Architects and LEO A DALY, landscape design firms EDSA Oriented and Belt Collins, and construction companies China Construction First Building (Group) Corporation Limited (中建一局) and China Huashi Enterprises Company Limited (中國華西建築工程總公司).

We maintain a strict quality control system and employ a professional team of over 100 architects and engineers. We closely monitor all key stages of the construction process, from the selection of material suppliers through a tender process to final inspection conducted immediately before delivery.

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Through our property management company, we manage all property projects developed by us and provide comprehensive services to our residents. We believe that our commitment to product quality and comprehensive property management services contribute to our customers’ satisfaction and our reputation.

Our well-recognized brand name and established reputation

“Excellence” is a recognized brand associated with large-scale, high-quality, innovative and well-designed properties. In addition, we have also developed commercial and residential properties under several distinctive brand names targeting different customer groups. For example, we developed residential products under several distinctive brand names including “Cote d’Azur”, “Repulse Bay”, and “Victoria Harbour” which cater to different customer segments. We also developed commercial properties under the “Excellence Times Plaza” brand. As each brand has its own standards and specifications in terms of property specifications, ancillary facilities and property management services, this strategy allows us to effectively market our products and readily develop our product series in other high-growth areas in China.

We have received numerous awards in recognition of the high-quality design and construction of our property development projects. Such recognition in turn helps reinforce our strong brand names. For details of our awards, see section entitled “— Property Development — Various Awards Received by Us”.

OUR BUSINESS STRATEGIES

Our principle business strategies are as follow:

Maintain our leading position in the Shenzhen and Neighboring Area

The Shenzhen and Neighboring Area is a location strategically important to our business. With an initial focus on this area, we have gradually become one of the leading developers of commercial properties and large-scale integrated residential properties in the region. We will continue to strengthen and enhance our position as a well-recognized property developer in this region to exploit further opportunities arising from the anticipated gradual integration of Hong Kong and Shenzhen. We are committed to bringing the greatest investment returns to shareholders.

Continue to replicate our success to top cities in China ranked by GDP with high growth

Since 2005, we have replicated our successful business model beyond the Shenzhen and Neighboring Area to cover other top cities in China ranked by GDP with high growth, including Qingdao, Hangzhou, Chongqing, Wuhan, Changsha and Lianyungang. We recently acquired the Shanghai Chengbang Villa Project in Shanghai and also intend to expand our operations to Beijing. As to future expansion, we will continue to focus on cities with the highest GDP and growth potential and select projects which are located in premium locations including those with access to large exhibition centers, subway exits or interchanges of transportation network. Such projects are expected to offer higher investment returns. Through such systematic expansion grounded on a clearly defined investment criteria, we strive to gradually become a leading high-end commercial and mid-to-high-end residential property developer in China.

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Continue to strategically increase our land bank in premium locations

We seek to continuously replenish and increase our land bank through diversified channels including investment in project companies and participation in urban redevelopment programs. We have been invited by several local governments to participate in large scale property development projects. We plan to select projects which meet our investment criteria and replenish our land bank continuously over the next few years. We will continue to develop the land acquired based on our overall development and growth strategy.

We intend to focus on projects with premium locations in CBDs for commercial properties and on key areas under urban redevelopment planning with favorable geographical features for residential properties.

Continue to maintain adequate liquidity and upgrade our information management system

We will continue to closely monitor our capital and cash positions and carefully manage key operating parameters such as land acquisition costs, construction costs, cash flows and fixed charges. By closely monitoring our sales and pre-sales, we manage our cash flow at all times to ensure the adequacy of our ongoing capital requirements. Our management adopts prudent measures in balancing our capital commitments against long-term financing opportunities.

Additionally, we constantly strive to upgrade and integrate our existing information management system. We are committed to adhering to strict cost control, to real-time sales monitoring and to developing efficient customer relationship management, so as to ensure consistency of the application of our business model to all large scale development projects across the country.

Continue to maintain an effective organizational structure and enhance employee performance

We will continue to strengthen our existing internal management system and build a corporate culture with a strong team spirit. At the same time, we will continue to provide our staff with training tailored to their needs and roles as well as incentives that are linked to performance. We constantly look out for opportunities to recruit qualified employees to meet the demands of our continuing expansion

OUR PROPERTY PROJECTS

As of June 30, 2009, we had a total of 26 property projects in eight cities in China, including three cities in the Shenzhen and Neighboring Area. In September 2009, we further expanded into Shanghai and acquired another project, Shanghai Chengbang Villa Project.

We have three categories of properties:

- completed properties, comprising properties that have received certificates of completion;

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- properties under development, comprising properties for which we have received construction permits with respect to part or all of the project, and the construction of which has commenced but has not completed; and
- properties held for future development, comprising properties for which we have received the land use rights certificates but have not yet received the required construction permits.

For more details, see “Appendix IV — Property Valuation” to this document.

Our classification of properties reflects the basis on which we operate our business and may differ from classifications employed by other developers. Our land bank consists of our completed properties held for sale, properties under development and properties held for future development. Each property project may involve multiple land use right certificates, construction land planning permits, construction works planning permits, construction permits, pre-sale permits and other permits and certificates which may be issued at different times throughout its development.

For the convenience of expression, project phases in one category are counted as one project even if those phases do not constitute the entire project.

The site area information in this document is derived on the following basis:

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

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

- For total GFA, when the construction of properties in the relevant projects or project phases is complete and we have received the completion and inspection certificates, the total GFA information in respect of these projects or project phases refers to the total GFA in such completion and inspection certificates; if we have not obtained the completion and inspection certificates but have the detailed construction drawings for the projects or project phases, the total GFA information in respect of these projects or project phases refers to the total GFA in such detailed construction drawings; if we do not have the detailed construction drawings, but have obtained the construction planning permits for the projects or project phases, the total GFA information in respect of these projects or project phases refers to the total GFA in such construction planning permits; if we have not obtained any of the above documents for these projects or project phases, the total GFA information in respect of these projects or project phases refers to the total GFA estimated based on our current development plans. Total GFA stated in completion and inspection

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certificates, detailed construction drawings and construction planning permits includes underground GFA. Underground GFA refers to basement and other underground spaces, generally used for parking and storage purposes. Our final underground GFA information is based on the government survey report issued concurrently with the certificate of completion; if we have not received the certificate of completion, our underground GFA information is based on the government survey report issued concurrently with the pre-sale permit; and if we have not received the pre-sale permit, our underground GFA information is based on our project design plan approved by the relevant government authorities. The total GFA information in this document includes both saleable and non-saleable GFA. Saleable GFA generally refers to residential properties and retail shops and office space (including internal floor area and shared areas in the building that are exclusively allocated to such properties excluding carparks). Non-saleable GFA generally refers to certain communal facilities, including, among others, club houses, schools and floor area for property management purposes as required by the government.

- For saleable GFA, if we have obtained the pre-sale permits for the projects or project phases, the saleable GFA information refers to the saleable GFA in the pre-sale permits; if we have not yet obtained the pre-sale permits but have had the detailed construction drawings for the projects or project phases, the estimated saleable GFA information in respect of these projects or project phases refers to the estimated saleable GFA in such detailed construction drawings; if we have not obtained the detailed construction drawings but have obtained the construction planning permits for the projects or project phases, the estimated saleable GFA information in respect of these projects or project phases is estimated based on our current development plans in accordance with such construction planning permits; if we have not obtained any of the above documents for the projects or project phases, the estimated saleable GFA information in respect of these projects or project phases is estimated based on our current development plans.
- GFA sold information refers to the GFA in the relevant sale and purchase agreements on an aggregate basis. GFA sold information in this document does not include GFA of parking spaces. GFA sold and delivered refers to the GFA sold for which the revenue has been recognized.

We currently have five types of residential properties:

- villas, which are typically independent houses with one to three stories;
- townhouses, which are typically connected houses of two to four units;
- multi-story residential buildings, which are typically low-density residential buildings of four to six stories;
- low-rise residential buildings, which typically have between seven to 18 stories; and
- high-rise residential buildings, which typically have more than 18 stories.

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The table below sets forth the project-by-project information regarding the types and progress of our property developments as of June 30, 2009.⁽³⁾

No.	Project	Type	Aggregate site area (m ²)	GFA (m ²)			
				Completed	Under development	Held for future development	Total
Shenzhen and Neighboring Area ⁽¹⁾							
1	Shenzhen Cote d’Azur (Phases 1 to 4)	Commercial/Residential	263,471	779,766	—	—	779,766
2	Shenzhen City Central Garden	Commercial/Residential	44,140	79,405	—	—	79,405
3	Shenzhen Excellence Times Plaza (Phases 1 and 2)	Commercial	17,129	119,497	111,593	—	231,090
4	Shenzhen Central Walk ⁽²⁾	Commercial	43,428	135,377	—	—	135,377
5	Shenzhen Repulse Bay	Residential	19,506	79,956	—	—	79,956
6	Shenzhen Victoria Harbour	Commercial/Residential	64,669	188,243	—	—	188,243
7	Shenzhen Excellence Century Center	Commercial/Residential	30,163	—	464,614	—	464,614
8	Dongguan Azure Polis	Commercial/Residential	199,998	68,413	—	499,880	568,293
9	Huizhou Luofushan Project	Commercial/Residential	597,329	—	—	1,119,991	1,119,991
10	Huizhou Daya Bay Project	Commercial/Residential	773,316	—	—	2,416,614	2,416,614
Qingdao							
11	Qingdao Azure Archipelagoes (Phases 1 to 5)	Commercial/Residential	886,940	132,663	316,236	1,051,000	1,499,899
Changsha							
12	Changsha Cote d’Azur (Phases 1 to 3)	Commercial/Residential	260,412	153,176	33,823	251,605	438,604
13	Changsha Valley Villa	Commercial/Residential	373,680	—	189,207	—	189,207
Wuhan							
14	Wuhan Cote d’Azur (Phase 1)	Commercial/Residential	95,625	105,834	—	—	105,834
15	Wuhan Houhu Village Project	Commercial/Residential	215,696	—	—	495,890	495,890
Chongqing							
16	Chongqing Excellence Mart (Phases 1 and 2)	Commercial	98,431	56,561	—	91,148	147,709
Lianyungang							
17	Lianyungang Cote d’Azur (Phases 1 and 2)	Commercial/Residential	1,549,370	—	—	4,269,186	4,269,186
Total				1,898,891	1,115,473	10,195,314	13,209,678

(1) We also acquired 56 residential units of Youpin Apartments in Shenzhen with a total GFA of 5,100 square meters from the independent third-party developer of the project as partial payment for an interest in a parcel of land we sold to them. We hold these units for sale.

(2) The table also includes Shenzhen Central Walk. We contributed capital for and participated in the development of this project but have disposed our interest in this project in 2007. For information on our acquisition and disposal of our interest in this project, please see the section entitled “Financial Information — Results of Operations — 2007 compared to 2006 — Other gains” in this document.

The table does not include Shanghai Chengbang Villa Project (上海誠邦別墅項目), a residential project under development which we acquired in September 2009. For more information on this project, please see the section entitled “Our Property Projects — Shanghai Chengbang Villa (上海誠邦別墅項目).” We had obtained land use rights certificates for all the projects listed in this table as of the Latest Practicable Date.

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The table below sets forth our project-by-project information regarding sales, pre-sales and average selling prices for the Track Record Period.

Years ended December 31,										Six months ended June 30,														
2006										2007					2008					2009				
Commencement										2007					2008					2009				
No.	Project	date of pre-sales or sales	Total sales and pre-sales	GFA sold and pre-sold	Average Selling Price	% of total sales and pre-sales	Total sales and pre-sales	GFA sold and pre-sold	Average Selling Price	% of total sales and pre-sales	Total sales and pre-sales	GFA sold and pre-sold	Average Selling Price	% of total sales and pre-sales	Total sales and pre-sales	GFA sold and pre-sold	Average Selling Price	% of total sales and pre-sales						
			(Rmb in millions)	(m ²)	(Rmb)	(%)	(Rmb in millions)	(m ²)	(Rmb)	(%)	(Rmb in millions)	(m ²)	(Rmb)	(%)	(Rmb in millions)	(m ²)	(Rmb)	(%)						
1	Shenzhen Cote d'Azur (Phases 1 to 4)	Nov 1999	9.5	519	18,230	0.6	11.4	1,859	6,130	1.6	125.8	3,559	35,351	4.7	12.5	485	25,859	0.4						
2	Shenzhen City Central Garden	Mar 2003	—	—	—	—	4.8	807	5,905	0.7	—	—	—	—	—	—	—	—						
3	Shenzhen Excellence Times Plaza (Phases 1 and 2)	Oct 2005	910.8	47,300	19,255	56.7	100.4	3,879	25,876	14.1	206.5	1,823	113,221	7.8	138.1	4,070	33,923	4.5						
4	Shenzhen Repulse Bay	May 2006	538.7	34,343	15,685	33.5	307.3	17,246	17,820	43.2	76.3	3,030	25,163	2.9	51.0	2,448	20,821	1.7						
5	Shenzhen Victoria Harbour	Apr 2008	—	—	—	—	—	—	—	—	1,958.5	72,440	27,036	73.8	987.2	25,448	38,794	32.1						
6	Shenzhen Excellence Century Center	May 2009	—	—	—	—	—	—	—	—	—	—	—	—	1,359.3	45,388	29,948	44.2						
7	Dongguan Azure Polis	Aug 2008	—	—	—	—	—	—	—	—	29.1	5,858	4,964	1.1	112.8	21,057	5,356	3.7						
8	Qingdao Azure Archipelagos (Phases 1 to 5)	Jan 2008	—	—	—	—	—	—	—	—	145.3	27,180	5,346	5.5	242.0	53,272	4,544	7.9						
9	Changsha Cote d'Azur (Phases 1 to 3)	Jul 2006	134.4	38,323	3,508	8.4	146.1	32,304	4,522	20.5	59.6	12,607	4,731	2.2	111.5	27,777	4,013	3.6						
10	Changsha Valley Villa	May 2008	—	—	—	—	—	—	—	—	—	—	—	—	27.7	3,426	8,088	0.9						
11	Wuhan Cote d'Azur (Phase 1)	Apr 2007	—	—	—	—	139.5	36,056	3,869	19.6	52.9	14,521	3,642	2.0	33.1	9,319	3,553	1.1						
12	Chongqing Excellence Mart (Phases 1 and 2)	Nov 2006	2.8	962	2,873	0.2	2.7	1,141	2,361	0.4	—	—	—	—	—	—	—	—						
	Others ⁽¹⁾	Dec 2004	9.7	662	14,632	0.6	—	—	—	—	—	—	—	—	—	—	—	—						
	Total		1,605.8	122,109	13,151	100.0	712.2	93,292	7,634	100.0	2,653.9	141,019	18,819	100.0	3,075.2	192,690	15,959	100.0						

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The table below sets forth the geographical distribution of our completed properties, properties under development and properties held for future development as of June 30, 2009:

Location	Completed properties				Properties under development				Properties held for future development			
	Total GFA	% of total GFA	Total GFA attributable to us	% of total GFA attributable to us	Total GFA	% of total GFA	Total GFA attributable to us	% of total GFA attributable to us	Total GFA	% of total GFA	Total GFA attributable to us	% of total GFA attributable to us
	(m ²)	(%)	(m ²)	(%)	(m ²)	(%)	(m ²)	(%)	(m ²)	(%)	(m ²)	(%)
Shenzhen and												
Neighboring Area . . .	1,450,657	76.4	1,354,336	75.1	576,207	51.7	436,823	44.8	4,036,485	39.6	3,600,512	36.9
Qingdao	132,663	7.0	132,663	7.4	316,236	28.3	316,236	32.4	1,051,000	10.3	1,051,000	10.8
Changsha	153,176	8.0	153,176	8.5	223,030	20.0	223,030	22.8	251,605	2.5	251,605	2.6
Wuhan	105,834	5.6	105,834	5.9	—	—	—	—	495,890	4.8	495,890	5.1
Chongqing	56,561	3.0	56,561	3.1	—	—	—	—	91,148	0.9	91,148	0.9
Lianyungang	—	—	—	—	—	—	—	—	4,269,186	41.9	4,269,186	43.7
Total	1,898,891	100.0	1,802,570	100.0	1,115,473	100.0	976,089	100.0	10,195,314	100.0	9,759,341	100.0

The table also includes Shenzhen Central Walk. We contributed capital for and participated in the development of this project but have disposed our interest in this project in 2007. For information on our acquisition and disposal of our interest in this project, please see the section entitled “Financial Information — Results of Operations — 2007 compared to 2006 — Other gains” in this document. The table does not include Shanghai Chengbang Villa Project (上海誠邦別墅項目), a residential project under development which we acquired in September 2009. For more information on this project, please see the section entitled “Our Property Projects — Shanghai Chengbang Villa (上海誠邦別墅項目).”

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The table below sets forth the geographical revenue contribution to our property development as percentages of our total revenue from property development during the Track Record Period:

Location	Years ended December 31,				Six months ended June 30,			
	2006		2007		2008		2009	
	Revenue	% of total revenue	Revenue	% of total revenue	Revenue	% of total revenue	Revenue	% of total revenue
	(Rmb in millions)	(%)	(Rmb in millions)	(%)	(Rmb in millions)	(%)	(Rmb in millions)	(%)
Shenzhen and Neighboring Area	1,302.4	99.8	796.1	91.8	1,565.7	78.4	1,634.8	77.8
Qingdao	—	—	—	—	35.2	1.8	333.6	15.9
Changsha	—	—	68.9	7.9	214.2	10.7	88.6	4.2
Wuhan	—	—	—	—	180.7	9.1	44.3	2.1
Chongqing	2.8	0.2	2.7	0.3	—	—	—	—
Total	1,305.2	100.0	867.7	100.0	1,995.8	100.0	2,101.3	100.0

BUSINESS

Completed Properties

As of June 30, 2009, we completed the development of the following 12 property projects.⁽¹⁾ With respect to the following table, you should note that completed properties that are fully sold are not covered in “Appendix IV — Property Valuation” to this document.

No. Project	Completion time	Site area	Total GFA	Saleable GFA			% of GFA sold and delivered ⁽²⁾	Saleable GFA		Development cost incurred as of June 30, 2009	Interest attributable to us	Ref. to Property Valuation Report
				retail	office	residential		Total	Sold and delivered	Unsold		
		(m ²)	(m ²)	(m ²)	(m ²)	(m ²)	(%)	(m ²)	(m ²)	(m ²)	(%)	
Shenzhen and Neighboring Area												
1	Shenzhen Cote d'Azur (Phases 1 to 4)	Nov 04 263,471	779,766	16,120	—	542,145	98	558,265	548,818	0	9,447	100
2	Shenzhen City Central Garden	May 03 44,140	79,405	13,279	—	56,419	87	69,698	60,852	0	6,105	100
3	Shenzhen Excellence Times Plaza (Phase 1)	Oct 06 7,295	119,497	13,378	82,690	—	88	96,068	84,678	0	11,390	100
4	Shenzhen Central Walk ⁽¹⁾	Dec 06 43,428	135,377	84,208	—	—	100	84,208	N/A	N/A	N/A	40
5	Shenzhen Repulse Bay	Apr 07 19,506	79,956	—	—	58,347	98	58,347	57,068	0	1,279	100
6	Shenzhen Victoria Harbour (South and North Parts)	Jun 09 64,669	188,243	23,599	—	104,012	66	127,611	84,797	13,091	29,723	99.25
7	Dongguan Azure Polis (Phase 1)	Jun 09 78,329	68,413	4,620	—	61,556	—	66,176	0	26,915	39,261	80
Qingdao												
8	Qingdao Azure Archipelagoes (Phases 1A and 1B)	Dec 08 83,800	132,663	6,235	—	99,564	72	105,799	76,308	4,145	25,346	100
Changsha												
9	Changsha Cote d'Azur (Phase 1A)	Dec 06 54,463	69,633	3,587	—	46,234	90	49,821	45,060	0	4,762	100
10	Changsha Cote d'Azur (Phase 1B)	Dec 08 56,491	83,543	—	—	68,260	68	68,260	46,556	8,258	13,446	100
Wuhan												
11	Wuhan Cote d'Azur (Phase 1)	Jan 08 95,625	105,834	7,401	—	95,507	58	102,908	59,740	156	43,012	100
Chongqing												
12	Chongqing Excellence Mart (Phase 1)	Oct 06 45,829	56,561	56,561	—	—	4	56,561	2,103	0	54,458	100
Total		857,046	1,898,891	228,988	82,690	1,132,044		1,443,722				

(1) The table also includes Shenzhen Central Walk. We contributed capital for and participated in the development of this project but have disposed our interest in this project in 2007. For information on our acquisition and disposal of our interest in this project, please see the section entitled “Financial Information — Results of Operations — 2007 compared to 2006 — Other gains” in this document.

(2) The percentage is calculated as the total GFA sold and delivered as of June 30, 2009 divided by the total saleable GFA of the project.

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The table below sets out our completed properties in each of our three product categories by type as of June 30, 2009.

Residential	Commercial	Integrated commercial-residential complexes
Shenzhen Cote d’Azur (Phase 1)	Shenzhen Excellence Times Plaza (Phase 1)	Shenzhen Cote d’Azur (Phases 2 to 4)
Shenzhen Repulse Bay	Shenzhen Central Walk	Shenzhen City Central Garden
Changsha Cote d’Azur (Phase 1B)	Chongqing Excellence Mart (Phase 1)	Shenzhen Victoria Harbour (South and North Parts)
		Qingdao Archipelagoes (Phases 1A and 1B)
		Changsha Cote d’Azur (Phase 1A)
		Wuhan Cote d’Azur (Phase 1)
		Dongguan Azure Polis (Phase 1)

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Properties Under Development

As of June 30, 2009, we had six property projects under development with an aggregate GFA of approximately 1,115,473 square meters.

No.	Project	Saleable GFA							Total saleable GFA pre-sold (m ²)	Actual or estimated commencement time	Actual or estimated pre-sale commencement	Estimated completion time	Estimated costs		Ref. to Property Valuation Report	
		Site area (m ²)	Total GFA (m ²)	Retail (m ²)	Office (m ²)	Residential (m ²)	Hotel (m ²)	Total (m ²)					to be incurred/ paid until December 31, 2010 ⁽⁴⁾ (Rmb in millions)	Estimated costs to be incurred/ paid for completion ⁽⁵⁾ (Rmb in millions)		
Shenzhen and Neighboring Area																
1	Shenzhen Excellence Times Plaza (Phase 2) ⁽²⁾	9,834	111,593	19,788	30,382	—	29,919	80,089	29,923	Jun 06	Dec 08	Dec 11 ⁽¹⁾	300	398	100	IV-49
2	Shenzhen Excellence Century Center	30,163	464,614	47,850	258,672	36,211	26,600	369,333	45,388	Mar 07	May 09	Jun 10	800	2,405	70	IV-46
Qingdao																
3	Qingdao Azure Archipelagos (Phase 1C and 1D)	97,400	162,291	5,604	—	89,979	35,679	131,262	8,951	Jun 07	Mar 08	Dec 09	120	327	100	IV-55
4	Qingdao Azure Archipelagos (Phases 2E and 2F)	91,000	153,945	12,000	—	141,945	—	153,945	—	Jul 09 ⁽³⁾	Aug 09	Dec 11	160	500	100	IV-55
Changsha																
5	Changsha Cote d’Azur (Phase 2A)	24,644	33,823	—	—	29,860	—	29,860	9,813	Oct 07	Oct 08	Dec 12	120	395	100	IV-52
6	Changsha Valley Villa	373,680	189,207	3,666	—	181,729	—	185,395	3,426	Jul 07	May 08	Dec 12	50	489	100	IV-58
Total		626,721	1,115,473	88,908	289,054	479,724	62,279	899,714					1,550	4,514		

- (1) The office and retail portions of Shenzhen Excellence Times Plaza (Phase 2) have been completed in January 2009.
- (2) We have reached a pre-sale agreement with CITIC Securities Co., Ltd. (中信証券股份有限公司) to sell to it the office tower in Shenzhen Excellence Times Plaza (Phase 2) with a total saleable GFA of 29,920 square meters. We have also reached an agreement with HNA Group (Hong Kong) Co., Limited (海航集團(香港)有限公司) to sell to it (i) the hotel properties and related retail properties in Shenzhen Excellence Times Plaza (Phase 2) with a total saleable GFA of 38,901 square meters and 100 carparks through an equity transfer in South Smart, our subsidiary indirectly holding Shenzhen Excellence Times Plaza (Phase 2). For more information on these agreements, please see the section entitled “Our Property Projects — Shenzhen Excellence Times Plaza (Phase 2)” in this document.
- (3) We received construction permit for a total GFA of 25,441 square meters in Qingdao Azure Archipelagos (Phases 2E and 2F) in July 2009.
- (4) This refers to the estimated costs to be incurred/paid from June 30, 2009 to December 31, 2010.
- (5) This refers to the estimated costs to be incurred/paid as of June 30, 2009 for completing relevant projects.

The table does not include Shanghai Chengbang Villa Project (上海誠邦別墅項目), a residential project under development which we acquired in September 2009. For more information on this project, please see the section entitled “Our Property Projects — Shanghai Chengbang Villa (上海誠邦別墅項目).”

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Properties Held for Future Development

As of June 30, 2009, we also had eight projects held for future development with an aggregate site area of 4,045,276 square meters. We set forth in the table below further information about these projects. The total GFA with respect to each project included in our properties held for future development are estimates by our management on the basis of our current development plans formulated pursuant to the relevant land use rights certificates.

No.	Project	Estimated commencement time	Estimated completion time	Site area (<i>m</i> ²)	Proposed GFA (<i>m</i> ²)	Interest attributable to us (%)	Ref. to Property Valuation Report
Shenzhen and Neighboring Area							
1	Dongguan Azure Polis (Phases 2 to 4)	Nov 2009	Dec 2015	121,669	499,880	80	IV-66
2	Huizhou Luofushan Project	Jan 2010	Dec 2016	597,329	1,119,991	70	IV-76
3	Huizhou Daya Bay Project	Jan 2010	Dec 2016	773,316	2,416,614	100	IV-80
Qingdao							
4	Qingdao Azure Archipelagoes (Phases 2 to 5, excluding Phases 2E and 2F)	Nov 2009	Jun 2017	614,740	1,051,000	100	IV-63
Changsha							
5	Changsha Cote d’Azur (Phases 2B, 2C, 2D and 3)	Dec 2009	Jun 2014	120,554	251,605	100	IV-61
Chongqing							
6	Chongqing Excellence Mart (Phase 2)	Jul 2011	Oct 2014	52,602	91,148	100	IV-72
Lianyungang							
7	Lianyungang Cote d’Azur (Phases 1 and 2)	Nov 2009	Nov 2018	1,549,370	4,269,186	100	IV-68, <u>74</u>
Wuhan							
8	Wuhan Houhu Village Project ⁽¹⁾ ..	Feb 2010	Dec 2014	<u>215,696</u>	<u>495,890</u>	100	IV-78
Total				<u>4,045,276</u>	<u>10,195,314</u>		

- (1) We acquired the land parcels underlying Wuhan Houhu Village Project through the acquisition of the equity interest in Wuhan Zhenghe from a third party who claimed to have secured the right to acquire the land use rights underlying Wuhan Houhu Village Project prior to the introduction by the PRC government of the public tender, auction and listing-for-sale system. We have paid the acquisition consideration to the transferor and have received the land use rights certificates for Wuhan Houhu Village Project from the relevant PRC land authorities. However, our PRC legal counsel have been unable to verify whether Wuhan Zhenghe had completed all necessary procedures for grant or transfer of the land use rights before receiving the land use rights because we have been unable to obtain, and provide to our PRC legal counsel, certain documents (including previous land grant contract) for the land grant or transfer and certain approval from relevant land authorities. We may forfeit our land use rights for such land parcels if the transfer procedures violated the requirements under relevant laws and regulations. If such forfeiture occurs, we may seek indemnification from the transferor of the equity interest in Wuhan Zhenghe against any damages incurred in connection with the forfeiture pursuant to the relevant equity transfer agreement. Our controlling shareholders have also agreed to fully indemnify us and hold us harmless with respect to any damages we may incur in connection with such forfeiture. We are currently in the process of obtaining supporting documents from the relevant authorities to vindicate our land use rights underlying Wuhan Houhu Village Project. We also intend to re-execute a land grant contract with the relevant authority by the end of 2009 to make up for the previous irregularities, if any. For risks relating to the forfeiture of the land use rights, please also see the section entitled “Risk Factors — Risks Relating to Our Business — We may not always be able to obtain suitable land for development due to the PRC government’s control over land supply to property developers as well as the uncertainties related to land acquisition through secondary market or equity acquisition” in this document.

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As of June 30, 2009, we have not yet commenced development for some of these properties for more than one or two years from the commencement dates stipulated in the relevant land grant contracts. Some of these properties may be subject to land idle fee or reclamation. For more details of such properties, please see the section entitled “Risk Factors — Risks Relating to Our Business — The PRC government may impose fines on us or reclaim our land if we fail to comply with the terms of the land grant contracts” in this document. The remaining of these properties, as identified below, are not subject to land idle fee or reclamation either because we have received extension of the commencement dates from relevant authorities or due to other reasons:

No.	Project	Location	Total site area of relevant land (m^2)	Initially stipulated commencement date	Extension of commencement date or other explanations
1	Changsha Cote d’Azur (Phases 2B, 2C, 2D and 3)	Changsha, Hunan	82,336	April 27, 2006 or June 26, 2007 (as applicable)	The relevant land authority has extended the commencement date to December 30, 2010.
2	Wuhan Houhu Village Project ...	Wuhan, Hubei	215,696	We received the land use rights certificate on June 16, 2008. ⁽¹⁾	Demolition and resettlement is being conducted on the land. The relevant land authority has undertaken not to treat the land as idle land and not to impose land idle fee or forfeiture on the land.
3	Dongguan Azure Polis (Phases 2 to 4).....	Dongguan, Guangzhou Province	54,952	The relevant land grant contract, effective March 15, 2006, does not specify the commencement date.	Due to the impact of local inter-city railway project and redevelopment of local railway station, we have been unable to commence construction on the land. Relevant authorities have confirmed the above statement. Based on the confirmation by relevant authorities and our PRC legal counsel’s understanding of relevant laws and regulations, our PRC legal counsel have opined that the land is not subject to land idle fee or forfeiture under these circumstances.

(1) We have been unable to obtain certain documents related to the acquisition of this land, including the previous land grant contract. For further details on the acquisition process of this land and related risks, you may refer to the section entitled “Risk Factors — Risks Relating to Our Business — We may not always be able to obtain suitable land for development due to the PRC government’s control over land supply to property developers as well as the uncertainties related to land acquisition through secondary market or equity acquisition” in this document.

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Project Description — Shenzhen and Neighboring Area

The following map illustrates the location of our projects in the Shenzhen and Neighboring Area. Unless otherwise disclosed, we do not operate facilities such as schools and kindergartens, shopping centers, parks and business service centers which are situated within the projects we have developed. We operate the clubhouses and engage professional hotel operators to manage the hotels.



BUSINESS

Shenzhen Cote d’Azur (深圳蔚藍海岸)



Shenzhen Cote d’Azur (深圳蔚藍海岸)

Shenzhen Cote d’Azur is a large-scale residential project located in an upscale coastal area in Nanshan District by the banks of Shenzhen Bay. This project occupies a total site area of 263,471 square meters with a total GFA of 779,766 square meters, including 2,895 carpark. It primarily comprises low-rise and high-rise residential buildings. The project is divided into four phases. Ancillary facilities at this project include a primary school, a high school, two kindergartens and three clubhouses.

We commenced development of Shenzhen Cote d’Azur in September 2000 and completed it in November 2004. As of June 30, 2009, we continue to hold 1,000 carpark which we intend to hold for long-term investment purpose.

In July 2004, Shenzhen Cote d’Azur won recognition as an “International Garden Community in China” (中國國際花園社區) and one of “Top 30 Large and Influential Communities in China” (影響中國的30大社區). Both awards were jointly given by the United Nations Environment Program (聯合國環境規化署), the International Park Association (國際花園協會), the Chinese Real Estate Expo Organizing Committee (中國地博會組委會) and the China Mainstream Media Union of Real Estate Coverage (中國主流媒體房地產宣傳聯盟).

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In November 2000, this project was accredited with the honorary title of “2000 Outstanding Intelligent Community” (2000年優秀智能化社區). The prize was awarded by the Ministry of Science and Technology of the PRC (中華人民共和國科學技術部), the Ministry of Construction (中國人民共和國建設部), the Chinese Academy of Sciences (中國科學院) and the People’s Government of Shenzhen Municipality (深圳市人民政府).

Details of this development as of June 30, 2009 were as follows:

	<u>Residential</u>	<u>Retail</u>		
Total saleable GFA (m ²)	542,145	16,120		
Total GFA sold and delivered (m ²).....	542,145	6,673		
	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>First half of 2009</u>
Average selling price of properties sold or pre-sold (Rmb/m ²)	18,230	6,130	35,351	25,859
Total GFA sold and pre-sold (m ²)	519	1,859	3,559	485

As of June 30, 2009, we still had retail properties of this project with a total saleable GFA of 9,447 square meters unsold because we intended to defer the sale of these properties until a period after the project properties have been substantially occupied by residents and the community has reached a more mature stage in order to achieve a better selling price. We initially leased such retail properties to third parties and now intend to sell the properties after the current leases expire. We did not encounter any difficulty in selling these properties.

The fluctuations of average selling prices of properties during the Track Record Period were primarily due to our sale of different types of properties for the same project at different time. In 2006, we primarily sold commercial properties, which generally had a higher average selling price than that of the residential properties we primarily sold in 2007. In 2008, we sold commercial properties at a higher average selling price than 2006 because the prices increased as the project community matured. In the six months ended June 30, 2009, we also primarily sold commercial properties, but the average selling price decreased as compared with 2008 because such properties were the ones left with less satisfactory locations.

BUSINESS

Shenzhen City Central Garden (深圳城市中心花園)



Shenzhen City Central Garden (深圳城市中心花園)

Shenzhen City Central Garden is a residential project located next to Henggang Stylistic Square in Henggang District, Shenzhen. This project occupies a total site area of 44,140 square meters with a total GFA of 79,405 square meters, including 390 carparks. It primarily comprises low-rise and high-rise residential buildings. Ancillary facilities at this project include a senior activities center, a healthcare center and a cultural activities room.

We commenced development of Shenzhen City Central Garden in March 2002 and completed it in May 2003.

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Details of this development as of June 30, 2009 were as follows:

	<u>Residential</u>	<u>Retail</u>
Total saleable GFA (m ²)	56,419	13,279
Total GFA sold and delivered (m ²).....	55,612	7,174

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>First half of 2009</u>
Average selling price of properties sold or pre-sold (Rmb/m ²)	—	5,905	—	—
Total GFA sold and pre-sold (m ²)	—	807	—	—

As of June 30, 2009, we still had residential properties and retail properties with a total saleable GFA of 807 square meters and 6,105 square meters, respectively. We intended to defer the sale of these retail properties until a period after the project properties have been substantially occupied by residents and the community has reached a more mature stage in order to achieve a better selling price. We initially leased such retail properties to third parties and now intend to sell the properties after the current leases expire. We plan to sell the unsold residential properties at a later time in anticipation of a sale at a higher selling price. We did not encounter any difficulty in selling these properties.

BUSINESS

Shenzhen Excellence Times Plaza (Phase 1) (深圳卓越時代廣場一期)



Shenzhen Excellence Times Plaza (Phase 1) (深圳卓越時代廣場一期)

Shenzhen Excellence Times Plaza (Phase 1) is a commercial property project located in Futian District next to the Shenzhen municipal government and the Shenzhen Convention and Exhibition Center (深圳會展中心). The site is in the middle of the Shenzhen CBD surrounded by several five-star hotels and high-rise commercial buildings with convenient access to various commercial and retail facilities and two subway routes. This project occupies a total site area of 7,295 square meters with a total GFA of 119,497 square meters, including 443 carparks. It comprises 54 floors of office space and some retail units.

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We commenced the development of Shenzhen Excellence Times Plaza (Phase 1) in October 2003 and completed it in October 2006. As of June 30, 2009, we held 250 carparks, which are intended for long-term investment purpose.

In December 2008, Shenzhen Excellence Times Plaza (Phase 1) was granted the “2008 China Quality Construction Silver Award” (2008年度國家優質工程銀質獎) by the Evaluation Committee of China Quality Construction Award (國家工程建設質量獎審定委員會).

In July 2007, this project received the honor of the “2007 Commercial Properties Award” (2007年最具升值潛力商業地產大獎) at the Boao 21st Century Real Estate Forum 2007 (博鰲 • 21世紀房地產論壇2007屆年會).

In January 2008, this project was awarded “China Real Estate Best CBD Office Development Model Over 20 Years” (中國房地產20年最佳CBD寫字樓群開發模式) by China Real Estate News (中國房地產報) and Sina.com (新浪網) at the China Real Estate Annual Conference 2007-2008 (中國房地產年會).

Details of this development as of June 30, 2009 were as follows:

	<u>Office</u>		<u>Retail</u>	
Total saleable GFA (m ²)	82,690		13,378	
Total GFA sold and delivered (m ²)	77,847		6,831	
				First half of
	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Average selling price of properties sold or pre-sold (Rmb/m ²)	19,255	25,876	113,221	33,923
Total GFA sold and pre-sold (m ²)	47,300	3,879	1,823	4,070

The fluctuations of average selling prices of properties during the Track Record Period were primarily due to our sale of different types of properties for the same project at different time. In 2008, the high average selling price was a result of our sale of retail properties for this project, which had a much higher average selling price than that of the office properties we primarily sold in 2006, 2007 and the six months ended June 30, 2009. The increase of the average selling prices of our office properties sold in 2006, 2007 and the six months ended June 30, 2009 was primarily a result of market changes as well as our sale of office properties at different locations, which command different levels of prices.

BUSINESS

Shenzhen Excellence Times Plaza (Phase 2) (深圳卓越時代廣場二期)



Shenzhen Excellence Times Plaza (Phase 2) (深圳卓越時代廣場二期)

Shenzhen Excellence Times Plaza (Phase 2) is a comprehensive commercial project located in Futian District, Shenzhen. Shenzhen Excellence Times Plaza (Phase 1), Shangri-la Hotel and the subway are in the vicinity of this project. It is positioned as an upscale modern international commercial complex with Grade-A office buildings, brand-name shops, restaurants and entertainment facilities. This project occupies a total site area of 9,834 square meters with a total GFA of 111,593 square meters, including 450 carparks.

We commenced development of Shenzhen Excellence Times Plaza (Phase 2) in June 2006. We completed the office and retail portions of this project in January 2009 and expect to complete the hotel portion in December 2011. We have reached a pre-sale agreement with CITIC Securities Co., Ltd. (中信証券股份有限公司) (“CITIC”) in August 2009 to sell to CITIC the office tower in Shenzhen Excellence Times Plaza (Phase 2) with a total saleable GFA of 29,920 square meters. The sale price for the office tower is Rmb 32,000 per square meter for a total price of approximately Rmb 957.5 million. The proposed delivery time of the office tower to CITIC is February 27, 2010.

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We have also entered an agreement in Macau with HNA Group (Hong Kong) Co., Limited (海航集團(香港)有限公司) (“HNA Group”), a company incorporated in Hong Kong, in October 2009 to sell to it (i) the hotel properties and related retail properties in Shenzhen Excellence Times Plaza (Phase 2) with a total saleable GFA of 38,901 square meters at the price of Rmb 29,000 per square meter, subject to adjustment of the total saleable GFA according to registered total GFA, and (ii) 100 carparks at the price of Rmb 300,000 per carpark. The total consideration for the sale is approximately Rmb 1,158.1 million, while our total costs incurred in developing the above hotel and related retail properties as of the Latest Practicable Date were approximately Rmb 459.8 million. The sale will be effected as a transfer to HNA Group of our equity interest in South Smart, our BVI subsidiary indirectly holding our interest in Shenzhen Excellence Times Plaza (Phase 2). Pursuant to the agreement, we agreed to first transfer all of our assets and liabilities other than the above hotel and related properties out of South Smart and then transfer a 99% equity interest in South Smart to HNA Group. Completion of such transfer is expected to take place in June 2010 after the hotel and related properties are completed. The parties agreed to jointly manage South Smart and its subsidiaries prior to completion of the transfer of such 99% equity interest. We agreed to transfer the remaining 1% equity interest in South Smart to HNA Group for US\$1.0 either (i) when HNA Group transfers its equity interest in South Smart to a third party or (ii) five years after we have transferred the 99% interest in South Smart to HNA Group, whichever is earlier. During the period when we hold the 1% equity interest in South Smart, the parties agreed that we are given the right to use the clubhouse of the hotel properties but will have no right to participate in the dividend distribution or the management of South Smart. HNA Group has paid us deposits in H.K. dollar amount equivalent to Rmb 100.0 million for the sale.

As of June 30, 2009, the total development costs (including land acquisition costs, construction costs and capitalized finance costs) incurred for this project were Rmb 686.9 million.

Details of this development as of June 30, 2009 were as follows:

	Office	Retail	Hotel
Total saleable GFA (m ²)	30,382	19,788	29,919

Shenzhen Central Walk (深圳怡景中心城)

Shenzhen Central Walk is a large-scale commercial complex located in the Shenzhen CBD. It occupies a site area of 43,428 square meters with a total GFA of 135,377 square meters, including 800 carparks. Shenzhen Central Walk comprises department stores, a Carrefour flagship store, a cinema complex and one of the largest indoor playgrounds in Shenzhen.

We held a total investment of Rmb 180 million, or 40% of the equity interest, in this project and participated in its development. The development of Shenzhen Central Walk commenced in June 2005 and was completed in December 2006. We disposed our equity interest in this project in May 2007. For information on our acquisition and disposal of our interest in this project, please see the section entitled “Financial Information — Results of Operations — 2007 compared to 2006 — Other gains” in this document.

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In 2005, we made a loan of Rmb 80 million to Shenzhen Yijing Commercial Centre Development Co., Ltd., or Shenzhen Yijing, our project partner in Shenzhen Central Walk, for their general working capital needs. The interest rate of the loan was twice of the prime lending rate. Since only financial institutions can legally engage in corporate borrowings in China, our loan to Shenzhen Yijing was not in compliance with the relevant PRC laws, our interest income of Rmb 10.9 million may be disgorged by the PBOC. In addition, we may be fined for a sum up to one to five times of our interest income. We collected the principal amount and the interest in full from Shenzhen Yijing in 2007.

Shenzhen Repulse Bay (深圳淺水灣花園)



Shenzhen Repulse Bay (深圳淺水灣花園)

Shenzhen Repulse Bay is a residential project located in the High Technology Development Zone in Shenzhen. It is an upscale residential project with a seaview and is also adjacent to the proposed new subway line No. 2 in Shenzhen. This project occupies a total site area of 19,506 square meters with a total GFA of 79,956 square meters, including 476 carparks. It primarily comprises high-rise residential buildings and consists solely of four-bedroom units designed for families. Ancillary facilities at this project include a kindergarten and a clubhouse. We commenced development of Shenzhen Repulse Bay in September 2005 and completed it in April 2007. As of June 30, 2009, we held 150 carparks for long-term investment purposes.

In July 2006, this project was awarded a “Global Model Residential Community” (全球人居環境示範社區) at the Global Natural Ecology and Living Environment Forum (全球自然生態與人居環境論壇), which was hosted by the United Nations Department of Economic and Social Affairs (聯合國政府組織經濟和社會事務部) and the China City Construction and Development Exhibition (中國城博會).

BUSINESS

In January 2006, this project received “Gold award of 2006 at the Sixth China Real Estate Development Annual Conference” (2006第六屆中國房地產發展年會年度金獎). The award was granted by the Enterprise Research Institute at the Development Research Center of the State Council (國務院發展研究中心企業所), the Tsinghua University Institute of Real Estate Studies (清華大學房地產研究所) and the China Index Research Institute based on their evaluation.

Details of this development as of June 30, 2009 were as follows:

	Residential			
Total saleable GFA (m ²)	58,347			
Total GFA sold and delivered (m ²).....	57,068			
	2006	2007	2008	First half of 2009
Average selling price of properties sold or pre-sold (Rmb/m ²)	15,685	17,820	25,163	20,821
Total GFA sold and pre-sold (m ²)	34,343	17,246	3,030	2,448

Shenzhen Victoria Harbour (深圳維港名苑)



Shenzhen Victoria Harbour (深圳維港名苑)

BUSINESS

Shenzhen Victoria Harbour is an integrated commercial-residential complex located in Nanshan District, Shenzhen. This project features a low-density, modern townhouse-style community with a large shopping arcade. It occupies a total site area of 64,669 square meters with a total GFA of 188,243 square meters, including 1,080 carparks. It primarily comprises townhouses, high-rise residential buildings and commercial units. Ancillary facilities at the project include a community health service center. We hold a 99.3% interest in this project.

We have divided this project into South Part and North Part. South Part occupies a site area of 38,919 square meters with a total GFA of 96,701 square meters including 560 carparks. North Part occupies a site area of 25,750 square meters with a total GFA of 91,542 square meters including 520 carparks. We commenced development of Shenzhen Victoria Harbour in June 2007 and commenced pre-sale in May 2008. We completed South Part in December 2008 and North Part in June 2009.

In June 2009, Shenzhen Victoria Harbour received the “Distinguished Award of China Real Estate Marketing Award for 2008-2009 Year (Seventh)” as evaluated by The Economic Observer (經濟觀察報). In February 2009, the project received the honor of “Champion of Sales in Shenzhen, China” (中國(深圳)銷售冠軍獎樓盤) at The 9th China Real Estate Development Annual Conference (第九屆中國房地產年會), which was jointly hosted by the Enterprise Research Institute at the Development Research Center of the State Council (國務院發展研究中心企業所), the Tsinghua University Institute of Real Estate Studies (清華大學房地產研究所) and the China Index Research Institute and organized by SouFun Holdings Ltd. (搜房國際控股).

In October 2008, this project was awarded “China International Garden Community Award” (中國國際花園社區大獎) by the International Federation of Parks and Recreation (國際公園與康樂管理協會), a non-profit organization recognized and supported by the United Nations Environment Program (聯合國的環境計劃署), based on ecology, environmental protection, suitability for living and sustainable development.

Details of this development as of June 30, 2009 were as follows:

		<u>Residential</u>	<u>Retail</u>	
Total saleable GFA (m ²)		104,012	23,599	
Total GFA sold and delivered (m ²)		84,797	—	
			First half of	
	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Average selling price of properties sold or pre-sold (Rmb/m ²)	—	—	27,036	38,794
Total GFA sold and pre-sold (m ²)	—	—	72,440	25,448

BUSINESS

Shenzhen Excellence Century Center (深圳卓越世紀中心)



Shenzhen Excellence Century Center (深圳卓越世紀中心)

Shenzhen Excellence Century Center is an integrated commercial development located in the Shenzhen CBD in Futian District, Shenzhen. The project comprises Grade-A office properties, a five-star hotel and other commercial properties. It was designed by LEO A DALY, a leading international design firm. This project occupies a total site area of 30,163 square meters with a total GFA of 464,614 square meters, including 1,590 carparks. With a height of 280 meters, building 1 of Shenzhen Excellence Century Center is the tallest office building in Shenzhen CBD. Currently, we hold a 100% interest in the project company and an approximately 70% interest in the total saleable GFA of the project and the carparks.

We commenced construction of Shenzhen Excellence Century Center in March 2007 and expect to complete it in June 2010. We commenced pre-sale in May 2009.

As of June 30, 2009, the total development costs (including land acquisition costs, construction costs and capitalized finance costs) incurred for this project were Rmb 1,591.6 million.

BUSINESS

In June 2009, Shenzhen Excellence Century Center was granted “2009 Business Complex Marketing Award” (2009年度商務綜合體營銷大獎) by the organizing committee of Boao 21st Century Real Estate Forum (博鰲21世紀房地產論壇組委會). In January 2009, this project was recognized as “2009 China Real Estate New Perspective Urban Landmark (Shenzhen)” (中國地產新視角城市地標性建築(深圳))” at the “Sohu 2009 • New Perspective Summit Forum” (搜狐2009 • 新視角高峰論壇).

In December 2007, Shenzhen Excellence Century Center was awarded “2007-2008 Top 10 Urban Constructions and New Landmarks in China” (2007-2008中國城市建築新地標Top 10) by the 4th China Digital Real Estate International Summit Forum and 2007-2008 Seminar on the Achievements in Urban Constructions and New Landmarks in China (第四屆中國數字地產國際高峰論壇暨2007-2008中國城市建築新地標研究成果發佈會). This event was jointly organized by the China Real Estate Industry Association and Market Research Professional Committee (中國房地產業協會產業與市場研究專業委員會) and the China Index Research Institute.

Details of this development as of June 30, 2009 were as follows:

	<u>Residential</u>	<u>Office</u>	<u>Retail</u>	<u>Hotel</u>
Estimated Total saleable GFA (m ²)	36,211	263,022	43,321	26,666
Total GFA sold and delivered (m ²)	—	—	—	—
	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>First half of 2009</u>
Average selling price of properties sold or pre-sold (Rmb/m ²)	—	—	—	29,948
Total GFA sold and pre-sold (m ²)	—	—	—	45,388

BUSINESS

Dongguan Azure Polis (東莞蔚藍城邦)



Dongguan Azure Polis (東莞蔚藍城邦)

Dongguan Azure Polis is an integrated commercial-residential complex located in Changping Town, Dongguan, in the vicinity of Shenzhen. We expect it to be one of the largest urban development projects in Dongguan in recent years. This project occupies a total site area of 199,998 square meters with a total GFA of 568,293 square meters, including 3,619 carparks. It will primarily comprise condominiums, high-rise residential buildings, villas, commercial buildings and a hotel. Ancillary facilities at the project will include a kindergarten, clubhouse and various sports facilities. We hold an 80% interest in the project.

We have divided this project into four phases. Phase 1 occupies a site area of 78,329 square meters with a total GFA of 68,413, including 338 carparks. Phases 2, 3 and 4 occupy a site area of 121,669 square meters with a total GFA of 499,880 square meters. We commenced development of Phase 1 of Dongguan Azure Polis in March 2008 and completed it in June 2009. We commenced pre-sale of Phase 1 in May 2008. We expect to commence development of Phase 2 in December 2009 and complete it in the first quarter of 2011. We hold Phases 3 and 4 for future development.

As of June 30, 2009, the total development costs (including land acquisition costs, construction costs and capitalized finance costs) incurred for this project were Rmb 467.0 million.

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Details of this development as of June 30, 2009 were as follows:

	Phase 1	
	Residential	Retail
Total saleable GFA (m ²)	61,556	4,620
Total GFA sold and delivered (m ²)	—	—

	2006	2007	2008	First half of 2009
Average selling price of properties sold or pre-sold (Rmb/m ²)	—	—	4,964	5,356
Total GFA sold and pre-sold (m ²)	—	—	5,858	21,057

Huizhou Luofushan Project (惠州羅浮山項目)

Huizhou Luofushan Project is a large-scale integrated residential and resort project located in Luofushan, Huizhou, a popular tourist attraction in Guangdong Province. This project occupies a total site area of approximately 597,329 square meters with a total GFA of approximately 1,119,991 square meters. It will primarily comprise residential buildings, a hotel and retail units. Ancillary facilities at the project include a clubhouse, a dining and entertainment area and a business conference center.

We hold a 70% interest in this project. As we have not yet commenced development of the land for this project for a period of more than one year, but less than two years, from the commencement date stipulated in the relevant land grant contracts, the land may be subject to land idle fee. For more details of the risks of land idle fee and land forfeiture for this project, please see the section entitled “Risk Factors — Risks Relating to Our Business — The PRC government may impose fines on us or reclaim our land if we fail to comply with the terms of the land grant contracts” in this document. We are currently in the process of consulting with relevant authorities with a view to seeking an extension of the commencement date. We do not believe there is a material risk for incurring land idle fee or triggering land forfeiture. We expect to commence development of this project in the first quarter of 2010 and complete it in 2015.

As of June 30, 2009, the total development costs (including land acquisition costs, construction costs and capitalized finance costs) incurred for this project were Rmb 196.3 million.

Details of this development as of June 30, 2009 were as follows:

	Residential	Retail
Estimated total saleable GFA (m ²)	896,448	71,716

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Huizhou Daya Bay Project (惠州大亞灣項目)

Huizhou Daya Bay Project is a large-scale integrated residential and resort complex of high quality located in Daya Bay Economic and Technology Development Zone (大亞灣經濟技術開發區) of Huizhou city in Guangdong Province. This project occupies a total site area of 773,316 square meters with a total GFA of 2,416,614 square meters. It will primarily comprise residential buildings and villas. We have fully paid the land premium for Huizhou Daya Bay Project and expect to receive the land use rights certificate by the end of September 2009.

We hold a 100% interest in this project. We expect to commence development of this project in the first quarter of 2010 and complete it in 2018.

As of June 30, 2009, the total development costs (including land acquisition costs, construction costs and capitalized finance costs) incurred for this project were Rmb 419.7 million.

Details of this development as of June 30, 2009 were as follows:

	<u>Residential</u>	<u>Retail</u>
Estimated total saleable GFA (m ²)	1,903,290	30,000

BUSINESS

Project Description — Qingdao



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Qingdao Azure Archipelagoes (青島蔚藍群島)



Qingdao Azure Archipelagoes (青島蔚藍群島)

Qingdao Azure Archipelagoes is a residential project located in Chengyang District, Qingdao, a coastal city in Shandong province. It is situated at the tip of Jiaozhou Bay in Qingdao, and has the full view of the Bay. This project features themed communities, including a Korean community and a Japanese community, with designs tailored to attract Korean and Japanese residents in Qingdao. This project occupies a total site area of 886,940 square meters with a total GFA of 1,499,899 square meters. This project consists of low-rise residential units, condominiums, villas, service apartments and a hotel. Ancillary facilities at the project include a community health services center, two kindergartens, a club house, a theme park, various sports facilities and international schools.

We have divided this project into five phases. Phase 1 occupies a site area of 181,200 square meters with a total GFA of 294,954 square meters including 1,526 car parks. Phases 2 to 5 occupy a site area of 705,740 square meters with a total GFA of 1,204,945 square meters. Phase 1 is further subdivided into Parts A, B, C and D. Phase 2 is further subdivided into Parts E and F and the remaining parts. We hold a 100% interest in the project. We commenced development of Phase 1 of Qingdao Azure Archipelagoes in June 2007 and completed Phases 1A and 1B in December 2008. We expect to complete Phases 1C and 1D in December 2009. We commenced pre-sales of Phase 1 in March 2008. We commenced development of phases 2E and 2F in July 2009 and expect to complete them in December 2011. We commenced pre-sales of Phases 2E and 2F in August 2009.

As we have not yet commenced development of certain land for this project for two years from the commencement date stipulated in the relevant land grant contracts, the land may be subject to forfeiture. For more details of the risks of land forfeiture for this project, please see the section entitled “Risk Factors — Risks Relating to Our Business — The PRC government may impose fines on us or reclaim our land if we fail to comply with the terms of the land grant contracts” in this document. We are currently in the process of consulting with relevant authorities with a view to seeking an extension of the commencement date. We do not believe there is a material risk for

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triggering land forfeiture. We expect to commence development of the remaining parts of Phase 2 in the first quarter of 2010 and to complete it by the end of 2011. We expect to commence development of Phases 3, 4 and 5 in April 2010, April 2011 and March 2012, respectively, and to complete them in October 2013, October 2014 and June 2015, respectively.

As of June 30, 2009, the total development costs (including land acquisition costs, construction costs and capitalized finance costs) incurred for this project were Rmb 858.4 million.

In May 2008, Qingdao Azure Archipelagoes received the honor of “Excellent Project of State Healthy Housing Project” (國家康居工程優秀項目) and “National Green Ecological Intelligent Community” (全國綠色生態智能住區) from China Real Estate Enterprises Management Association (中國房地產企業管理協會) and China Housing Industry Construction Association (中國住宅產業建設協會).

In August 2007, this project was accredited “2006-2007 Innovative Landscape Planning and Design of China Real Estate” (2006—2007年中國房地產創新景觀規劃設計) by house.sina.com.cn (新浪房產), China Real Estate Landscape Design International Summit Organizing Committee (中國房地產景觀設計峰會組委會), Asia Landscape Research Center (亞洲景觀研究中心), and Asia Real Estate Research Center (亞洲房地產研究中心).

Details of this development as of June 30, 2009 were as follows:

	Phase 1			
	Residential	Retail	Hotel	
Estimated Total saleable GFA (m ²)	189,543	11,839		35,679
Total GFA sold and delivered (m ²).....	76,308	—		—
				First half of
	2006	2007	2008	2009
Average selling price of properties sold or pre-sold (Rmb/m ²)	—	—	5,346	4,544
Total GFA sold and pre-sold (m ²)	—	—	27,180	53,272

BUSINESS

Project Description — Changsha

Changsha Cote d’Azur (長沙蔚藍海岸)



Changsha Cote d’Azur (長沙蔚藍海岸)

Changsha Cote d’Azur is a large-scale residential project located in Yuelu District, Changsha, the capital city of Hunan Province. The project primarily comprises low-rise residential buildings, condominiums and villas. Ancillary facilities at this project include a kindergarten, primary school, a clubhouse and a shopping center.

We have divided this project into three phases. Phase 1 is further subdivided into Part A and Part B. Phases 1A and 1B occupy a total site area of 54,463 and 56,491 square meters, respectively, with a total GFA of 69,633 and 83,543 square meters, respectively, including 175 and 275 carparks, respectively.

We commenced development of Phase 1A in December 2005 and completed it in December 2006. Pre-sale for Phase 1A commenced in December 2006. For Phase 1B, we commenced development in September 2006 and completed it in December 2008. Pre-sale for Phase 1B commenced in April 2007.

Phase 2 occupies a site area of 85,771 square meters with an aggregate total GFA of 183,532 square meters, including 929 carparks. Phase 2 is further subdivided into Parts A, B, C and D. Phase 2A occupies a total site area of 24,644 square meters with a total GFA of 33,823 square meters, including 155 carparks. We commenced development of Phase 2A in October 2007 and expect to complete it in December 2010. We commenced pre-sale for Phase 2A in October 2008. Phases 2B, 2C and 2D are held for future development. Phase 3 is also held for future development. Phase 3 occupies a site area of 63,685 square meters with an aggregate total GFA of 101,896 square meters.

As of June 30, 2009, the development costs (including land acquisition costs, construction costs and capitalized finance costs) incurred for this project were Rmb 623.7 million.

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Changsha Cote d’Azur received a number of awards in 2006, including a “2006 China Real Estate Top 10 Innovative Property Development” and a “2006 Most Influential Real Estate Property in Changsha” by the China Index Research Institute and Hunan Real Estate Industry Association, respectively.

In 2007, this project was accredited “China Classical Villa Comprehensive Award” (中國經典別墅綜合金獎) by Soufun.com (搜房網) and China Villa Index System (中國別墅指數系統).

Details of this development as of June 30, 2009 were as follows:

	Phase 1A and 1B		Phase 2A	
	Residential	Retail	Residential	Retail
Total saleable GFA (m ²)	114,494	3,587	29,860	—
Total GFA sold and delivered (m ²).....	91,125	491	—	—
	2006	2007	2008	First half of 2009
Average selling price of properties sold or pre-sold (Rmb/m ²)	3,508	4,522	4,731	4,013
Total GFA sold and pre-sold (m ²)	38,323	32,304	12,607	27,777

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Changsha Valley Villa (長沙麓山別墅)



Changsha Valley Villa (長沙麓山別墅)

Changsha Valley Villa is an up-scale residential villa project located at the foot of Yuelu Mountain in the Lushan District, Changsha, two kilometers from Changsha Yuelu Academy (長沙岳麓書院), a famous historical site surrounded by scenic mountains and approximately 11 kilometers from downtown Changsha. This project occupies a total site area of 373,680 square meters with a total GFA of 189,207 square meters, including 515 carparks. Ancillary facilities at the project include kindergartens, clubhouses, sports facilities and a business service center. We hold a 100% interest in the project.

We commenced development of this project in July 2007 and expect to complete it in December 2012. We commenced pre-sale in May 2008.

As of June 30, 2009, the total development costs (including land acquisition costs, construction costs and capitalized finance costs) incurred for this project were Rmb 343.4 million.

In 2007, this project was accredited “China Mountain Villa Gold Award” by Soufun.com (搜房網) and China Villa Index System (中國別墅指數系統).

BUSINESS

Details of this development as of June 30, 2009 were as follows:

	Villa ⁽¹⁾	High-rise Residentials	Retail
Estimated Total saleable GFA (m ²)	178,549	3,180	3,666
Total GFA sold and delivered (m ²).....	—	—	—

(1) The total saleable area is 178,549 square meters, of which 44,295 square meters are under construction and 134,254 square meters are held for future development.

	2006	2007	2008	First half of 2009
Average selling price of properties sold or pre-sold (Rmb/m ²)	—	—	—	8,088
Total GFA sold and pre-sold (m ²)	—	—	—	3,426

Project Description — Wuhan



BUSINESS

Wuhan Cote d’Azur (Phase 1) (武漢蔚藍海岸一期)



Wuhan Cote d’Azur (Phase 1) (武漢蔚藍海岸一期)

Wuhan Cote d’Azur (Phase 1) is an up-scale residential project located in Panlong District, Wuhan, the capital city of Hubei Province. Two thirds of the project site is surrounded by water of the neighboring lake and the project is designed to maximize utility of the natural waterfront. This project occupies a total site area of 95,625 square meters with a total GFA of 105,834 square meters, including 400 carparks. It primarily comprises villas and retail units. Ancillary facilities at the project include a clubhouse, a swimming pool, a park, a kindergarten and a shopping area. We hold a 100% interest in the project.

We commenced development of this project in November 2006 and completed it in January 2008. We commenced pre-sales in May 2007.

As of June 30, 2009, the total development costs (including land acquisition costs, construction costs and capitalized finance costs) incurred for this project were Rmb 196.5 million.

Details of this development as of June 30, 2009 were as follows:

	<u>Residential</u>	<u>Retail</u>
Total saleable GFA (m ²)	95,507	7,401
Total GFA sold and delivered (m ²)	59,740	—

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	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>First half of 2009</u>
Average selling price of properties sold or pre-sold (Rmb/m ²)	—	3,869	3,642	3,553
Total GFA sold and pre-sold (m ²)	—	36,056	14,521	9,319

Wuhan Houhu Village Project (武漢后湖村項目)

Wuhan Houhu Village Project is a residential and commercial project located in Panlong Economic Development Zone in Wuhan. This project occupies a total site area of approximately 215,696 square meters with a total GFA of approximately 495,890 square meters. It will primarily comprise residential buildings. Ancillary facilities at the project include clubhouse, kindergarten and commercial streets.

We hold a 100% interest in this project. As we have been unable to obtain certain documents to verify the compliance with all necessary procedures for grant or transfer of the land use rights for this project, we may forfeit the land use rights if there existed irregularities sufficiently serious to cause such consequences. For more details of the risks of forfeiture for this project, please see the section entitled “Risk Factors — Risks Relating to Our Business — We may not always be able to obtain suitable land for development due to the PRC government’s control over land supply to property developers as well as the uncertainties related to land acquisition through secondary market or equity acquisition” and the section entitled “Our Property Projects — Properties Held for Future Development” in this document. In the event of such forfeiture, we may seek indemnification from the transferor from whom we acquired this project against any damages incurred in connection with the forfeiture. Our controlling shareholders have also agreed to fully indemnify us and hold us harmless against any damages we may incur in connection with such forfeiture. We are currently in the process of obtaining supporting documents from the relevant authorities to vindicate our land use rights underlying the Wuhan Houhu Village Project. We also intend to re-execute a land grant contract with the relevant authority by the end of 2009 to make up for the previous irregularities, if any. We believe that the actual risk of our land being subject to forfeiture is small. We expect to commence development of this project in the first quarter in 2010 and complete it in 2013.

As of June 30, 2009, the total development costs (including land acquisition costs, construction costs and capitalized finance costs) incurred for this project were Rmb 125.2 million.

Details of this development as of June 30, 2009 were as follows:

	<u>Residential</u>	<u>Retail</u>
Estimated total saleable GFA (m ²)	384,712	7,000

BUSINESS

Project Description — Chongqing



Chongqing Excellence Mart (重慶光彩大市場)

Chongqing Excellence Mart is a large-scale commercial project located in Wanzhou District, Chongqing. It is a major wholesale market in Chongqing for building materials. This project occupies a total site area of 98,431 square meters with a total GFA of 147,709 square meters.

We have divided this project into two phases. In June 2004, we commenced development of Phase 1 and completed it in October 2006. As of June 30, 2009, we only sold approximately 9% of the salable GFA in Chongqing Excellence Mart (Phase 1). We believe that we will enjoy better return on this project as the property price appreciates with the wholesale market for building materials becoming more developed. Currently we lease most of the unsold commercial spaces to third parties for rental income and also sell these properties at a controlled pace.

In April 2007, this project was awarded the bronze medal in the commercial category of the “2007 Annual Award for Commercial Buildings in Chongqing” by the Chongqing Municipal Housing Industrialization Office (重慶市住宅產業化辦公室) and the Chongqing City Construction Comprehensive Exploitation Association (重慶市城市建設綜合開發協會).

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Details of Phase 1 of this development as of June 30, 2009 were as follows:

	Retail			
Total saleable GFA (m ²)				56,561
Total GFA sold and delivered (m ²).....				2,103
	2006	2007	2008	First half of 2009
Average selling price of properties sold or pre-sold (Rmb/m ²)	2,873	2,361	—	—
Total GFA sold and pre-sold (m ²)	962	1,141	—	—

Project Description — Lianyungang



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Lianyungang Cote d’Azur (連雲港蔚藍海岸)

Lianyungang Cote d’Azur is a large-scale residential project located in Lianyungang Economic Development Zone at Lianyungang, a port city in Jiangsu Province. We expect to develop a large, up-scale residential project with a coastal theme. This project occupies a total site area of 1,549,370 square meters with a total GFA of 4,269,186 square meters. It will primarily comprise condominiums, high-rise residential buildings and villas. Ancillary facilities at the project include a kindergarten, primary and secondary schools, a club house, a farm produce market and a cultural center. We hold a 100% interest in the project.

The development of this project is divided into two phases. We expect to commence development of phase 1 in the first quarter of 2010 and to complete it in 2012. We expect to commence pre-sales in the third quarter of 2011.

As of June 30, 2009, the total development costs (including land acquisition costs, construction costs and capitalized finance costs) incurred for this project were Rmb 653.1 million.

Details of this development as of June 30, 2009 were as follows:

Phase 1			
	<u>Residential</u>	<u>Retail</u>	<u>Office</u>
Estimated total saleable GFA (m ²)	1,465,588	83,162	—
Phase 2			
	<u>Residential</u>	<u>Retail</u>	<u>Office</u>
Estimated total saleable GFA (m ²)	1,814,630	255,000	259,370

Shanghai Chengbang Villa Project (上海誠邦別墅項目)

Shanghai Chengbang Villa is a residential project located in Zhaoxiang Town of Qingpu District in Shanghai. We acquired this project in September 2009 by purchasing the 100% equity interest in Shanghai Detian Real Estate Co., Ltd. (上海德天置業有限公司), or Shanghai Detian, which owns the project. As consideration for the acquisition, we paid Shanghai Detian’s initial shareholders a total consideration of Rmb 100 million in cash and agreed to make bank entrustment loans through Shanghai Detian to these initial shareholders in a total principal amount of Rmb 290 million at zero interest rate.

This project occupies a total site area of 188,140 square meters and a proposed total GFA of 83,356 square meters. It will primarily comprise villas. Ancillary facilities at the project include clubhouses.

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The development of this project is divided into two phases. Phase 1 occupies a site area of 82,687 square meters with a total GFA of 30,486 square meters. Phase 2 occupies a site area of 105,452 square meters with a total GFA of 52,870 square meters.

Shanghai Detian commenced development of Phase 1 of this project in October 2005. Since the development has been suspended for more than two years without the consent of the land administrative authorities, we may forfeit the land use rights to the government pursuant to the land grant contract. For more details of the risks of land forfeiture for this project, please see the section entitled “Risk Factors — Risks Relating to Our Business — The PRC government may impose fines on us or reclaim our land if we fail to comply with the terms of the land grant contracts” in this document. We are currently in the process of re-submitting relevant application in order to resume the development. We believe that the actual risk of our land being subject to forfeiture is small. We plan to resume the development of Phase 1 in the first quarter of 2010 and complete it in the first quarter of 2011.

Shanghai Detian commenced development of Phase 2 in April 2007 and commenced pre-sales of Phase 2 in November 2008. We expect to complete Phase 2 by the end of 2009. Certain properties of Phase 2 are currently attached in aid of execution under a court order due to a pending lawsuit brought by a third party against Shanghai Detian. For more details on this lawsuit, please see the section entitled “Business — Legal Proceedings and Material Claims” in this document.

Details of this project as of June 30, 2009 were as follows:

	<u>Phase 1</u>	<u>Phase 2</u>
	<u>Villa</u>	<u>Villa</u>
Estimated Total saleable GFA (m ²)	24,327	30,475
Total GFA sold and delivered (m ²).....	—	—

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>First half of 2009</u>
Average selling price of properties sold or pre-sold (Rmb/m ²)	—	—	—	30,545
Total GFA sold and pre-sold (m ²)	—	—	—	13,069

OTHER LAND-RELATED CONTRACTUAL ARRANGEMENTS

Generally, land use rights can be obtained in the primary market or the secondary market in China. Primary market commonly refers to the grant of state-owned land use rights by relevant government authorities, and secondary market commonly refers to the acquisition of land use rights from entities or persons which hold land use rights. Unless otherwise required by relevant PRC laws and regulations, land acquisition in the secondary market is not subject to the tender-auction-listing

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rules and can be achieved by agreements among relevant parties, which typically involve the following situations: (i) acquiring the equity interest in a company which holds or is entitled to obtain land use rights; and (ii) purchasing land use rights from third parties. Urban redevelopment projects in collaboration with the original villagers or residents, subject to approvals by competent government authorities, may also be exempt from the tender-auction-listing process. We have successfully acquired land through acquisition in the secondary market and through urban redevelopment projects in the past. We will continue to acquire land in secondary market or through participating as a co-developer in urban redevelopment projects when appropriate opportunities arise.

We have entered into various contractual arrangements with independent third parties with a view to eventually acquiring land use rights in various cities in China. These contractual arrangements are not land grant contracts. We may still need to go through the tender-auction-listing process under the PRC tender-auction-listing rules and/or obtain relevant government approvals before we can obtain the land use rights with respect to some of the projects under these contractual arrangements. Similar contractual arrangements historically played an important role in our land acquisition. However, we cannot assure you that these contractual arrangements will reach similar results. These contractual arrangements relate to urban redevelopment projects in different regions and various other land acquisition channels or methods in the primary and secondary markets. Due to the variances in the applicable local government rules and regulations governing urban redevelopment projects, and in the complexity of the structures and/or the methods involved in the arrangements, the expected timeframe for completing the transactions and obtaining the land use rights certificates, if at all, varies greatly from one contract to another and can take from a few months to a number of years. As a result, the completion time of one contractual arrangement is not a good reference or indication for that of another.

As of August 31, 2009, our land bank of 11.7 million square meters of GFA, which consisted of our completed properties held for sale, properties under development and our properties held for future development, did not include the land under the acquisition contractual arrangements. A summary of these contractual arrangements is set forth below in the interest of complete disclosure of our land-related obligations and prospects. As our current land bank is sufficient for our property development needs in the next five years and the down-payments and deposits made under these contractual arrangements are refundable as stipulated in the agreements, we do not anticipate any material adverse financial or operational impact even if we do not eventually succeed in obtaining any of the land under the agreements.

As of the Latest Practicable Date, we had entered into 10 land-related contractual arrangements. There are no specific development plans for the land under these contractual arrangements at this stage.

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The table below sets forth the information of our other land-related contractual arrangements:

No.	Project	Location	Date of agreement	Site area	Payments/ costs incurred as of June 30, 2009	Outstanding contractual commitments for completing land acquisition ⁽³⁾	Interest attributable to us	Estimated date for issuance of land use rights certificate
				(m ²)	(Rmb in millions)	(Rmb in millions)	(%)	
1.	Shenzhen Nanxin Project	Shenzhen	Mar 2006	64,336	105.3	275	70.0	Dec 2009
2.	Hangzhou Binjiang Project	Hangzhou	Dec 2007	15,161	305.5	27	70.0	Dec 2009
3.	Shenzhen Jinliju Project	Shenzhen	Oct 2007	77,025	49.0	172	100.0	2010
4.	Shenzhen Longhua Township Project	Shenzhen	Oct 2005	72,146	25.7	7.5	100.0	(1)
5.	Shenzhen Shajing Project	Shenzhen	Dec 2005	84,600	20.0	81	53.0	(1)
6.	Qingdao CBD Project	Qingdao	Dec 2007	40,344 ⁽²⁾	130.0	337	100.0	(1)
7.	Shenzhen Meisha Seaview Project .	Shenzhen	Sep 2003	1,760,000	112.2	0	51.0	(1)
8.	Shenzhen Gangxia Project	Shenzhen	Dec 2008	148,900	5.1	0	33.2	Dec 2009
9.	Shenzhen Zhenbao Project.....	Shenzhen	Jun 2009	60,000	20.0	660	100.0	(1)
10.	Beijing Hengyin Project	Beijing	Aug 2009	666,667	—	— ⁽⁴⁾	60.0	(1)
Total				<u>2,989,179</u>	<u>772.8</u>	<u>1,559.5</u>		

(1) Not available.

(2) The land of this contractual arrangement consists of two parcels with an estimated total site area of 40,344 square meters. We have won the auction in August 2009, and have entered into a land grant contract in September 2009, for the land use rights with respect to one parcel of the land with a site area of 10,504 square meters for a total consideration of approximately Rmb 101.8 million.

(3) This refers to our outstanding contractual commitments as of June 30, 2009 for completing the acquisitions of relevant land. Such outstanding commitments include not only our agreed contractual commitments but also estimated costs in the future in order to complete relevant land acquisitions.

(4) We entered into the relevant agreement in August 2009 to acquire a 60% equity interest in a project company. As of the Latest Practicable Date, we had fully paid the transfer price of Rmb 30 million to acquire the equity interest. The project company is in the process of obtaining the right to conduct primary land development on the relevant land that we intend to acquire.

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Among our 10 outstanding contractual arrangements, Shenzhen Nanxin Project, Shenzhen Gangxia Project, Hangzhou Binjiang Project, Shenzhen Jinliju Project and Qingdao CBD Project are at a more advanced stage than the remaining projects. However, the land premium payable for the Shenzhen Nanxin Project and Shenzhen Gangxia Project will be determined by the relevant government authorities on the basis of the then benchmark land price when they eventually approve this urban redevelopment project and the demolition of existing buildings and resettlement of the residents on the land have been completed. For Qingdao CBD Project, the consideration for purchasing the remaining parcel of land is subject to the final auction.

The other five contractual arrangements involve higher level of uncertainty. Due to reasons beyond our control, such as potential internal restructuring of our counterparty or uncertain timing of initial government approvals, these arrangements remain at a preliminary stage. As a result, we cannot ascertain or reliably estimate their prospects, additional costs or the expected timeframe at present.

Shenzhen Nanxin Project

In April and June 2006, we entered into three inner-city village redevelopment agreements with Shenzhen Tiansha Enterprise Company Limited (深圳市田廈實業股份有限公司), representing the villagers, and Shenzhen Baishichen Enterprise Company Limited (深圳市百仕成實業發展有限公司). Shenzhen Tiansha Enterprise Company Limited is a joint stock company incorporated under PRC laws, in which each villager is a shareholder. Its body of authority is the shareholders’ general meeting, and resolutions passed by a majority vote are binding on all shareholders. The operations of the joint stock company are managed by its board of directors, with two thirds of its members to constitute a quorum and a simple majority of the directors present at a board meeting to pass a resolution. These joint development agreements stipulate that the cooperation between us and the village joint stock company is mutually exclusive. In consideration for a preliminary transfer fee and joint profit sharing, the village joint stock companies agreed to transfer the land to us for redevelopment. The land parcels have an estimated site area of 38,720 square meters with a proposed total GFA of 218,724 square meters. There are existing buildings on the land. Pursuant to Shenzhen government regulations, such inner-city village redevelopment projects, subject to approvals by competent government authorities, are exempt from the tender-auction-listing requirements. We have obtained such approvals from local government, but have not yet completed the demolition of existing buildings and resettlement of residents on the land. Therefore, we cannot assure you when we will be able to obtain the land use rights certificates for the land or at all. We have not formulated project details. Our PRC legal counsel advises that (i) the above agreements are legal, valid and not in violation of the applicable PRC laws and regulations; (ii) the exemption from tender-auction-listing requirements is subject to the government approval of these joint development agreements; and (iii) after we complete the demolition and resettlement of the existing buildings and residents on the land, we can enter into the land grant contract with the relevant land administration authority.

Under the agreements, we are responsible for the demolition of the old properties, the relocation and resettlement of the original residents, the applications for various property development-related government approvals and permits and all development costs of such inner-city village redevelopment projects, while the village joint stock companies will assist and cooperate in these matters. The estimated costs relating to demolition, relocation and resettlement are approximately Rmb 260 million. Once the redevelopment is complete and sold, the village joint stock company are entitled to

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25% to 30% of net profit after tax, pursuant to the relevant redevelopment agreements. If we fail to obtain the necessary approvals or the projects fail to materialize due to other factors that are beyond our control, we are entitled to the refund of the preliminary transfer fee and deposits paid to the village joint stock company.

As of June 30, 2009, the total amount paid by us in connection with this inner-city village redevelopment agreements was approximately Rmb 105.34 million. To date, we have conducted this inner-city village redevelopment projects in compliance with all relevant government regulations. We have not entered into any land grant contract with the relevant PRC government authorities. We expect to obtain the land use rights toward the end of 2009. There is no assurance that we will be able to obtain the land use rights notwithstanding the above-mentioned arrangements.

Hangzhou Binjiang Project

We entered into a project cooperation agreement in December 2007 with Chen Qishui, an independent third party, who owned 80% of Hangzhou Hengxing Property Co., Ltd. (杭州恆興置業有限公司), or Hengxing, to acquire from him or his assignee a 50% equity interest in Hengxing. The remaining 20% equity interest is held by a passive owner, a village organization, which has also agreed to transfer its 20% equity interest to us. There are no existing structures on the land. Hengxing won the bid for a parcel of land situated in Binjiang district of Hangzhou city, the capital city of Zhejiang Province at a government-sanctioned land auction in January 2006. This parcel of land has an estimated site area of 15,161 square meters and a proposed total GFA of 207,202 square meters. Hengxing has signed the land grant contract with the relevant PRC government authorities. Such land is planned for commercial, office and residential uses. Upon the consummation of these two equity transfers, we will own 70% of Hengxing and manage its entire operations. Mr. Chen will be a director and the president of Hengxing, and continue to be responsible for obtaining the land use rights certificate and applying for various property development-related government approvals and permits. The consideration for the transfer of the 70% equity interest was Rmb 14.0 million and our agreement to lend approximately Rmb 360.1 million in the form of shareholder’s loan to Hengxing to be used to repay Hengxing’s indebtedness to third parties and outstanding land premium. The shareholder loan will be made to Hengxing by Excellence Commercial, a PRC legal person. Our PRC legal counsel have confirmed that the SAFE notice dated July 10, 2007 applies to offshore entities extending shareholders’ loans to their subsidiaries engaged in PRC property development, and as such, has no application to the shareholder’s loan made to Hengxing by Excellence Commercial. The total equity transfer payment and the loan proceeds were paid and disbursed on June 30, 2008. Our PRC legal counsel have advised that “The Notice on Further Investment in the Real Estate Sector in the PRC” should not apply to the above acquisition. The transaction is not a round-trip investment for two reasons. First, the investment originated at the offshore level, with sources of funding came originally from outside mainland China. Second, the counterparty is an independent third party. As such, no approval from the relevant authority is required.

As of June 30, 2009, we had paid the equity transfer consideration of Rmb 14.0 million and completed the acquisition of 70% interest in Hengxing. As of the same date, we had paid an aggregate of Rmb 305.5 million in land premium and related stamp duty and disbursed approximately Rmb 106.0 million to repay Hengxing’s indebtedness. As of the Latest Practicable Date, we had paid the land premium in full pursuant to the land grant contract. However, as there was a delay in Hengxing’s

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payment of such land premium, we are required by the land grant contract to pay a surcharge in the total amount of approximately Rmb 92.3 million. Our PRC legal counsel have advised that (i) the equity transfer contemplated in our agreement with Chen Qishui is legal, valid and not in violation of the applicable PRC laws and regulations; (ii) the land grant contract entered by Hengxing is legal, valid and not in violation of the applicable PRC laws and regulations; and (iii) there should be no material legal impediment for us to obtain the land use rights certificate for the land, provided that we will pay the surcharge and relevant taxes and fees and complete the necessary application procedures. We have already filed our application to the relevant government authorities for the issuance of land use rights certificates to Hengxing, and expect to receive the certificate by the end of 2009.

Shenzhen Jinliju Project

We entered into an agreement in July 2003 with Shenzhen Jinpeng (Group) Co., Ltd. (深圳市金鵬(集團)股份有限公司) and Jinlijia Industrial (Shenzhen) Co., Ltd. (金利嘉實業(深圳)有限公司), as transferors, with respect to a 100% equity interest in Shenzhen Jinliju. In December 1996, Shenzhen local land authority agreed to grant the land use rights to a parcel of land situated in Baoan district, Shenzhen to Jinlijia Industrial (Shenzhen) Co., Ltd. The aggregate consideration for the purchase was Rmb 48.95 million. This land has an estimated site area of 77,025 square meters and a proposed total GFA of 288,843 square meters subject to final approval of relevant authorities. There are no existing structures on the land. The transferor undertook substantial preparatory work, together with the relevant local governmental authorities, in connection with the land acquisition, such as negotiations with local residents on the compensation for the demolition and their resettlement, but the transferor has not received any land use rights certificate or entered into a land grant contract with the relevant PRC governmental authorities. In April through June 2005, without our agreement or any consultation with us, the transferors assigned 49% their equity interest in the project company to Shenzhen Ruican Industrial Co., Ltd. (深圳燄燄實業有限公司), and 51% of its equity interest to CITIC Ka Wah Property Investment Co., Ltd. (中信嘉華置業投資有限公司). Subsequent to a lawsuit we filed against both assignees in a court in Shenzhen, we reached a settlement agreement with both defendants in October 2007, pursuant to which Shenzhen Ruican Industrial Co., Ltd. and CITIC Ka Wah Property Investment Co., Ltd. agreed to transfer their respective ownership interests in the project company to us for a consideration of Rmb 221 million.

As of June 30, 2009, we had paid approximately Rmb 9.0 million to Shenzhen Jinpeng (Group) Co., Ltd., approximately Rmb 16.4 million to Shenzhen Ruican Industrial Co., Ltd., and approximately Rmb 16.8 million to CITIC Ka Wah Property Investment Co., Ltd. and approximately Rmb 6.8 million to the entity that represented the original residents as compensation for relocation and resettlement. The parties have agreed that the total consideration of Rmb 221 million under the settlement agreement will be paid in full upon the acquisition of the land use rights by the project company, which is expected to complete in 2010. Our PRC legal counsel advises that the above equity transfer agreements are legal, valid and not in violation of the applicable PRC laws and regulations. We are currently in the process of negotiating with relevant authorities with respect to the grant of land use rights. According to the decision made by the relevant local authorities in August 2009, we must comply with the local planning in order to receive the land use rights. Otherwise we may receive

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certain monetary compensation in lieu of the land use rights. To date, we have not received any land use rights certificate or entered into any land grant contract with the relevant PRC governmental authorities. There is no assurance that we will necessarily be able to obtain the land use rights, notwithstanding the above-mentioned arrangement.

Shenzhen Longhua Township Project

We entered into a series of agreements as of October 2005 with a view to acquiring a 100% interest in the land use rights with respect to a piece of land situated in Baoan district, Shenzhen, owned by Shangtang village represented by Shenzhen Shangtang Economic Development Co., Ltd. (深圳市上塘經濟發展有限公司). The aggregate consideration to be paid to Shangtang village for the right to develop the land once the government planning of the land is finalized, was Rmb 33.2 million. This land has an estimated site area of 72,146 square meters and a proposed total GFA of 270,547 square meters. There are no existing structures on the land.

As of June 30, 2009, we had paid approximately an aggregate of Rmb 25.7 million. Our PRC legal counsel advises that (i) the above agreements are legal, valid and not in violation of the applicable PRC laws and regulations; and (ii) the land in question is subject to the tender-auction-listing requirements and our obtaining the land use rights is uncertain. To date, we have not received any land use rights certificate or entered into any land grant contract with the relevant PRC governmental authorities. There is no assurance that we will necessarily be able to obtain the land use rights, notwithstanding the above-mentioned arrangement.

Shenzhen Shajing Project

This is a government requisition related redevelopment project. We, together with Shenzhen Mintai Real Estate Development Co., Ltd. (深圳市閩泰房地產發展有限公司), entered into a series of agreements in December 2005 with four residential community committees in Baoan district, Shenzhen, with a view to acquiring land use rights with respect to a piece of land situated in Baoan district granted to the original residents as compensation for requisition by the government of their land for the construction of a national highway. The aggregate consideration for the purchase was Rmb 101.0 million. This land has an estimated site area of 84,600 square meters and a proposed total GFA of 317,000 square meters. There are no existing structures on the land. We have a 53% interest in this venture while our partner, Shenzhen Mintai Real Estate Development Co., Ltd., has a 47% interest.

As of June 30, 2009, we had paid an aggregate of Rmb 20.0 million but had not received any land use rights certificate or entered into any land grant contract with the relevant PRC governmental authorities. Our PRC legal counsel advises that (i) the above agreements are legal, valid and not in violation of the applicable PRC laws and regulations; and (ii) our rights in the land through the joint development as contemplated in the agreements are subject to government approval and uncertain. There is no assurance that we will be able to obtain the land use rights notwithstanding the above-mentioned arrangement.

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Qingdao CBD Project

We entered into an agreement in December 2007 with Qingdao CBD Development and Construction Co., Ltd. with a view to acquiring a 100% interest in the land use rights with respect to two parcels of land situated in the Qingdao CBD, a coastal city in Shandong Province. There are existing buildings attached to the land. We have agreed to provide various services during the preliminary preparation stage of the project. We have also undertaken to advance payments for costs relating to demolition, relocation and resettlement with respect to the project. In August 2009, we have won the auction for the land use rights with respect to one parcel of the land with a site area of 10,504 square meters and a proposed total GFA of 39,390 square meters for a total consideration of approximately Rmb 101.8 million. This parcel of land is planned for commercial use. The consideration for purchasing the remaining parcel of land, which has an estimated site area of 29,841 square meters and a proposed total GFA of 398,420 square meters, is subject to the final auction.

As of June 30, 2009, we had paid a deposit of Rmb 130.0 million, which, along with any advance payments we make for demolition, relocation and resettlement, will be counted toward our payment for the land premium if we win the land use rights at the auction and is subject to refund if we fail to win the land use rights. Pursuant to the land grant contract we entered with the relevant PRC governmental authority in September 2009 for the parcel of land we won, our deposits in the amount of Rmb 20.4 million were counted toward our payment for the land premium. We have also paid one of the two installments of land premium in the amount of Rmb 30.5 million in September 2009. The land grant contract requires the second installment in the amount of Rmb 50.9 million to be paid prior to February 20, 2010. Our PRC legal counsel have confirmed that (i) the above agreement and land grant contract are legal, valid and not in violation with the applicable PRC laws and regulations; (ii) there should be no material legal impediment for us to obtain the land use rights certificate for the parcel of land we won, provided that we will fully pay the second installment as required by the land grant contract, pay the relevant taxes and fees and complete the necessary application procedures; and (iii) our rights in the remaining parcel of land are subject to the outcome of the tender-auction-listing process. To date, we have not received any land use rights certificate. With respect to the remaining parcel of land, we have not entered into any land grant contract with the relevant PRC governmental authorities. There is no assurance that we will be able to obtain the land use rights, notwithstanding the above-mentioned arrangements and procedures.

Shenzhen Meisha Seaview Project

We entered into a cooperation agreement with Shenzhen Sanjiu Dalong Jiankang City Co., Ltd. (深圳三九大龍健康城有限公司), or Shenzhen Sanjiu, in September 2003 to form a project company, Meisha Seaview. We agreed to contribute Rmb 56.1 million for a 51% equity interest in the project company and Shenzhen Sanjiu agreed to contribute its interest in a piece of land, including constructions in progress thereon, in Longgang district in Shenzhen city for a 49% equity interest in the project company. This piece of land has an site area of approximately 1,760,000 square meters and earmarked for golf courses and related developments, including villa houses and residential buildings. Of the 1,760,000 square meters of land use rights contributed by Shenzhen Sanjiu as capital to Meisha

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Seaview, approximately 1,332,000 square meters are subject to a land grant contract, with the remaining 428,000 square meters of land use rights still pending approval by the government. There are existing buildings attached to the land. We injected our capital contribution of Rmb 112.2 million into Meisha Seaview in January 2004.

As of June 30, 2009, due to internal restructuring at Shenzhen Sanjiu since 2005, it has not been able to secure the issuance of the land use rights certificates with respect to this site despite its payment in full for the land premium relating to the 1,332,000 square meters of land use rights. We are not in a position to ascertain or estimate when Shenzhen Sanjiu will be able to obtain such land use rights certificates. As a result of the delay caused by the internal restructuring of Shenzhen Sanjiu, Meisha Seaview was not able to start any property development and its capital contributed by us remained unused. To more effectively utilize the capital resources of our group, we requested Meisha Seaview to disburse approximately Rmb 100.0 million to Excellence China in 2005 as an interest-free loan payable on demand for working capital purpose. The delay of Meisha Seaview project does not have any material impact on our operations.

Our PRC legal counsel advises that (i) the above agreement with Shenzhen Sanjiu is legal, valid and not in violation of the applicable PRC laws and regulations; and (ii) our rights in the land are uncertain as Shenzhen Sanjiu could not inject its interest in the land to Meisha Seaview as capital contribution due to the aforementioned internal restructuring. There is no assurance that we will be able to obtain the land use rights despite the above-mentioned arrangements and procedures.

Shenzhen Gangxia Project (崗廈項目)

We entered into a cooperation agreement in December 2008 with Dabaihui Industrial Group Co., Ltd. (大百匯實業集團有限公司), or Dabaihui Group, and certain other parties with a view to acquiring an indirect controlling interest in Shenzhen Jindi Dabaihui Real Estate Development Co., Ltd. (深圳市金地大百匯房地產開發有限公司), or Jindi Dabaihui. Jindi Dabaihui is owned by Shenzhen Jindi Old City Redevelopment Co., Ltd. (深圳市金地舊城改造開發有限公司), Shenzhen Dabaihui Real Estate Co., Ltd. (深圳市大百匯房地產有限公司), or Dabaihui, and Shenzhen Pengrun Real Estate Development Co., Ltd. (深圳市鵬潤房地產開發有限公司), or Pengrun, with respect to 35%, 33% and 32% of its equity interest, respectively.

In July 2006, Jindi Dabaihui entered into an inner-city village redevelopment agreement with Shenzhen Futian Old City Redevelopment Bureau (深圳福田舊改重建局) and Shenzhen Gangxia Industrial Co., Ltd. (深圳崗廈實業股份有限公司), or Gangxia Industrial, with respect to the land of an old village located in Gangxia Heyuan Sub-district of Futian District in Shenzhen. The land parcels have an estimated site area of 148,900 square meters with a proposed total GFA of 1,112,100 square meters. There were existing buildings collectively owned by the villagers on the land. In August 2007, Jindi Dabaihui entered into a supplemental agreement with Shenzhen Futian District Inner-city Village (Old Village) Redevelopment Office (深圳市福田區城中村(舊村)改造辦公室) and Gangxia Industrial with respect to the demolition of the old buildings on the land. Gangxia Industrial is a joint stock company incorporated under PRC laws, in which each villager is a shareholder. The operations of the joint stock company are managed by its board of directors. Shenzhen Futian Old City Redevelopment Bureau and Shenzhen Futian District Inner-city Village (Old Village) Redevelopment Office are governmental agencies supervising the redevelopment project. Subject to approval by relevant

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governmental authorities, all the commodity housing to be developed on the land may be sold to the market. Under these agreements, Gangxia Industrial and the villagers are entitled to completed properties with a total GFA of 433,923 square meters as compensation, while Jindi Dabaihui is entitled to the rest of the completed properties. Jindi Dabaihui is responsible for the compensation payment for demolition and resettlement, the funding of the redevelopment, the design, planning and construction of the project, the sale of the completed properties to be allocated to Jindi Dabaihui, and certain property management services. Gangxia Industrial is responsible for providing the land use rights for the project, coordinating with the villagers with respect to the redevelopment of the project, and assisting in obtaining all property development-related government approvals and permits. The estimated costs relating to demolition and resettlement are approximately Rmb 3.2 billion.

Pursuant to the cooperation agreement entered in December 2008, Dabaihui Group will increase its holding of equity interest in Dabaihui to 100%, Dabaihui will directly or indirectly hold a total of 65% equity interest in Jindi Dabaihui by acquiring Pengrun, and Dabaihui Group will then transfer its 51% equity interest in Dabaihui to us. In consideration for the 51% equity interest in Dabaihui, we agreed to pay Dabaihui Group a transfer price of Rmb 5.1 million, to take charge in the redevelopment project, and make bank entrustment loans to Dabaihui Group in a total principal amount of Rmb 500 million at the interest rate to be further agreed on the basis of the relevant PBOC benchmark lending rates. Dabaihui Group agreed to pledge to us its 49% equity interest in Dabaihui as collaterals for the loans. Dabaihui Group also agreed to put us in charge of the daily operations of Dabaihui, Pengrun and Jindi Dabaihui. We will have the right to nominate the legal representative and a majority of the members on the respective boards of directors of Dabaihui and Pengrun, and nominate all the directors of the boards of Jindi Dabaihui that Dabaihui and Pengrun are entitled to nominate, which together will constitute a majority of the board of Jindi Dabaihui.

As of June 30, 2009, we already paid the equity transfer price of Rmb 5.1 million and completed the acquisition of 51% interest in Dabaihui. As of the same date, we had made entrustment loans to Dabaihui Group in the total principal amount of Rmb 300 million. With respect to these entrustment loans, Rmb 150 million bears a floating interest rate equal to the benchmark three-year lending rate plus 10% and the other Rmb 150 million bears a floating interest rate equal to the benchmark three-year lending rate. The entrustment loans are in compliance with the relevant PRC laws and regulations. We believe that it is more appropriate to account for the advance of these entrustment loans as our operating activities as these entrustment loans were part and parcel of the purchase of the Shenzhen Gangxia Project for our properties development business instead of for the purpose of interests earning.

Pursuant to Shenzhen government regulations, the inner-city village redevelopment projects, subject to approvals by competent government authorities, are exempt from the tender-auction-listing requirements. Our PRC legal counsel advises that the exemption from tender-auction-listing requirements is subject to the government approval of the redevelopment agreements. We have obtained the consent from local government.

As of June 30, 2009, the total amount paid by Jindi Dabaihui in connection with the inner-city village redevelopment agreement was approximately Rmb 1.2 billion. We have not entered into any land grant contract with the relevant PRC government authorities. We expect to obtain the land use rights by the end of 2009.

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Shenzhen Zhenbao Project (深圳圳寶項目)

We entered into a project transfer agreement in June 2009 with Shenzhen Zhenbao Industrial Co., Ltd. (深圳市圳寶實業有限公司), or Shenzhen Zhenbao, Shenzhen Hengtao Investment Development Co., Ltd. (深圳市恒濤投資發展有限公司), or Shenzhen Hengtao, and certain other parties with a view to acquiring the land use rights with respect to several parcels of land with an estimated total site area of approximately 60,000 square meters situated at Meilin Zhongkang sub-district and eastern Shekou in Shenzhen. The aggregate consideration to be paid by us to Shenzhen Zhenbao for the land use rights is Rmb 670 million, subject to adjustment depending on relevant governmental approval on certain parcels of the land. Such land use rights should be transferred to a newly established project company.

In January 2005, Shenzhen Zhenbao entered into an agreement with the local land authorities regarding the compensation to be given to Shenzhen Zhenbao for the local authorities’ taking back of certain land initially granted to Shenzhen Zhenbao by way of administrative allocation. Pursuant to this agreement and other relevant documents, the local authorities will, after relevant approval, grant to Shenzhen Zhenbao, as compensation, the land use rights for several parcels of land with an estimated total site area of approximately 60,000 square meters situated at Meilin Zhongkang sub-district and eastern Shekou in Shenzhen. Such land is planned for commercial uses.

Under the agreement entered in June 2009, once Shenzhen Zhenbao acquires the land use rights with respect to the subject land, it will first transfer or contribute such land use rights to a newly established project company and then transfer to us the equity interest in the project company. Additionally, Shenzhen Hengtao, a majority shareholder of Shenzhen Zhenbao, has agreed to make arrangements to transfer to us 98% equity interest in Shenzhen Zhenbao temporarily to secure Shenzhen Zhenbao’s performance of the agreement. Such equity interest will be transferred back to Shenzhen Hengtao upon our acquisition of the relevant land use rights. The parties have confirmed that the purpose of the agreement is for us to acquire the relevant land use rights rather than any equity interest in Shenzhen Zhenbao or other assets of Shenzhen Zhenbao.

As of June 30, 2009, we had paid approximately Rmb 20 million to Shenzhen Zhenbao. As of the Latest Practicable Date, we had received 61% equity interest in Shenzhen Zhenbao pursuant to the agreement. Our PRC legal counsel have advised us that the above agreement entered in June 2009 is legal, valid and not in violation of the applicable PRC laws and regulations. As of the Latest Practicable Date, Shenzhen Zhenbao had not received any land use rights certificate or entered into any land grant contract with the relevant PRC governmental authorities. There is no assurance that we will necessarily be able to obtain the land use rights by way of acquiring the project company from Shenzhen Zhenbao, notwithstanding the above-mentioned arrangement.

Beijing Hengyin Project (北京恒銀項目)

We entered into a share transfer agreement in August 2009 with Shenzhen Jingji Haiwan Hotel Management Co., Ltd. (深圳市京基海灣酒店管理有限公司), or Jingji Haiwan, Shenzhen Jingji Jingdu Hotel Management Co., Ltd. (深圳市京基晶都酒店管理有限公司), or Jingji Jingdu, and certain other parties as guarantors to acquire a 60% equity interest in Beijing Hengyin Real Estate Development

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Co., Ltd. (北京恒銀房地產開發有限公司), or Beijing Hengyin. As consideration for the equity transfer, we agreed to pay a total price of Rmb 30.0 million to Jingji Haiwan and Jingji Jingdu, who will each transfer to us their 30% equity interest, respectively, in Beijing Hengyin. Jingji Haiwan and Jingji Jingdu will assume all the debts owed by Beijing Hengyin prior to the transfer.

In May 2007, Beijing Hengyin entered into an agreement with the villagers’ committee of Haijingluo Village of Beiqijia Town in Changping District, Beijing, with respect to the old village redevelopment of Haijingluo Village. The land subject to the redevelopment, which is divided into four phases, has a total site area of 666,667 square meters and a total proposed GFA of 1,468,667 square meters. Pursuant to these agreements and other relevant documents, Beijing Hengyin is in the process of obtaining the right to conduct primary land development for phases 1 and 2. The right to conduct primary land development for phases 3 and 4 of the redevelopment on the remaining land is subject to a tender-auction-listing process. The land subject to the redevelopment is collectively owned and needs to be converted into state-owned land before it can be granted through a tender-auction-listing process by the government. Such conversion process is beyond our control.

While we intend to eventually acquire the land for which Beijing Hengyin is in the process of obtaining the right to conduct primary land development, such land will be subject to a tender-auction-listing process after the completion of its primary land development. Our involvement in the primary land development will not necessarily give us any advantage in obtaining the land use right under the tender-auction-listing process.

As of the Latest Practicable Date, we had paid Rmb 30 million to Jingji Haiwan and Jingji Jingdu and acquired the 60% equity interest in Beijing Hengyin. Our PRC legal counsel have confirmed that (i) the equity transfer contemplated in the above agreement entered in August 2009 is legal, valid and not in violation with the applicable PRC laws and regulations; and (ii) Beijing Hengyin’s rights in the land are subject to the outcome of the tender-auction-listing process. To date, we have not received any land use rights certificate or entered into any land grant contract with the relevant PRC governmental authorities. There is no assurance that we will be able to conduct the primary land development or eventually obtain the land use rights, notwithstanding the above-mentioned arrangements and procedures.

PROPERTY DEVELOPMENT

We determine the number, type and location of our property development projects primarily based on our three-year business development plans and financial resources. During the Track Record Period, we complied with all the relevant laws and regulations in relation to our property development in obtaining various licenses, permits, certificates and approvals, including government approvals of the relevant urban redevelopment plans, land use rights certificates, construction land planning permits, construction works planning permits, construction permits, pre-sale permits and certificates of completion, and we also complied with SAFE and foreign investment-related regulations, except that we have not commenced development of certain properties for over one to two years from the construction commencement date stipulated in the relevant land grant contracts as we have disclosed under the section entitled “Risk Factors — Risk Relating to Our Business — The PRC government may impose fines on us or reclaim our land if we fail to comply with the terms of the land grant contracts” in this document, and we have experienced delays in relation to delivery of certain

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completed properties as we have disclosed under the section entitled “Risk Factors — Risk Relating to Our Business — Our failure to meet all requirements for the delivery of completed properties and issuance of property ownership certificates may lead to compensatory liability to our customers” in this document. Our PRC legal counsel have confirmed our compliance record as described above.

We maintain a systematic development approach although each project is specifically designed to cater to the target market and regional preferences. The core processes in our property development are summarized below.

City and Site Selection

Before we enter into a new city, we engage reputable professional agencies to conduct market research and an investigation and to produce reports with analysis of key market factors including local regulatory guidelines on property development, transportation and infrastructure, available natural resources, competition, development cost and potential return. Our business development team reviews and organizes these reports to screen for potential projects that meet our criteria, and will conduct preliminary site survey and feasibility analysis on potential projects that are particularly promising. Based on our business development team’s final recommendation, our senior management in charge of property development will have all key function departments, including our marketing and sales, design, budgeting and finance, and legal, participate in a full-scale feasibility analysis of the candidate project. The final feedback will then be submitted to our project decision committee for review and approval. The project decision committee consists of Li Wa, Li Xiaoping, Wang Dou, Zhangyuan (張遠), Wu Fengbai (鄔風柏), Yang Bing (楊冰) and Fang Yifeng (方奕鋒). We apply the following criteria in our project site selection process:

- overall economic development and development potential of the city;
- population of the city and population trends;
- average annual income of the residents;
- the ratio of average annual income per resident to average property sale price of the city;
- urban planning and development by local government;
- the suitability of the scale and type of the potential development;
- clearance of any material legal obstacles with respect to ownership interest;
- overall competition landscape;
- premium location within the city, neighboring public amenities and infrastructures such as public transportation, hospitals, banks, supermarkets and other ancillary facilities for business and residential communities;

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- natural environment and surroundings, preferably near a park, ocean, river, lake or golf course;
- development cost, estimated return on investment and the impact on cash flow; and
- leasing potential, including prospects for rental price increases.

Land Acquisition

We generally acquire land through the following means:

- acquisition of equity interests in companies that possess land use rights;
- participation in urban redevelopment projects; and
- participation in tender-auction-listing.

Acquisition of Project Companies

Acquisition of project companies is a common practice in the PRC property market as one of the means to increase land bank. We have used this method in the past, such as the land use rights underlying our Dongguan Azure Polis, Changsha Valley Villa and Lianyungang Cote d’Azur. Since this is primarily a privately negotiated sale, it is subject to various associated risks. In addition to business terms, previous dealings and relationships between the buyer and seller, competition from other buyers, seller’s political, financial and other influence in the local market may play a role in the negotiation and its outcome. As we buy the equity interest in the project company, it necessarily requires us to perform significant due diligence not only on the land held by the target company, but also on the target company itself, including its assets and liabilities. In the absence of contrary contractual provisions, we will assume all liabilities of the target company, such as its financial guarantees, unidentified indebtedness, contractual arrangements and disputes and legal proceedings of the target company. We also run the potential non-completion risk when the transferor refuses to transfer its equity interest in the target company to us despite a binding share transfer agreement especially when the land price significantly appreciates over a relatively short period. The transferor may delay the completion process, be non-cooperative, or endeavor to seek additional payment for the transfer.

We believe, however, that there are many benefits associated with this land acquisition approach as compared to other means. These project companies typically have either already obtained the land use rights or proceeded substantially in the land acquisition process. Upon successful acquisition of the target company, the buyer effectively acquires the relevant land use rights that belong to the target company without the necessity of going through the complicated land acquisition procedures in the localities. The sellers often have good connections with the local establishment and are familiar with the local market conditions. Our equity transfer agreements in such circumstances often require the sellers to cooperate with us in various pre-development matters. In order to take greater advantage of the expertise and experience of the sellers, we sometimes endeavor to buy a controlling stake in the target company with the seller as our project partner. A well managed joint venture in such circumstances could create a win-win situation for both the buyer and seller.

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Equity interests in PRC project companies so acquired are subject to registration with, and/or approval from, the relevant governmental departments, including the relevant industry and commerce administration authorities. Upon completion of such acquisition, the target company will need to effect amendments to its business license and to register the change of its shareholders. Completion of an acquisition of project companies is also subject to third party consents, especially banks and other financial lenders, pursuant to the terms and conditions of their loan or prior transaction documents. In addition, as a result of the acquisition, the buyer also inherits most of the prior contractual arrangements, which the buyer may or may not share the view with respect to the advantages and disadvantages of such contractual arrangements. Effective management of the relationship with the existing employees at the target company constitutes another significant responsibility for the buyer. Good employee relationship will optimize the investment by the buyer.

Urban Redevelopment

We have actively participated in urban redevelopment programs initiated by the Shenzhen municipal government as one of our primary means of acquiring land in Shenzhen. As Shenzhen was developed from a fishing village into a major city across the border from Hong Kong over the span of the past 30 years, these urban redevelopment programs have played an especially important role in the urbanization history of Shenzhen.

In Shenzhen, urban redevelopment programs initiated by the municipal government consists of two types: (i) government requisition related redevelopment (徵地返還) and (ii) inner-city village redevelopment (城中村改造).

- *Government Requisition Related Redevelopment.* When the government historically repossessed land for urban development purposes, whether to construct a highway or to re-zone a district, it typically compensated the original residents with another piece of land plus additional payments for relocation and resettlement. The compensatory land may be used for residential development or commercial development purposes. Our Shenzhen Victoria Harbour project and Shenzhen Excellence Century Center project were such government requisition related redevelopment projects. Since August 2002, Shenzhen government no longer compensates residents of repossessed land with replacement land. It has also indicated that it may require future government requisition related redevelopment projects to be subject to the tender-auction-listing processes.
- *Inner-City Village Redevelopment.* This category of urban redevelopment projects largely results from renovation or beautification efforts initiated by the municipal government for inner city districts. Rapid urbanization also expanded such zoning and redevelopment needs. The inner-city village redevelopment program involves primarily residential projects developed for the purpose of replacing old or dangerous living quarters in Shenzhen urban areas. In this category of urban redevelopment, we typically negotiate and reach agreement with cooperative joint stock companies established by the villagers as their representative. In exchange of the land use rights for the residential development, we typically compensate the existing urban village property owners with residential units of comparable total GFA plus additional payments for relocation and resettlement. Under the current laws and regulations in Shenzhen, the replacement residential units for each household may not be

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more than 480 square meters. Although we currently do not have completed projects or projects under development falling into this category of urban redevelopment program, our contractual arrangements for Shenzhen Nanxin Project and Shenzhen Gangxia Project as disclosed in the section entitled “— Our Property Projects — Other Land-related Contractual Arrangements” are such inner-city village redevelopment projects.

All urban redevelopment projects, whether government requisition related or inner-city village redevelopment, are subject to approvals by the relevant government authorities before the developer may enter into land grant contracts and obtain land use rights. As a policy matter, the Shenzhen government has granted various favorable treatments, such as lower land premiums, to encourage such urban redevelopment projects.

Under the existing rules and regulations in Shenzhen, land use rights may be acquired through these urban redevelopment programs without going through the tender-auction-listing process so long as such redevelopment is undertaken jointly by a developer and the villagers. Any such redevelopment project to be undertaken solely by a developer must be subject to the tender-auction-listing process. In addition, due to the number of villagers and their different interests in such programs, it is usually a very time-consuming process for an urban redevelopment project to receive the various approvals and consents before commencement of its development. We usually negotiate initially with the village joint stock company and endeavor to reach an agreement with the approval of its board of directors and the approval of its shareholders at a general meeting. We then proceed to apply for the approval by the relevant government authority for our participation in such urban redevelopment. Once such government approval is received, we have to enter into separate agreements with individual villagers with respect to their compensation and other resettlement related matters. Although individual villagers may not challenge the legal or beneficial ownership of the land redeveloped or to be redeveloped once the redevelopment plan has been approved by the relevant government authority, an individual villager may refuse to enter into the individual resettlement compensation agreement with the relevant property developer. Such refusal may delay the redevelopment schedule or increase the resettlement costs.

Tender-Auction-Listing

Tender-auction-listing has been a standard practice in China for the grant of state-owned land use rights for residential or commercial property development use since August 2004. We have participated in such tender-auction-listing processes as a means to replenish our land bank. Since this is primarily a publicly contested sale, it tends to be a much more competitive process than private sales. Although this process has the advantage of eliminating or minimizing non-pricing related considerations, such as personal relationships with the seller and the buyer’s political, financial and other standing in the local market, this tender-auction-listing process does tend to increase the pricing pressure for the developers and favor developers with stronger financial resources and deeper market insight.

Land parcels subject to tender-auction-listing processes have usually gone through primary preparation by the government. Therefore, the developer does not have to negotiate with the original residents on the compensation for their relocation and resettlement. We obtained our land use rights to Changsha Cote d’Azur project through our participation in tender-auction-listing processes.

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We have obtained land use rights certificates for all our completed properties and properties under development. We currently expect to maintain sufficient land bank to meet our development requirements for the next five years on a rolling basis. As of June 30, 2009, we had approximately 1.0 million square meters in GFA under development. We continually search for land sites which meet our selection criteria.

During the Track Record Period, we were not required to pay any land idle fee or forfeit any land parcel as a result of noncompliance with the relevant PRC rules. Although there can be no assurance that circumstances leading to forfeiture or significant delays in our development schedules will not arise in the future, we do not expect that any land parcel of our current land bank will be subject to forfeiture based on our current development plans.

Project Planning and Design

Through systematic review and research and based on our in-depth understanding of market trends and customer needs, we make an objective assessment of our planned projects and form specific project design guidelines, in which we set out the design criteria in light of market demand and functional requirements, such as the ratio of office and retail space, in order to maximize return.

We engage leading domestic and international design firms, including Peddle Thorp Melbourne Architects and LEO A DALY, to carry out our project design according to our project design guidelines. We typically invite three to five reputable design firms to tender via a concept-design competition. Through rounds of rigorous review, we select the winner of the tender based on a comprehensive evaluation of the submitted concept designs in terms of maximizing the value of the planned development. Our internal design department then coordinates and works closely with the selected design firms in major aspects of the design process, from master planning, design details and adjustments, to material selection.

The following steps form part of an integrated process of our property design procedures:

- Overall planning, primarily focused on product positioning, pacing of development, development model, development phases and property mix, transportation and environment evaluation and ancillary facilities;
- Product design, primarily focused on the style, theme and functionality of the development, building structure and facilities, floor plans and choice of materials;
- Landscape design, primarily focused on creating a harmonious and aesthetically pleasing living environment through integrating the overall design scheme with the designs for individual buildings; and
- Interior design, focused on the ergonomic design of all interior space of common areas to optimize the residents’ experience and usage of these areas.

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We are committed to excellence in the planning and design of our property developments. In developing our Shenzhen Cote d’Azur project, we engaged world renowned firms such as Peddle Thorp Melbourne Architects and Belt Collins for the architectural design and landscape design. Shenzhen Cote d’Azur won the national “Best Planning” and “Best Landscaping” awards from the Ministry of Construction in 2001. We have also engaged EDSA Oriented for landscape design themed “town by the seaside” and WY Design Consulting for individual building design for our Excellence Blue Archipelagos project in Qingdao, which was named the “Most Anticipated Property Development in Qingdao” (2007年最值得期待的樓盤) by Peninsula Metro Daily (半島都市報社) in 2007. Our Shenzhen Excellence Century Center project has selected the well-known LEO A DALY as the designer and the architect through a competitive bidding process. We expect Shenzhen Excellence Century Center to become a new landmark in the Shenzhen CBD.

We believe that our commitment to excellence in planning and design will enhance our brand value, ensure a solid foundation for our long-term success and help to maximize return on our investments.

Project Construction

We outsource all our construction work to third party construction companies. We usually select construction companies through a bidding process and invite a minimum of five qualified construction companies to bid for a construction project through a tender process. We seek to engage the most reputable contractors, such as China Construction First Building (Group) Corporation Limited (中國建築一局(集團)有限公司) and China Huashi Enterprises Company Limited (中國華西建築工程總公司), which are well recognized for their construction quality. We take into account contractors’ professional qualifications, track record, reputation, proposed delivery schedule and cost, as well as their financial condition and resources when evaluating the suitability of the contractors.

The terms of our standard construction contracts provide for progressive payments throughout the construction progress, and contain express warranties on construction quality and schedule. We withhold 5% of the contract sum for two years after completion to apply against potential claims arising out of any construction defects. We require our contractors to comply with PRC laws and regulations on the quality of construction projects, as well as our own standards and specifications. Contractors are also subject to our quality control procedures, including examination of materials and supplies, on-site inspection and production of progress reports. We do not allow our construction contractors to subcontract or transfer their contractual arrangements with us to any third party without our prior consent. Our construction work also includes gardening and landscaping, which are outsourced to independent service providers through a competitive selection process.

We are not responsible for any labor problems of our contractors or accidents and injuries that may occur during construction. These risks are born by construction companies, as provided in our contracts with them. To the best of our knowledge, there were no non-compliance cases or labor disputes noted from the third-party construction companies during the Track Record Period. We did not experience any material construction delays or fail to complete the construction of any project during the Track Record Period.

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We provide our customers with a warranty for the quality of the structure pursuant to the Measures on the Sales of Commodity Housing 《商品房銷售管理辦法》 and Regulations for the Operations of Urban Property Development 《城市房地產開發經營管理條例》. The warranty period is the useful life of the property as set in the project planning documents. If the quality of the structure is found to be defective by the relevant construction quality inspection authority, property buyers can return the property and demand a refund, and we are liable to the property buyers for losses caused by the defects.

Quality Control and Procurement

To ensure quality and monitor the progress and workmanship of construction, we hire independent supervisory companies in addition to our own construction supervision team to conduct on-site inspection and monitor construction progress on a day-to-day basis. Each of our project developments has its own on-site project management team. Prior to handing over a property to our customers, our sales and customer service departments together with our engineers inspect the property and take immediate action to cure any defect revealed.

We impose stringent standards on the quality of construction materials used in our projects. We directly purchase a portion of major building materials, especially those affecting product quality including aluminum alloy and elevators, while our contractors are responsible for procuring most basic building materials, such as cement and steel. We inspect the materials delivered to us and reject those that are below our standards or that do not comply with our specifications. To obtain premium quality supplies at competitive cost, we have a centralized procurement system to aggregate our material requirements across projects to obtain volume discounts from suppliers.

For the years ended December 31, 2006, 2007 and 2008 and the six months ended June 30, 2009, purchases from our five largest suppliers accounted for approximately 27.0%, 26.8%, 28.2% and 17.0%, respectively, of our total purchases, and purchases from our single largest supplier accounted for approximately 16.0%, 17.4%, 12.9% and 5.8%, respectively, of our total purchases. For the same periods, none of our Directors, neither their associates nor any of our shareholders holding more than 5% of our issued share capital has any interest in any of our five largest suppliers.

Sales and Marketing

Our sales and marketing team conducts feasibility studies based on market analysis, design sales and pricing plans, and determines appropriate advertising and promotion campaigns for a particular property development and for our “Excellence” brand name. They also collect customer data and feedback. Through the analyses of the data collected and our research we have compiled a guideline for sales at all points of contact with customers 《覆蓋客戶所有接觸點的營銷設計指引》 to ensure customer satisfaction throughout the sales process. In addition to our own sales team, we engage third-party real estate sales agencies to implement our sales strategies and conduct sales on an as-needed basis when we enter into the sales of a new type of property or when we enter into a particular market segment with which we are less familiar. For example, we engaged third-party sales agencies in 2008 to sell properties of Shenzhen Victoria Harbour and in 2009 to sell properties of

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Shenzhen Excellence Century Center. For the years ended December 31, 2006, 2007 and 2008 and the six months ended June 30, 2009, the sales revenue generated from third-party agency sales constitutes 0.2%, 0.2%, 0.4% and 0.5%, respectively, of our total revenue. We usually pay third-party agencies a fixed-rate commission based on the sales completed by them.

We make certain undertakings to the property buyers in the relevant sales contracts, which primarily include the following:

- timely delivery of the property pursuant to the date stipulated in the contract;
- the property sold is free and clear of any encumbrances at the time of delivery;
- warranty on the quality of the foundation and main structure of the construction for a reasonable period specified in the relevant design contracts; and warranty on certain fittings and fixtures, if applicable, usually for a period of two years according to the published national standards; and
- timely procurement of individual property ownership certificate within 210 to 240 days from the date we obtain the certificates of completion.

We did not experience any difficulties in fulfilling our obligations to the property buyers during the Track Record Period.

To ensure effective sales and pricing strategies and risk management, we work with external marketing consultants. Based on market conditions and other indicators such as each project’s occupancy rate, height limit and density of the buildings and ancillary facilities, external consultants have helped to optimize our sales and marketing strategies for particular developments. By ensuring that each project meets the market demand we can also effectively manage and minimize our business risk.

We have success in our brand promotion efforts. For the four consecutive years since 2005, we have been named a “Blue-Chip Real Estate Enterprise in China” (中國藍籌地產企業) by the Economic Observer (經濟觀察報) and Sina.com. We have also been ranked among the “Top 10 Real Estate Brand Names in China” (中國房地產品牌價值TOP10) by the China Index Research Institute. We have cooperated with internationally renowned 4A advertising agencies to promote our brand and develop outreach programs to further publicize the “Excellence” brand. To strengthen recognition of our brand and our market reputation together with our product promotion, we conduct advertising campaigns at strategic time intervals coinciding with critical project stages.

As a part of our sales and marketing strategy we advertise primarily through media channels including newspapers, outdoor billboards, television, magazines, internet and radio. We participate in large-scale social and public welfare activities where we offer participants updates on our new developments. For the past eight consecutive sales quarters, we were ranked as one of the top five in property sales in Shenzhen according to the government-compiled statistics.

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Our principal customers are individual purchasers of residential properties and commercial property buyers in China. For the Track Record Period, revenue attributable to our five largest customers was less than 7.3% of our total revenue in each period. The revenue attributable to our single largest customer was less than 3.1% of our total revenue in each period. None of our Directors, their associates nor any of our shareholders holding more than 5% of our issued capital has any interest in our five largest customers during the Track Record Period.

Payment Arrangements

Purchasers of our properties, including those purchasing pre-sale properties, may pay us through mortgage loans with banks. We typically require our purchasers to pay a non-refundable deposit upon entering into provisional purchase contracts. If the purchasers later decide not to enter into formal purchase contracts, they will forfeit their deposits. Upon executing the formal purchase contracts, our purchasers are typically required to pay at least 10-20% of the total purchase price of the property, with the remaining balance to be paid within one month from the signing of the formal contract. If the purchasers choose to fund their purchases by mortgage loans provided by banks, they are responsible for the mortgage application and obtaining bank approval while we will assist them on an as-needed basis. The payment terms for sales and pre-sales of our properties are substantially identical.

Most of our customers purchase our properties through mortgage financing. In accordance with industry practice in China, we provide guarantees to mortgagee banks in respect of the mortgage loans provided to the purchasers of our pre-sold properties. These guarantees are released upon the earlier of (i) the relevant property certificates being delivered to the purchasers, and (ii) the settlement of mortgage loans between the mortgagee banks and the purchasers of our properties. In line with industry practice, we do not conduct independent credit checks on our purchasers but rely on the credit checks conducted by the mortgagee banks. As of December 31, 2006, 2007 and 2008 and the six months ended June 30, 2009, our outstanding guarantees on the mortgage loans of our purchasers amounted to Rmb 908.2 million, Rmb 606.5 million, Rmb 533.4 million and 1,287.7 million, respectively. During the Track Record Period, we did not encounter any material defaulted mortgage loans. The recent real estate financing measures promulgated by the central government have not caused any increasing trend of mortgage payment default by our customers in our experience. You should refer to the section entitled “Risk Factors — Risks Relating to Our Business — We guarantee the mortgage loans provided to our purchasers and consequently are liable to the mortgagee banks if our purchasers default on their mortgage loan repayments” in this document for additional risk disclosure.

Various Awards Received by Us

In March 2009, we received the honor as one of the “Top 10 Developers in Terms of Profitability among the 2009 China Top 100 Real Estate Developers” (2009中國房地產百強企業 — 贏利性 TOP10) and as one of the “China Top 100 Real Estate Developers for 2004-2009 Consecutive Years” (2004-2009連續六年中國房地產百強企業) by the China Index Research Institute, based on scale, profitability, debt payment ability, operating efficiency and growth potential.

In January 2009, we were awarded “2009 Most Influential Brand from New Perspective of China Real Estate” (2009中國地產新視角最具影響力品牌) by Sohu.com (搜狐網) and Focus.com.cn (焦點房地產網).

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In December 2008, we were recognized as one of “2008 Ten Model Companies in China Urbanization” (中國城市化進程十大典範企業), and Li Xiaoping was recognized as one of “2008 Ten Persons with Outstanding Contributions to Urbanization of China” (2008中國城市化進程十大貢獻力人物), by China International Urbanization Development Strategy Research Committee (中國國際城市化發展戰略研究委員會) at the Second China Urbanization International Summit (第二屆中國城市化國際峰會).

In December 2008, we were accredited as one of “China Top 500 Real Estate Developers” by China Real Estate Appraisal (中國房地產測評中心), which was founded by China Real Estate and Housing Research Association (中國房地產及住宅研究會), China Enterprise Evaluation Association (中國企業評價協會), the center of Real Estate Studies and Appraisals of Peking University (北京大學不動產研究鑒定中心), Shanghai E-House Real Estate Research Institute (上海易居房地產研究院) and Sina Technology (China) Co., Ltd. (新浪網技術(中國)有限公司).

In October 2008, for the four consecutive years since 2005, we were named a “Blue-Chip Real Estate Enterprise in China” (中國藍籌地產企業) by the Economic Observer (經濟觀察報), Sina.com (新浪網) and Cheung Kong Graduate School of Business (長江商學院).

In September 2008, China Index Research Institute published “Brand Value of China Real Estate Companies Top 10” (中國房地產公司品牌價值Top 10). We were accredited “2008 Brand Value Top 10 of South China Real Estate Companies” (2008中國華南房地產公司品牌價值TOP 10). “Excellence” (卓越集團) was awarded “2008 Leading Brand in China Real Estate for the Category of CBD Office Property Development” (2008中國房地產CBD商務地產專業領先品牌), and our Cote d’Azur series (卓越•蔚藍海岸系列), Shenzhen Victoria Harbour (卓越•維港), Shenzhen Repulse Bay (卓越•淺水灣) and Changsha Valley Villa (長沙麓山別墅) were awarded “2008 Brand Value Top 10 of China Real Estate Development” (2008中國房地產項目品牌價值Top 10).

In June 2008, we received “2008 Citizenship Award of China Real Estate Companies” (2008年度中國地產企業公民大獎) and “2008 CBD Operation Award” (2008年度CBD運營大獎) at the Boao 21st Century Real Estate Forum (博鰲•21世紀房地產論壇).

In April 2008, we were named one of the “Top 10 creditworthy real estate developers of Guangdong Shenzhen in 2008” (首屆(2008年度)廣東深圳地產資信10強) by Industrial and Commercial Bank of China Limited Shenzhen Branch (中國工商銀行股份有限公司深圳市分行), Agricultural Bank of China Shenzhen Branch (中國農業銀行股份有限公司深圳市分行), Bank of China Limited Shenzhen Branch (中國銀行股份有限公司深圳市分行), China Construction Bank Limited Shenzhen Branch (中國建設銀行股份有限公司深圳市分行) and People’s Daily Online (人民日報社人民網).

In January 2008, China Real Estate Annual Conference 2007 - 2008 (中國房地產年會), which was jointly organized by China Real Estate News (中國房地產報) and Sina.com (新浪網), reviewed the history of the PRC property sector over the past 20 years. We were awarded the honor of “China Real Estate Top 20 Enterprises Over 20 Years” (中國房地產20年成功模式之20強).

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Initiatives To Continuously Improve Our Operations

With the objective of enhancing our operational efficiency and human resource management, we have engaged external consulting firms to evaluate our operations and provide recommendations on how we can further improve the effectiveness of our operations.

From September 2006 to September 2007, we engaged Watson Wyatt Worldwide Inc. (華信惠悅諮詢有限公司), a consulting company focusing on the management of human resources, to evaluate our job positions and establish the management system for our employee compensation.

From February 2006 to August 2007, we engaged Shenzhen SAP Management Consulting (賽普諮詢顧問有限公司) to help us formulate procedures to support our business strategies and expansion. We have implemented recommendations including the enhancement of our internal control guidelines, optimization of our operating procedures, and the streamlining of our corporate structures.

From November 2005 to May 2006, we engaged HAY Group (合益諮詢顧問有限公司), a human resource management consulting firm, to formulate performance review process and career development plan for our key job positions.

PROPERTY MANAGEMENT

We have our wholly owned subsidiary, Excellence Property Management, to exclusively provide comprehensive property management services for all the properties we develop, including residential properties, office buildings, hotels and commercial plazas. In 2006, Excellence Property Management received “Class I” (一級) qualification certification issued by the PRC Ministry of Construction, the highest national accreditation for property management companies in China. The criteria for “Class I” property management companies include the following:

- (1) A registered capital of more than Rmb 5.0 million;
- (2) Not less than 30 property management professionals and full-time management and technical personnel in the relevant fields such as engineering, management and economics. At least 20 of them possess the intermediate professional qualification or above. Heads of businesses such as engineering and finance possess the intermediate professional qualification or above;
- (3) Property management professionals have obtained the vocational qualification certificate in accordance with the state’s relevant requirements;
- (4) Being engaged in the management of at least two types of properties and the GFA managed in the following categories is not less than:
 - two million square meters managed for multi-story residential buildings
 - one million square meters for high-rise residential buildings

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- 150,000 square meters for detached houses (villas)
 - 500,000 square meters for office buildings, industrial premises and other properties
- (5) Established and strictly enforced company policies and standards with respect to service quality and service fees, established the enterprise credit record system, and has proven track record in operation and management.

The “Class I” property management company qualification certification is issued by the Ministry of Construction.

In July 2007, we officially became the first property management services company that joined the Golden Key Properties Alliance (金鑰匙物業聯盟) as approved by the headquarters of the Golden Key Properties Alliance (金鑰匙物業聯盟總部) and Golden Key Hotels of the World (世界金鑰匙酒店聯盟).

Property management is an integral part of our business in that (i) the quality and reputation of property management is critical to the buying decision of property buyers and will contribute to the brand recognition of a property developer; (ii) quality property management services will help to improve property planning and design based on customer feedback they collected; and (iii) quality property management services will enhance property value. We believe that quality property management services add value to our property developments and promote our property sales and brand name in the long term. The significance of our quality property management services to customer loyalty is highlighted by the fact that approximately 30% of our sales during the Track Record Period were either from or referred by the current owners of properties developed and managed by us. We also provide property management services to third parties. With our full range services plus a team consisting of over 1,100 professionals, we are able to serve customers from all lines of businesses in various regions across China including Guangdong Province, Hunan Province, Hubei Province, Jiangxi Province, Beijing and Chongqing. As of June 30, 2009, the total GFA we serviced exceeded 10 million square meters.

Our property management services include maintenance and security of common areas, gardening and landscaping, cleaning, fire protection and rental agency services. The following summarizes our commitment to providing the best services to our customers:

- Concierge services. We are proud to introduce international hotel service standards to our property management. The personalized services we provide to our customers include travel and other reservations, rental management, event planning, ticketing and information collection. We require our employees to follow the “SARDIC” standard in providing personalized services to our customers, which stands for **S**mile, **A**ctive, **R**espect, **D**etail, **I**nnovative and **C**are, a hotel service standard which we choose to adopt in our property management services; and
- Circle of Excellence. We endeavor to build a community life style with distinct culture and style for our residential property owners — Circle of Excellence. In addition, we have established clubs catering to business communities in the Shenzhen CBD.

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Our property management company has won many awards in past years, including the “Exemplary Socially Responsible PRC Property Management Company” in 2007 issued by China Property Management Journal, the “2006 Most Satisfactory Property Management Company” issued by Housing and Real Estate Magazine, “Top 10 Brands of Property Management in Shenzhen, China (In Memory of 30th Anniversary of China’s Reform and Opening Up)” ((紀念改革開放30周年)中國深圳物業管理十大品牌稱號) in 2008 issued by Shenzhen Special Zone Herald (深圳特區報), Jing Daily (晶報), Hong Kong Commercial Daily (香港商報), “Top 10 Property Services Companies in China” (中國物業服務百強企業) in 2008 issued by China Real Estate Top 10 Research (中國房地產TOP10研究組).

Under PRC law, property owners are entitled to engage or discontinue a property management company at an owners’ meeting if at least half of the owners agree. As of June 30, 2009, none of the owners meetings voted to discontinue our property management services. For the years ended December 31, 2006, 2007 and 2008 and the six months ended June 30, 2009, our property management services contributed approximately 3.1%, 6.9%, 4.0% and 1.9%, respectively, of our total revenue, respectively.

Qualification certificates of our subsidiaries

The following table sets out the expiry dates of qualification certificates of our subsidiaries. The duration of qualification certificate for a property development company is usually one year.

No.	Name of subsidiary	Expiry date
1.	Excellence China	April 30, 2010
2.	Shenzhen Pengyue	April 30, 2010
3.	Shenzhen Excellence	April 30, 2010
4.	Excellence Century City	April 30, 2010
5.	Shenzhen Qnian Jianye Investment Co.....	April 30, 2010
6.	Wuhan Excellence	June 30, 2012
7.	Wuhan Zhenghe	June 16, 2010
8.	Excellence Qingdao	June 30, 2010
9.	Changsha Excellence	December 31, 2011
10.	Hunan Lushan.....	June 5, 2010
11.	Chongqing Wanshang.....	May 31, 2010
12.	Excellence Weigang.....	April 30, 2010
13.	Dongguan Zhongtian.....	September 22, 2011
14.	Excellence Property Management.....	Not applicable

As a Class I property management company, the qualification certificate of Excellence Property Management does not have a fixed duration and is subject to renewal requirement on a rolling basis, which is conducted through randomly selecting for review by the relevant government authority.

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The qualification certificate is legally required before a developer can engage in property development or property management. We usually initiate the renewal process of our qualification certificates within one to two months prior to the expiry date of the certificate, which meets the requirements of relevant rules and in our experience allows sufficient time to complete the renewals before the expiration. We did not experience any difficulties in renewing our qualification certificates during the Track Record Period. We plan to renew all our qualification certificates as they become due and do not expect to encounter any difficulties in the renewal process.

INVESTMENT PROPERTIES

As of June 30, 2009, we held 40-year operating rights in the 21,069 square meters of retail space in Guangzhou Diwang Shopping Arcade, or Guangzhou Diwang, and 1,400 carparks as investment properties for long-term rental and/or capital appreciation, but not for our occupation. Our investment criteria are primarily based on the estimated future cash inflow and long-term potential growth prospect. We do not have any definite plans to dispose of our existing investment properties and we plan to increase the proportion of our investment properties and to begin developing hotel premises to be operated by professional hotel operators. We may choose to sell our investment properties when we believe that sales would generate a better return on our investment.

In August 2006, we acquired a 90% equity interest in Guangzhou Guixin for a cash consideration of Rmb 5.7 million. In October 2008, we acquired the remaining 10% equity interest in Guangzhou Guixin for a cash consideration of Rmb 20.3 million. In April 2002, Guangzhou Guixin, as lessee, entered into a 20-year lease agreement (renewable for another 20 years) for Guangzhou Diwang with Guangdong Sports Bureau (廣東省體育局), as lessor. Guangdong Sports Bureau is the government authority in Guangdong Province responsible for the administration of sports related activities within the province. We are not entitled to the land use rights to Guangzhou Diwang as we only hold the operating rights through the long-term lease agreement. The land in question was granted to the lessor in 2002 as allocated land (劃撥地) by the relevant government authority and the lessor had obtained the construction land permit (建設用地批准書). The lessor has not obtained the property ownership certificate due to the following reasons: (i) the lessor did not perceive the need to obtain such property ownership certificate as the lessor had no intent to transfer or borrow against such property; and (ii) certain prerequisite documents such as land use rights certificate and certificate of completion were not obtained by the lessor for reasons mentioned above. Currently the lessor is in the process of obtaining land use rights certificate and property ownership certificate to Guangzhou Diwang. The lessor believes that there is no material legal impediment to its obtaining of these certificates. However, the procedures to rectify such previous omissions can be complicated and there can be no assurance that such certificates can be obtained in a timely manner if at all. As advised by our PRC counsel, the lease agreement between Guangzhou Guixin and Guangdong Sports Bureau was legal, valid and enforceable among the contracting parties. Should the lessor be found in violation of relevant PRC laws with respect to the lease of Guangzhou Diwang, the lessor may be fined for the violation and our rights under the lease agreement may be challenged or annulled. Pursuant to the lease agreement, Guangzhou Guixin is entitled to compensation from Guangdong Sports Bureau for losses incurred in connection with the lease of Guangzhou Diwang if the agreement is invalidated by relevant government authorities. However, the agreement does not specify the amount of or the mechanism to determine the compensation for which the lessor will be liable if the lease were invalidated due to regulatory reasons. Furthermore, there can be no assurance that Guangdong Sports

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Bureau will perform or have the necessary financial resources to fulfill its undertaking to us if the lease agreement were invalidated. For the classification of Guangzhou Diwang as investment property and the recognition and valuation policies of our income from and interest in Guangzhou Diwang Shopping Arcade, see Note 2.10 in the Accountant’s Report included as Appendix IA to this document.

PROPERTIES USED BY US

As of June 30, 2009, we owned a total GFA of approximately 2,916 square meters, which occupies the 21st floor and the 22nd floor in Excellence Mansion, for our own use as office premise in Shenzhen. We have the property ownership certificate to the 21st floor, and the property ownership certificate to the 22nd floor is in the process of registration. In addition, we leased an aggregate GFA of 120 square meters from independent third parties in Shenzhen as office premises.

COMPETITION

We compete with other real estate developers based on a number of factors including product quality, service quality, price, financial resources, brand recognition, ability to replenish land bank and other factors. The property markets where we operate are highly competitive. Our existing and potential competitors include major domestic developers and, to a lesser extent, foreign developers, such as leading developers from Hong Kong. Some of these competitors may have better track records, financial, human and other resources, larger sales networks and greater name recognition. See “Risk Factors — Risk Relating to the Residential Property Industry in China — Intensified competition might adversely affect our business and our financial position.”

INTELLECTUAL PROPERTY RIGHTS

We have registered the trademarks and service marks of “卓越”, “EXCELLENCE”, and “蔚藍海岸” (“Cote d’Azur”) with the PRC Trademark Office under various categories in Shenzhen including property sales and services. We have also applied to register with the PRC Trademark Office, some of our other trademarks and service marks under various categories. See “Statutory and General Information — B. Further Information about the Business — 2. Intellectual property rights of our group — (a) Trademarks”. Our PRC legal advisor is of the view that our ability to successfully apply for the registration of such trademarks will depend on whether there will be any oppositions made by third parties. As of the Latest Practicable Date, we were not aware of any opposition made by third parties against the registration of the trademarks under application in the PRC. We confirm that the trademarks under application are immaterial to the operations of our company since we have been using the trademarks that have already been registered for our business operations. We have also completed the registration of our logo in Hong Kong.

INSURANCE

Property developers are not required under PRC national and local laws and regulations to maintain insurance coverage in respect of their property development operations. We maintain insurance coverage on our properties under development and other mandatorily required insurances. In addition, we generally do not carry insurance against personal injuries that may occur during the

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construction of our properties. The construction companies, however, 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. In addition, according to our construction contracts, any liability that may arise from tortious acts committed on construction sites will be borne by the construction companies. To date, we have not experienced any destruction of or material damage to our property developments nor have any material personal injury-related claims been brought against us.

We believe that our policies with respect to insurance are in line with the industry practice in China. However, there are risks that we do not have sufficient insurance coverage for losses, damage and liabilities that may arise in our business operations. See “Risk Factor — Risks Relating to Our Business — We do not have insurance to cover potential losses and claims.”

ENVIRONMENTAL AND SAFETY MATTERS

We are subject to PRC environmental and safety laws and regulations promulgated by both the central and local governments. The laws and regulations governing the environmental requirements for real estate developments in the PRC include the Environmental Protection Law 《中華人民共和國環境保護法》, the Prevention and Control of Noise Pollution Law 《中華人民共和國環境噪聲污染防治法》, the Environmental Impact Assessment 《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, an environmental impact assessment report is required to be submitted to the relevant government authorities for approval before commencement of construction, and each project developed by a property developer is required to undergo an environmental assessment. 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.

Although property development is generally regarded as low polluting, during the course of construction of a project, there may be an increased amount of dust around the site, increased noise pollution, increased waste water and solid construction waste. In each of these cases, our construction contractors, as part of the responsibilities under their contracts, are responsible for taking actions to dispose of waste, to keep dust levels low and to control noise pollution. None of our completed properties or properties under development are located in the areas with heightened environmental protection standards.

We endeavor to ensure that we comply with relevant laws and regulations on environmental protection and safety by engaging construction contractors with good environmental protection and safety track record. When entering into construction contracts with them, we would request that they strictly comply with all current PRC environmental protection and safety laws and regulations including using construction materials and construction methods that meet the requirements of such laws and regulations. We would also request the construction contractors to be responsible for the final clean up of the construction site and to take steps to minimize adverse environmental impact during construction, such as erecting a fence around the construction site, limiting work hours for noisy construction activities and managing quality of residual soil. In addition, we closely monitor the project at every stage to ensure the construction process is in compliance with the environmental

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protection and safety laws and regulations and require the construction contractors to immediately remedy any default or non-compliance. We are conscious of the need for environmental protection and keen to adopt viable new technologies that are environmental friendly. For example, we utilized geothermal energy (地熱源) protection technologies in Qingdao Azure Archipelagoes to make the buildings more energy efficient, and adopted a new venting design in Shenzhen Repulse Bay project to reduce noise pollution.

All of our completed property projects and properties under construction have received the requisite environmental approvals. Upon completion of each property project, the relevant PRC government authorities will also inspect the property site to ensure that we have complied with the applicable environmental and safety standards. Inspections of each completed property project carried out by the relevant PRC government authorities to date have not revealed any environmental liability which we believe would have a material adverse effect on our business operations or financial condition. During the Track Record Period, we did not experience any material environmental pollution incident and there was no penalty imposed on us for violation of environmental laws and regulations. Our PRC legal counsel, Commerce & Finance Law Offices, has also confirmed this finding after their due investigation. We believe we are in compliance with PRC safety regulations and that we do not have a record of any non-compliance during the Track Record Period.

We cannot predict the impact of unforeseeable environmental contingencies or new or changed laws or regulations on our existing projects or properties that we may develop in the future. We intend to prevent any potential future environmental risks by continuing to comply with relevant PRC environmental laws and regulations, engaging only reputable construction contractors with good environmental protection and safety track record and requiring the construction contractors to strictly comply with relevant laws and regulations in materials procurement and property construction. We will also continue to educate our employees in relation to the importance of environmental protection and keep abreast with developments in PRC environmental protection laws and regulations through regular dialogue with the relevant local PRC authorities. We incurred insignificant costs in connection with environmental compliance during the Track Record Period.

In respect of social responsibilities, in particular, labor health, safety and social insurance, pursuant to the regulations of the Labor Contract Law of the People’s Republic of China 《中華人民共和國勞動合同法》, the Labor Law of the People’s Republic of China 《中華人民共和國勞動法》 and Opinions on Several Questions concerning the implementation of the Labor Law of the People’s Republic of China 《關於貫徹執行中華人民共和國勞動法若干問題的意見》, an enterprise is required to execute an employment contract with its employees according to law and shall not rescind the employment contract without cause. Employees are entitled to have rest and annual leave according to the law and provisions stipulated in an employment contract. An enterprise is required to have health and safety policies and provide health and safety training to its staff. It is also required to provide its staff with a safe and hygienic working environment as well as any protective gears if necessary. Pursuant to the relevant regulations, an enterprise is required to purchase basic medical insurance, pension insurance, maternity insurance, unemployment insurance, personal injury insurance for its staff and pay the relevant insurance premiums according to law. During the Track Record Period, we had not violated any currently applicable PRC social, health and safety regulations

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in any material respect. We intend to fully comply with the new PRC labor laws and do not expect such compliance to affect our business operations in any material respect. We believe that by protecting the interests of our employees we would be able to enhance employee morale and assist in long-term retention of quality personnel.

In order to comply with the relevant laws and regulations, we participate in various defined retirement contribution plans organized by the PRC provincial and municipal governments for our employees. We pay on behalf of our employees a monthly social insurance premium covering pension insurance, medical insurance, unemployment insurance and personal injury insurance. Our human resources department personnel looks after our social, health and safety issues. They generally have sound knowledge of administration and human resources issues. They work together with our legal department to ensure they are aware of the latest legal development in this area and our compliances with the relevant requirements.

In relation to work place safety around construction sites, we have limited potential liabilities to the workers on our construction sites because we outsource all the construction work. Most of the responsibilities rest with the construction contractors. There was no occurrence of any material accidents/injuries in relation to our property development during the Track Record Period. When entering into contracts with contractors, we require them to purchase accidents insurance according to applicable laws and regulations to cover their workers and adopt effective occupational injuries control measures, such as providing workers with necessary protective gears and offer them regular medical examinations and work place safety trainings.

LEGAL PROCEEDINGS AND MATERIAL CLAIMS

During the Track Record Period, we were involved in legal or other proceedings in the ordinary course of our business, which mainly consisted of disputes with our customers. As of the Latest Practicable Date, we had not encountered any circumstances that have led to material construction delays or received any material claims from our customers for our failure to complete any pre-sold project on time, or received any material claims from our customers for our delay in the delivery of property ownership certificates. During the Track Record Period, we were involved in a number of lawsuits arising out of the ordinary course of business. None of these litigations, individually or in the aggregate, have had any material adverse effect on our financial position or results of operations. Based on our assessment of the cases and likely results, we have not made provisions for the outstanding legal claims. For the years ended December 31, 2006, 2007 and 2008 and the six months ended June 30, 2009, legal related expenses were Rmb 1.6 million, Rmb 2.6 million, Rmb 3.6 million and Rmb3.1 million, respectively.

Additionally, we currently have the following four material lawsuits pending against us.

The first lawsuit arose out of an agreement entered in May 2007 for the acquisition of a 100% equity interest in Fangzhou Industrial Co., Ltd. (深圳市方洲實業發展有限公司) (“Fangzhou Industrial”) from the previous owners of Fangzhou Industrial by Li Xiaoping and Xiao Xingping (肖興萍) with Excellence China as Guarantor. The total consideration for the acquisition is Rmb 30 million. The purpose of the agreement was to carry out a reorganization of Wanghai Yikang Industrial Co., Ltd. (深圳市旺海怡康實業發展有限公司) (“Wanghai Yikang Company”), in which Fangzhou

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Industrial held a 67% equity interest. As contemplated under the agreement, Li Xiaoping and Xiao Xingping have made an initial payment of Rmb 5 million to the previous owners, and the previous owners have transferred their equity interest to Li Xiaoping and Xiao Xingping. Subsequently, however, the reorganization of Wanghai Yikang Company was carried out by another party in accordance with an order issued by Shenzhen Intermediate People’s Court. Pursuant to the agreement, if Li Xiaoping, Xiao Xingping and Excellence China are unable to complete the reorganization of Wanghai Yikang Company, the previous owners should return the Rmb 5.0 million to Li Xiaoping and Xiao Xingping, and Li Xiaoping and Xiao Xingping should transfer the equity interest in Wanghai Yikang Company back to the previous owners. The previous owners of Fangzhou Industrial have sued Li Xiaoping, Xiao Xingping and Excellence China for the balance of Rmb 25 million. Our PRC legal counsel have advised that, in the event the court rules in favor of the previous owners of Fangzhou Industrial, Li Xiaoping and Xiao Xingping may be required to pay such previous owners the balance of Rmb 25 million and certain liquidated damages, with Excellence China liable as guarantor. But Excellence China may seek reimbursement from Li Xiaoping and Xiao Xingping for any loss incurred as such guarantor.

The second lawsuit is an action that could impact our 20-year lease agreement (renewable for another 20 years) for Guangzhou Diwang. Our subsidiary Guangzhou Guixin, as lessee, entered into this lease in April 2002 with Guangdong People’s Stadium (as authorized by Guangdong Sports Bureau) (廣東省人民體育場(經廣東省體育局授權)), as lessor. Guangzhou Diwang was initially developed by Hong Kong Yashi Enterprise (Group) Co., Ltd. (香港雅仕企業(集團)有限公司) (“Hong Kong Yashi”), Guangzhou Yashi Investment Development Co., Ltd. (廣州雅仕投資發展有限公司) (“Guangzhou Yashi”) and Guangzhou Yuguan Industrial Development Co., Ltd. (廣州宇冠實業發展有限公司) (“Guangzhou Yuguan”) in cooperation with Guangdong Sports Bureau, who provided the underlying land for the project. In 2002, Guangdong Sports Bureau terminated its cooperation agreements with Guangzhou Yashi, Guangzhou Yuguan and Hong Kong Yashi due to the latter’s inability to continue funding the development of the project. In April 2002, Guangdong Sports Bureau and other relevant parties entered into an agreement with Guangzhou Guixin, pursuant to which Guangzhou Guixin acquired the right to continue to develop the project and acquired the long-term lease for Guangzhou Diwang. As consideration, Guangzhou Guixin made a direct payment of Rmb 38.85 million to Guangzhou Yuguan and a payment of Rmb 20 million to Guangzhou Yashi by assuming a debt of the same amount owing by Guangzhou Yashi.

Prior to Guangdong Sports Bureau’s termination of its cooperation agreements with Guangzhou Yashi, Guangzhou Yuguan and Hong Kong Yashi, Guangzhou Yashi owed Rmb 3.9 million in debt to Guangzhou Dongmo Economic Development Co., Ltd. (廣州市東摩經濟發展有限公司) (“Guangzhou Dongmo”), for which Guangzhou Dongmo had obtained a court order for enforcement. As Guangzhou Yashi failed to repay the Rmb 3.9 million, Guangzhou Dongmo has sued Hong Kong Yashi, Guangzhou Yashi, Guangzhou Yuguan and Guangdong Sports Bureau, seeking to invalidate Guangdong Sports Bureau’s termination of its cooperation agreements with Hong Kong Yashi, Guangzhou Yashi and Guangzhou Yuguan. Guangzhou Guixin joined the proceeding as a third party. Guangzhou Dongmo alleges that Guangzhou Yashi and Guangzhou Yuguan transferred their interests in the Guangzhou Diwang project to Guangdong Sports Bureau without consideration, which impaired Guangzhou Dongmo’s right as creditor to recover the Rmb 3.9 million from Guangzhou Yashi. The PRC court of first instance has issued a judgment denying Guangzhou Dongmo’s claim. This lawsuit is currently pending before the appellate court upon Guangzhou Dongmo’s appeal of the trial court’s decision. Our

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PRC legal counsel have advised that, in the event the decision of the appellate court is unfavorable to us, the relevant parties may be required to revert to a position prior to the termination of the cooperation agreements among Guangzhou Yashi, Guangzhou Yuguan and Guangdong Sports Bureau. As a result, we may forfeit our leasehold interest in Guangzhou Diwang and be required to return the profits we derived from Guangzhou Diwang to a party as directed by the court. In such case, we will be entitled to claim back the consideration Guangzhou Guixin previously paid in acquiring the interest in Guangzhou Diwang from the relevant parties.

We believe we have a strong defense on appeal. In addition, Guangdong People’s Stadium has further agreed to enter into new agreements with Guangzhou Guixin to keep our interest in Guangzhou Diwang intact in case Guangzhou Guixin’s interest in Guangzhou Diwang is invalidated by the court, while we will not need to pay any additional consideration. Our controlling shareholders have agreed to indemnify us against any losses or damages that we may incur as a result of this lawsuit.

The third lawsuit arose out of an agreement between Shanghai Detian and Shanghai Ceyuan Real Estate Agency Co., Ltd. (上海策源房地產經紀有限公司), or Shanghai Ceyuan, in November 2006. Pursuant to the agreement, Shanghai Detian appointed Shanghai Ceyuan as its sales agent for certain properties of the Shanghai Chengbang Villa Project. After a dispute ensued between the parties in connection with the agency sales under the agreement, Shanghai Ceyuan sued Shanghai Detian for breach of contract, claiming for liquidated damages in the amount of Rmb 1.5 million, agency fees in the amount of Rmb 21.2 million and other loss in the amount of Rmb 21.8 million. The PRC court of first instance has issued a judgment granting Shanghai Ceyuan liquidated damages in a total amount of Rmb 1.5 million but denying all its other claims for damages. Both Shanghai Detian and Shanghai Ceyuan have appealed to the appellate court. On appeal, while Shanghai Ceyuan insisted on its original claims, Shanghai Detian asked the court to overrule the lower court’s decision granting the liquidated damages. The case is currently pending before the appellate court. Since Shanghai Ceyuan has asked the court for property preservation during the proceedings, five residential units of Phase 2 of the Shanghai Chengbang Villa project with a total GFA of approximately 3,801 square meters have been attached in aid of execution by the court. Our PRC legal counsel have advised that, in the event the court rules in favor of Shanghai Ceyuan, we may be required to pay Shanghai Ceyuan the liquidated damages, agency fees and other losses. The liquidated damages in the amount of Rmb 1.5 million granted to Shanghai Ceyuan by the court have been factored into the total consideration we paid for our acquisition of the 100% equity interest in Shanghai Detian. The previous shareholders of Shanghai Detian have further agreed to indemnify us against any additional damages exceeding the Rmb 1.5 million that we may incur as a result of an unfavorable ruling against us by the appellate court.

The fourth lawsuit relates to our Shenzhen Excellence Times Plaza (Phase 1). According to a complaint we received on September 23, 2009, this lawsuit was initiated in January 2005. In this lawsuit, Ridong Tiancheng Real Estate Development (Shenzhen) Co., Ltd. (日東天成房地產開發(深圳)有限公司), or Ridong Tiancheng, was initially named as one of the six defendants. Ridong Tiancheng was the predecessor of our subsidiary Shenzhen Excellence. In March 2005, we acquired the 100% equity interest in Ridong Tiancheng and changed its name to Shenzhen Excellence Real Estate Development Co., Ltd. (深圳卓越房地產開發有限公司), the current name of Shenzhen Excellence. We have fully paid the consideration for the equity acquisition in 2005. This is the first time we have received the complaint, which now names Shenzhen Excellence as one of the six

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defendants. The complaint alleges that the plaintiffs were the initial owner of Ridong Tiancheng’s parent company and the property project which we have since developed as Shenzhen Excellence Time Plaza (Phase 1). According to the plaintiffs, they transferred their equity interest in Ridong Tiancheng’s parent company and the property project in accordance with agreements to certain other defendants named in the complaint. The plaintiffs allege that they are entitled to retain certain property interests in the property project under such agreements. According to the plaintiffs, these defendants fraudulently arranged for several successive transfers of this property project in violation of the agreements, which impaired the plaintiffs’ retained interest in the property project. As a result, the plaintiffs sued for invalidation of certain agreement for the initial transfer of Ridong Tiancheng’s parent company and the property project. The plaintiffs initially sought (i) enforcement of their allegedly retained interest in this project, i.e., ownership right to two floors of office spaces and 15 carparks, the right to name the project, and the right to manage the completed project, or (ii) damages in the total amount of Rmb 96.0 million. As most of the properties at Shenzhen Excellence Time Plaza (Phase 1) have since been sold to third parties, the plaintiffs have subsequently amended their complaint to seek only monetary damages in the total amount of Rmb 96.0 million, without the other claims.

While the lawsuit was initiated in 2005, the court has not yet ruled on the merit of the case because the parties have been arguing on jurisdictional issues in the previous years. Although we are still in the process of evaluating this lawsuit, we intend to vigorously defend our rights and interests in court. Our PRC counsel have advised that, as one of the six defendants, we may potentially incur damages up to Rmb 96.0 million in the event of an unfavorable court ruling. Pursuant to the relevant agreements for our acquisition of Ridong Tiancheng, we may seek full indemnification from the seller of the equity interest in Ridong Tiancheng, who is an independent third party, and certain other independent third parties against any damages we may incur in connection with this lawsuit. However, there is no assurance that such seller and other parties will have sufficient financial resources to perform indemnification obligations. Our controlling shareholders have, however, agreed to fully indemnify us and hold us harmless with respect to any losses we may incur in connection with this lawsuit.

We have not incurred significant legal costs and expenses from these legal proceedings in view of our overall operating results. Except as disclosed in this document, we are not aware of any material legal proceedings or claims currently existing or pending against us.

Except as disclosed in this document, we have not been subject to any penalty and/or land idle fee imposed by the PRC government for our failure to develop a property project or project phase on a timely basis in accordance with the relevant land use rights grant contracts during the Track Record Period.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

Li Wa and Li Xiaoping own a number of other companies which carry out businesses that are not related to the property development industry (the “Excluded Business”). Except for Shenzhen Property Guaranty, in which Li Wa and Li Xiaoping own certain equity interests, all the companies in which Li Wa and Li Xiaoping hold interests do not engage in a business related to the property development industry. Shenzhen Property Guaranty is principally engaged in the property mortgage guaranty business in China. Shenzhen Property Guaranty mainly engages in first-hand and second-hand property mortgage guaranty, even though it also provides different types of guaranty services including construction loan and land pledge guaranties. For property mortgage guaranty, Shenzhen Property Guaranty arranges various banks to provide property mortgage services to purchasers in China and Shenzhen Property Guaranty in turn provides guarantees in respect of these mortgages. Our group has not carried out any transactions with Shenzhen Property Guaranty during the Track Record Period.

Our Directors are of the view that there is a clear delineation between the Excluded Business and our business, as a result of which, none of the Excluded Business would compete, or is expected to compete, directly or indirectly, with our business. None of the entities controlled by Li Wa and Li Xiaoping is engaged in any property development business that competes or may compete with us.

The Excluded Business was not injected into our group as part of the Reorganization, nor was such business acquired by us after the Reorganization as our Directors are of the view that such business neither forms part of our core business nor is in line with our overall strategy to maintain and further strengthen our market position as a leading property developer.

INDEPENDENCE FROM THE CONTROLLING SHAREHOLDERS

Our Directors are satisfied that we are capable of carrying on our business independently from our controlling shareholders. This conclusion is based on, among other factors, the following:

- (a) **Competition.** None of our Original Shareholders is interested in any business which is, directly or indirectly, in competition with our business. To ensure that competition will not exist in the future, our Original Shareholders have entered into a Deed of non-competition with us pursuant to which each of our Original Shareholders has undertaken to us that each of them will not directly or indirectly participate in, or hold any right or interest in, or otherwise be involved in any business which may be in competition with the businesses of the our company and its subsidiaries (as may be incorporated from time to time).
- (b) **Management independence.** As of the Latest Practicable Date, the Board had nine members, comprising six executive Directors and three independent non-executive Directors. Except for Li Wa and Li Xiaoping, there is no overlapping between our Directors and senior management and the directors and senior management of the companies which our controlling shareholders are interested in. Save for Shenzhen Property Guaranty, all the companies which Li Wa and Li Xiaoping hold interests do not engage in a business related to the property development industry and Li Wa and Li Xiaoping only assume administrative roles such as the annual applications for the business certificates of these

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

companies and other relevant statutory filings with various PRC government authorities. As such, it is expected that no potential conflict of interests will arise by reason of such overlapping. In the event of any matter which gives rise to any conflict of interests with our group, Li Wa and Li Xiaoping will abstain from attending the board meeting at which such matter will be considered and resolved and we believe that the remaining Directors will have sufficient expertise and experience between them to fully consider any such matter.

- (c) ***Financial independence.*** We have our own accounting and finance department and independent financial system. During the Track Record Period, most of our bank borrowings were guaranteed by Li Wa and Li Xiaoping. All previous loans and other forms of financial assistance between us and Li Wa and Li Xiaoping will be released before [●]. Our Directors confirm that we will not rely on the controlling shareholders for financing.

The Deed of Non-competition will lapse automatically if our Original Shareholders ceases to have any shareholding interest in our company. In order to promote good corporate governance practices and to improve transparency, the Deed of Non-competition includes the following provisions:

- the independent non-executive Directors will review, at least on an annual basis, the compliance with the Deed of Non-competition by our Original Shareholders;
- each of our Original Shareholders has undertaken to our company that they will provide all information necessary for the annual review by the independent non-executive Directors for the enforcement of the Deed of Non-competition;
- our company will disclose the review by the independent non-executive Directors on the compliance with the enforcement of the Deed of Non-competition in the annual report of our company or by way of announcement to the public in compliance with the requirements of the Listing Rules; and
- each of our Original Shareholders will make an annual declaration in the annual report of our company on the compliance with the Deed of Non-competition in accordance with the principle of voluntary disclosure in the Corporate Governance Report.

Li Wa and Li Xiaoping are parties acting in concert in relation to our company and they also confirmed and agreed that they will continue to act in concert in relation to our business operations and management affairs.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

CORPORATE GOVERNANCE MEASURE

Our controlling shareholders have confirmed that they fully comprehend their obligations to act in the best interests of our company and our shareholders as a whole. To avoid potential conflicts of interest, we have adopted a system of corporate governance with the following principal components:

- we have amended our memorandum and articles of association to comply with the Listing Rules. In particular, our Articles provide that, except in certain limited circumstances, a Director shall not vote on any resolution approving any contract or arrangement or any other proposal in which such Director or any of his/her associates have a material interest nor shall such Director be counted in the quorum present at the meeting. As such, our controlling shareholders shall not vote or be counted in the quorum in respect of any proposals involving the controlling shareholders or any of their affiliates;
- we are committed that our Board should include a balanced composition of executive and non-executive Directors (including independent non-executive Directors). We have appointed three independent non-executive Directors, two of whom have experience as a director of listed companies (namely, Shek Lai Him Abraham and Kenny Tam King Ching). We believe our independent non-executive Directors are of sufficient caliber, are free of any business or other relationship which could interfere in any material manner with the exercise of their independent judgment and will be able to provide an impartial, external opinion to protect the interests of our public shareholders. Details of our independent non-executive Directors are set out in the section entitled “Directors, Senior Management and Employees” in this document.
- we have appointed Anglo Chinese Corporate Finance as our compliance advisor, which will provide advice and guidance to us in respect of compliance with the applicable laws and the Listing Rules including various requirements relating to directors’ duties and internal controls.
- we will observe any transaction that is proposed between us and connected persons will be required to comply with Chapter 14A of the Listing Rules including, where applicable, the announcement, reporting and independent shareholders’ approval requirements of those rules;
- in addition, if our independent non-executive Directors consider it necessary or desirable, they may also engage professional advisors (including an independent financial advisor) at the costs of our company to advise them on matters relating to the Deed of Non-competition or on any business opportunities which may be referred to us by our controlling shareholders.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

PREVIOUS TRANSACTIONS WITH RELATED PARTIES

We entered into various related party transactions during the Track Record Period which are contained in the section entitled “Related party transactions” in Appendix IA to this document. These transactions include the sale of properties to related parties for residential and investment purposes. A prescribed discount to the sale price of the properties is given to family members of our Directors, senior management and employees of our group as part of the benefit we offer to our officers and staff to enhance the employer-employee relationship of our company. As such, various related party transactions relating to the sale of properties were entered into during the Track Record Period. Our Directors are of the opinion that these transactions were conducted in the ordinary and usual course of our business. Save for the sale of properties to related parties, which may occur from time to time as the occasion arises, all previous related parties’ transactions will be discontinued after [●].

We currently do not anticipate that there will be any connected transactions immediately after [●]. We will comply with the requirements of the Listing Rules should we conduct any connected transactions with our connected parties in future.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

DIRECTORS AND SENIOR MANAGEMENT

Directors

Our Board of Directors consists of nine Directors, three of whom are independent non-executive Directors. The powers and duties of our Board of Directors include: convening shareholders’ meetings and reporting the Board’s work at the shareholders’ meetings, implementing the resolutions passed at the shareholders’ meetings, formulating our business plans and investment plans, reviewing our annual budget and financial statements, formulating proposals for profit distributions and for the increase or reduction of registered capital as well as exercising other powers, functions and duties as conferred by our Memorandum and Articles of Association. We have entered into service contracts with each of our executive Directors and independent non-executive Directors.

The following table sets forth certain information concerning our Directors.

Name	Age	Position
Li Wa	43	Executive Director and Chairman of the Board
Li Xiaoping	51	Executive Director, Vice Chairman of the Board and President
Tam Lai Ling	45	Executive Director and Chief Financial Officer
Wang Dou	42	Executive Director
Xie Limin	45	Executive Director
Duan Shijun	46	Executive Director
Zhang Yuan	49	Executive Director
Ho Chi Ping Patrick	60	Independent Non-executive Director
Shek Lai Him Abraham	64	Independent Non-executive Director
Kenny Tam King Ching	60	Independent Non-executive Director

Executive Directors

Li Wa (李華), aged 43, was appointed as our executive Director in June 2007 and is the Chairman of our Board. He is our founder and primarily responsible for the formulation of our overall business strategies and planning, as well as supervising our project planning, design and sales strategies since the inception of our business. He also oversees the operation of our real properties and land acquisitions. Mr. Li founded our group in 1996 and has had over 16 years of experience in real estate investment, property development and corporate management. Under Mr. Li’s corporate leadership, we started our property development business and commenced the development of our property projects in Shenzhen including Shenzhen Cote d’Azur, Shenzhen Times Plaza (Phase 1), Shenzhen Repulse Bay, Shenzhen Times Plaza (Phase 2) and Shenzhen Victoria Harbour. In 2004, pursuant to the business strategies formulated by Mr. Li, we expanded our property development operations outside Shenzhen and developed a number of property development projects such as Wuhan Cote d’Azur, Changsha Cote d’Azur and Dongguan Azure Polis in various cities in China.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

He graduated from South China University of Technology (華南理工大學) with a bachelor’s degree in mechanical automation in 1984. Prior to founding our company, he had been the chairman of Shenzhen Yonggao Enterprise Limited (深圳永高實業有限公司). Currently, Mr. Li also serves as a committee member of the Chinese People’s Political Consultative Conference of Shenzhen (深圳市政協委員會) and vice-president of Shenzhen General Chamber of Commerce (深圳市總商會(工商聯)). He is also a committee member of All-China Youth Federation (中華全國青年聯合會). From 1985 to 1989, Mr. Li worked as the Secretary to the affiliated departments of Communist Youth League Shenzhen Committee. Mr. Li was named as “2006 Most Influential Persons in China Real Estate Sector” (2006年度中國房地產界最具影響力人物) by the China Index Research Institute and “Youth Leader in China Real Estate Sector” (中國房地產青年領袖) at the 2006 Bo’ao 21st Century Real Estate Forum Annual Conference (二十一世紀房地產論壇2006屆年會). In January 2008, Mr. Li was named as one of the “Top 20 Individuals in China Real Estate Over 20 Years” (中國房地產20年20人) by China Real Estate News (中國房地產報) and Sina.com (新浪網) at the China Real Estate Annual Conference 2007-2008 (中國房地產年會). Mr. Li is the younger brother of Li Xiaoping, an executive Director of our company. Mr. Li has not been a director of any listed company in the three years immediately preceding the date of this document.

Li Xiaoping (李曉平), aged 51, was appointed as our executive Director in June 2007 and is the Vice Chairman of the Board and President of our group. Mr. Li joined our group in 1996. He is primarily responsible for the overall management of our business operations. He is also responsible for monitoring the operation and management of our property projects outside Shenzhen. He has participated in the development of our property projects in Shenzhen as well as property projects outside Shenzhen including Shenzhen Cote d’Azur, Shenzhen Times Plaza (Phase 1), Shenzhen Repulse Bay, Shenzhen Times Plaza (Phase 2), Shenzhen Victoria Harbour, Wuhan Cote d’Azur, Changsha Valley Villa and Changsha Cote d’Azur since he joined our group. In all of the projects mentioned above, Mr. Li actively participated in overseeing the operation and progress of our property development projects. Mr. Li has over 13 years of experience in real estate investment, property development and corporate management.

He graduated with a bachelor’s degree in applied mathematics from the University of Electronic Science and Technology of China (電子科技大學) in 1982 and later obtained his master’s degree in applied mathematics from Xidian University (西安電子科技大學) in 1988. Prior to joining us, Mr. Li taught at Guilin University of Electronic Technology (桂林電子科技大學) during the period from 1982 to 1985 and worked in the Shenzhen municipal government from 1989 to 1993. From 1994 to 1996, Mr. Li was the general manager of Shenzhen Yonggao Enterprise Limited (深圳永高實業有限公司). He is a committee member of the Chinese People’s Political Consultative Conference of Guangdong Province (廣東省政協委員會) and the vice-president of Shenzhen General Chamber of Commerce (深圳市商業聯合會). In addition, Mr. Li was recognized as one of the “Ten Outstanding Persons of 2004 in China’s Real Estate” (2004年中國房地產十大傑出人物) by sohu.com (搜狐網), focus.cn (焦點房地產網), China Real Estate Institute and the Market Research Center of China Central Television. Mr. Li is the elder brother of Li Wa, our founder and the Chairman of our company. Mr. Li has not been a director of any listed company in the three years immediately preceding the date of this document.

Immediately after the completion of the [●] and [●] and assuming the [●] is not exercised, Li Xiaoping will be interested in 3.75% in our issued share capital within the meaning of Part XV of the Securities and Futures Ordinance, the details of which have been disclosed in the section entitled “Corporate History, Reorganization and Group Structure” in this document.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

Tam Lai Ling (譚禮寧), aged 46, was appointed as our executive Director in September 2009 and is our Chief Financial Officer. Mr. Tam joined our group in September 2009. Mr. Tam received his bachelor’s degree of Science in engineering with First Class Honors from University College London, University of London, and a PhD degree from University of Cambridge. Mr. Tam is a holder of Chartered Financial Analyst. Prior to joining us, Mr. Tam was an executive director of SPG Land (Holdings) Limited, a company listed on the main board of the Stock Exchange, during the period from December 2007 to November 2008, where he was responsible for corporate finance activities and investor relations. Mr. Tam was the deputy managing director and the chief financial officer of Hopson Development Holdings Ltd., a company listed on the main board of the Stock Exchange, where he was responsible for formulating financing strategy of the group, as well as the execution of financial plans. Mr. Tam also served as an independent non-executive director of Tsingtao Brewery Company Limited, a company listed on the main board of the Stock Exchange. Mr. Tam worked for ICEA Capital Limited in March 1998 and was appointed as its managing director (investment banking division) in May 2002. During his employment with ICEA Capital Limited from March 1998 to April 2005, Mr. Tam executed a wide variety of corporate finance transactions, including mergers and acquisitions, debt and equity financings. Prior to that, Mr. Tam also worked for major international investment banks in the area of corporate finance, and a multi-national oil company in the area of business development. Saved as disclosed above, Mr. Tam has not been a director of any listed company in the three years immediately preceding the date of this document.

Wang Dou (王斗), aged 42, was appointed as our executive Director in October 2009 and is a vice-president of our group. Mr. Wang joined our group in 1996. Mr. Wang has over 17 years of experience in financial management in property industry. He is primarily responsible for our financial and accounting operations and cost management. Mr. Wang has participated in the capital planning and management, capital operational budgets and balances of our property projects such as Shenzhen Cote d’Azur, Shenzhen Times Plaza (Phase 1), Shenzhen Repulse Bay, Shenzhen Excellence Century Center, Dongguan Azure Polis, Shenzhen Times Plaza (Phase 2), Shenzhen Victoria Harbour, Wuhan Cote d’Azur, Changsha Cote d’Azur and Dongguan Azure Polis since he joined our group. Mr. Wang graduated with a bachelor’s degree in economics from Southwest University of Finance and Economics (西南財經大學) in 1990. Prior to joining us, he had worked as an accounting supervisor at the First Pharmaceutical Factory of Chinese PLA Chengdu Command (成都軍區制藥一廠), China Vanke Enterprise Limited Company (萬科企業股份有限公司) and Shenzhen Yonggao Enterprise Limited (深圳永高實業有限公司) from 1990 to 1996. Mr. Wang has not been a director of any listed company in the three years immediately preceding the date of this document.

Xie Limin (謝利民), aged 45, was appointed as our executive Director in October 2009 and is a vice-president of our group. Mr. Xie joined our group in 2000. Mr. Xie was registered as a certified engineer with The Anhui Provincial Bureau of Construction (安徽省建設廳) in November 1994. He has over 20 years experience in construction, property design and project management. He graduated with a bachelor’s degree in engineering in 1988, and a master’s degree in architectural engineering, both from Hefei University of Technology (合肥工業大學) in 1999. He has been responsible for the design and management of the development of all our large scale residential projects since 2000 and is the vice president and managing deputy general manager of Excellence China. Prior to joining us, Mr. Xie was engaged in architectural design at Anhui Provincial Institute of Architectural Design

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(安徽省建築科學研究設計院) and had been a deputy dean at the Institute of Design of Anhui Provincial Foreign Economic Construction Group (安徽省外經建設集團設計院). Mr. Xie has not been a director of any listed company in the three years immediately preceding the date of this document.

Duan Shijun (段世軍), aged 46, was appointed as our executive Director in October 2009 and is the general manager of Excellence Qingdao. Mr. Duan joined our group in 2002. He was the general manager of the Excellence City Garden from 2002 to 2003 responsible for construction management and supervision of our Excellence Central City Garden. From 2003 to 2005, he was also our group’s engineering director and general manager of the development department. He became the general manager of Excellence Qingdao since 2006 responsible for construction management and supervision of our property development projects in Qingdao. He has over 10 years of experience in the real estate development industry in China. Mr. Duan obtained his bachelor’s degree in engineering from Lanzhou Jiaotong University (formerly known as Lanzhou Railway University) (蘭州交通大學(前稱蘭州鐵道學院)) in July 1983. Prior to joining us, Mr. Duan worked at Shenzhen International Economic & Technology Cooperation Group Limited (中國深圳國際經濟技術合作(集團)股份有限公司), and was engaged in project contracting and supervision, as well as real estate development. Mr. Duan has not been a director of any listed company in the three years immediately preceding the date of this document.

Zhang Yuan (張遠), aged 49, was appointed as our executive Director in October 2009 and is the vice-president of our group. Mr. Zhang joined our group in 2006. He has over 16 years experience in business management and corporate finance and is highly accomplished in quantitative and technical economics as well as information economics. Mr. Zhang received his Ph.D degree in economics from the Institute of Quantitative and Technical Economics of Chinese Academy of Social Sciences in 1990 and received his MBA degree from New York University’s Leonard N. Stern School of Business in 1994. From 1991 to 1992, he was a post-doctor visiting scholar at the department of economics of University of Pennsylvania. From 2001 to 2004, Mr. Zhang was a visiting professor at the School of Economics and Management of Beihang University. Prior to joining us, Mr. Zhang had been the CEO of Beijing Yingpin Digital Technology Co., Ltd. (北京盈頻數碼科技有限公司) since 2000. Mr. Zhang was also the CEO of Huayi Business Co., Ltd. (華怡商務有限責任公司) from 1995 to 2000. He has been a committee member of the Chinese People’s Political Consultative Conference of Chongqing Wanzhou District (重慶市萬州區政協委員) since 2007. Mr. Zhang has not been a director of any listed company in the three years immediately preceding the date of this document.

Independent non-executive Directors

Shek Lai Him Abraham (石禮謙), aged 64, was appointed as our independent non-executive Director in October 2009. Mr. Shek graduated from University of Sydney with a Bachelor Degree in Arts in 1969 and a Diploma in Education in 1970. He was a chief executive of Land Development Corporation from 1987 to 2000. Mr. Shek served as a member of the managing board of Kowloon-Canton Railway Corporation from February 2004 to December 2007. He is currently the vice-chairman of the Independent Police Complaints Council, a member of the Legislative Council, Hong Kong (Real Estate & Construction Functional Constituency), the Council of The Hong Kong

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University of Science and Technology and the Court of The University of Hong Kong. Mr. Shek was appointed as Justice of the Peace in 1995 and was awarded the Silver Bauhinia Star in 2007. He has been a member of the Fourth Shenzhen Municipal Committee of the Chinese People’s Political Consultative Conference since 2005.

Mr. Shek is an independent non-executive director and an audit committee member of 15 other companies listed on the Main Board of the Stock Exchange:

- Midas International Holdings Limited⁽¹⁾
- Paliburg Holdings Limited⁽¹⁾
- Lifestyle International Holdings Limited⁽¹⁾
- Chuang’s Consortium International Limited⁽¹⁾
- NWS Holdings Limited⁽¹⁾
- Regal Portfolio Management Limited⁽¹⁾
- Titan Petrochemicals Group Limited⁽¹⁾
- Eagle Asset Management (CP) Limited⁽¹⁾
- ITC Corporation Limited⁽¹⁾
- Country Garden Holdings Company Limited⁽¹⁾
- SJM Holdings Limited⁽¹⁾
- Chuang’s China Investments Limited⁽²⁾
- MTR Corporation Limited
- Hop Hing Group Holdings Limited
- Hsin Chong Construction Group Limited

(1) Mr. Shek is also the an audit committee member of these companies.

(2) Mr. Shek is also the Chairman of this company.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

Mr. Shek is both the Chairman and an independent non-executive director of Chuang’s China Investments Limited. Mr. Shek served as an independent non-executive director, a member of the audit committee and the remuneration committee of See Corporation Limited, a company listed on the main board of the Stock Exchange but he resigned such posts with effect from 1 October 2008. Mr. Shek also holds directorships in several property-related private companies. He is a director of the Hong Kong Mortgage Corporation Limited.

Although Mr. Shek is also a director of 15 other companies listed on the Stock Exchange, Mr. Shek expects that he will devote not less than 10 hours every month to our company’s affairs if required and he will also make himself available to discuss any matters amongst the directors on matters relating to our company on an ad hoc basis. Mr. Shek considers that would be sufficient for him to discharge his duties as a director of our company.

Save as disclosed above, Mr. Shek has not been a director of any other listed company in the three years immediately preceding the date of this document.

Ho Chi Ping Patrick (何志平), aged 60, was appointed as our independent non-executive Director in October 2009. Dr. Ho is a practising ophthalmologist. He completed his Doctor of Medicine degree in the United States. Dr. Ho started teaching the subject of eye surgery in the Chinese University of Hong Kong in 1984 and was promoted to Professor of Surgery (Ophthalmology) in 1988. He has held clinical and honorary appointments at many universities and hospitals in the Mainland. Dr. Ho was the chairman of the Hong Kong Ophthalmological Society between 1986 and 1991 and is also a fellow of Hong Kong Academy of Medicine (Ophthalmology), Hong Kong College of Ophthalmologist, Hong Kong College of Surgeons, and a diplomate of American Board of Ophthalmology.

Dr. Ho has been appointed as a member of the Chinese People’s Political Consultative Conference since 1993, a member of the Preparatory Committee of the Hong Kong and the Selection Committee of the First Government in 1996 and a member of the Provisional Urban Council and Chairman of the General Committee of the Hong Kong Philharmonic Orchestra. Dr. Ho has also been the vice-chairman of the Hong Kong Policy Research Institute. In 2000, he was appointed as the chairman of the Hong Kong Arts Development Council. Dr. Ho took up the post of Secretary for Home Affairs of the Hong Kong Special Administrative Region Government from July 2002 to July 2007. Dr. Ho has not been a director of any other listed company in the three years immediately preceding the date of this document.

Kenny Tam King Ching (譚競正), aged 60, was appointed as our independent non-executive Director in October 2009. Mr. Tam graduated from the Concordia University in Montreal with a Bachelor Degree in Commerce in 1975. He is a member of the Canadian Institute of Chartered Accountants of Ontario (加拿大安大略省特許會計師公會) and the Hong Kong Institute of Certified Public Accountants (香港會計師公會). Mr. Tam is a Certified Public Accountant and past president of the Society of Chinese Accountants & Auditors (香港華人會計師公會) in Hong Kong. Mr. Tam is serving as a member of the Ethics Committee and Practice Review Committee in the Hong Kong Institute of Certified Public Accountants. He also serves as an independent non-executive director of five other listed companies on the main board of the Stock Exchange, namely, Kingmaker Footwear Holdings Limited, CCT Telecom Holdings Limited, Shougang Concord Grand (Group) Limited,

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Starlite Holdings Limited and Van Shung Chong Holdings Limited, and a listed company on the GEM board of the Stock Exchange, namely, North Asia Strategic Holdings Limited. He was also an independent non-executive director of Yun Sky Chemical (International) Holdings Limited (formerly known as Swank International Manufacturing Company Limited), a listed company on the main board of the Stock Exchange, during the period from August 2005 to September 2008. Save as disclosed above, Mr. Tam has not been a director of any other listed company in the three years immediately preceding the date of this document.

SENIOR MANAGEMENT

Wu Fengbai (鄔風柏), aged 47, has served as deputy general manager and financing officer of our group since he joined us in 2005. Mr. Wu graduated from the Shenzhen Radio and TV University (深圳廣播電視大學) in July 1986, and he has over 20 years of experience in capital management and risk management. Prior to joining us, he had worked as the general manager of capital planning department and the general manager of credit loan department at Shenzhen Development Bank, and had worked in capital planning department of Shenzhen branch of PBOC.

Xu Xiaojie (徐曉傑), aged 45, has served as deputy general manager of our group since joining us in 2006. Mr. Xu has over 15 years of experience in capital investment and corporate management. He graduated with a bachelor’s degree in English from the University of International Relations of Beijing (國際關係學院) in 1987. Prior to joining us, Mr. Xu was the Chairman and the general manager of Hainan Dian Hai Industrial Development Co., Ltd., a private company, and engaged in management and project development of several private companies.

Liu Xibo (劉西伯), aged 66, is the chief officer at the project management center of our group. He joined us in 2007. Mr. Liu has over 30 years of experience in construction and 16 years experience in real estate development. He graduated with a bachelor’s degree in industrial and civil architecture from the Tongji University. Prior to joining us, Mr. Liu worked for Shenzhen Shipeng Guangda Industrial Co., Ltd. (深圳市鵬廣達實業有限公司) as the deputy general manager and chief engineer from 2001 to 2007. He had also work for Shenzhen Baishida Industrial Co., Ltd. (深圳百仕達實業有限公司) as the chief engineer.

Ying Ligui (英立閏), aged 52, is the auditing officer of our group. She joined us in 1996. Ms. Ying has over 30 years of experience in corporate finance, auditing and internal control. She graduated with a diploma in business management from Jiangxi Radio & TV University. Prior to joining us, Ms. Ying worked for Shenzhen Hualong Import and Export Company (深圳華隆進出口公司) as the manager of its finance department from 1994 to 1996.

Leung Yau-Bong (梁有邦), aged 31, is our Company Secretary. He joined us in December 2007. He graduated with a bachelor’s degree in Business Administration with a major in accounting, from Lingnan University (嶺南大學) in 2000. Prior to joining us, Mr. Leung served as the Finance Manager

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in Nam Hing Holdings Limited, a company listed on the main Board of the Stock Exchange, from 2006 to 2007. Prior to his role at Nam Hing Holdings Limited, Mr. Leung was a Senior Accountant in the Assurance & Advisory Services Department of Deloitte Touche Tohmatsu from 2004 to 2006. From July 2000 to February 2004, he was an auditor at Chang Leung Hui & Li C.P.A. Limited. Mr. Leung is a member of Hong Kong Institute of Certified Public Accountants.

COMPANY SECRETARY

Leung Yau-Bong (梁有邦), aged 31, is our Company Secretary. He joined us in December 2007 on a full-time basis. For details regarding Mr. Leung’s experience, please refer to the section entitled “— Senior Management” above.

MANAGEMENT PRESENCE IN HONG KONG

Pursuant to Rule 8.12 of the Listing Rules, our company must have a sufficient management presence in Hong Kong. This normally means that at least two of our executive directors must be ordinarily resident in Hong Kong. The business and operation of our group are primarily located, managed and conducted in China. Li Wa is a Hong Kong resident, but owing to our business and operations being based in China, Li Wa is not ordinarily based in Hong Kong. Our company does not and, in the foreseeable future, will not have any management presence in Hong Kong.

Accordingly, our company has applied to the Stock Exchange for a waiver from strict compliance with the requirements under Rule 8.12 of the Listing Rules. In order to maintain effective communication with the Stock Exchange, we will put in place the following measures in order to ensure that regular communication is maintained between the Stock Exchange and our company:

- (a) We have appointed two authorized representatives pursuant to Rule 3.05 of the Listing Rules, who will act as our company’s principal channel of communication with the Stock Exchange and ensure that we comply with the Listing Rules at all times. The two authorized representatives are Tam Lai Ling, an executive Director, and Leung Yau Bong, our company secretary. Mr. Leung is ordinarily resident in Hong Kong. Each of the authorized representatives will be available to meet with the Stock Exchange within a reasonable time frame upon the request of the Stock Exchange and will be readily contactable by telephone and facsimile. Each of the two authorized representatives is authorized to communicate on behalf of our company with the Stock Exchange. Mr. Leung will also be authorized to accept service of legal process and notices in Hong Kong on behalf of our company.
- (b) Each of the authorized representatives has means to contact all members of the board of Directors (including the independent non-executive Directors) and of the senior management team promptly at all times as and when the Stock Exchange wishes to contact the Directors for any matters. To enhance the communication between the Stock Exchange/the authorized representatives and the Directors, we will implement a policy that
 - (a) each executive Director and independent non-executive Director will have to provide their respective mobile and office phone numbers, residential phone numbers and fax numbers and email addresses, if applicable, to the authorized representatives and his or her alternates; (b) in the event that an executive Director or independent non-executive Director

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expects to travel and be out of office, he/she will have to provide the phone number of the place of his/her accommodation to the authorized representatives; and (c) all the executive Directors, independent non-executive Directors and authorized representatives will provide their mobile phone numbers, residential phone numbers, office phone numbers and fax numbers and email addresses, if applicable to the Stock Exchange. We will promptly notify the Stock Exchange and our compliance advisor should there be any change to the contact information of our authorized representatives, Directors and/or their respective alternates.

- (c) In addition, all executive Directors, who are not ordinarily resident in Hong Kong have confirmed that they possess valid travel documents to visit Hong Kong for business purpose and would be able to come to Hong Kong and meet the Stock Exchange within a reasonable period of time, when required.

In compliance with Rule 3A.19 of the Listing Rules, we have appointed Anglo Chinese Corporate Finance, Limited as the compliance advisor of our company.

AUDIT COMMITTEE

We have established a Board audit committee in compliance with the Code on Corporate Governance Practices as set out in Appendix 14 to the Listing Rules. The primary duties of the audit committee are to review and supervise our financial reporting process and internal controls. The audit committee currently consists of our independent non-executive Directors, Kenny Tam King Ching, who serves as its chairman, Shek Lai Him Abraham and Ho Chi Ping.

The responsibilities of our audit committee after the completion of the [●] will include, among others:

- appointing and overseeing the work of our independent auditors and pre-approving all non-audit services to be provided by our independent auditors;
- reviewing our annual and interim financial statements, earnings releases, critical accounting policies and practices used to prepare financial statements, alternative treatments of financial information, the effectiveness of our disclosure controls and procedures and important trends and developments in financial reporting practices and requirements;
- reviewing the planning and staffing of internal audits, the organization, responsibilities, plans, results budgets and staffing of our internal audit team and the quality and effectiveness of our internal controls;

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- reviewing our risk assessment and management policies; and
- establishing procedures for the treatment of complaints received by us regarding accounting, internal accounting controls, auditing matters, potential violations of law and questionable accounting or auditing matters.

We believe that the composition and functioning of our audit committee following the completion of the [●] will comply with the applicable requirements of the Stock Exchange. We intend to comply with future requirements to the extent they become applicable to us.

REMUNERATION COMMITTEE

We have established a Board remuneration committee in compliance with the Corporate Code on Corporate Governance Practices as set out in Appendix 14 to the Hong Kong Listing Rules. The primary duties of the remuneration committee are to formulate the training and compensation policies and to determine and manage the compensation of our senior management. The remuneration committee currently consists of three members, Li Wa, who serves as its chairman, and Shek Lai Him Abraham and Kenny Tam King Ching. The responsibilities of our remuneration committee include, among others:

- approving and overseeing the total compensation package for our executive officers, evaluating the performance of and determining and approving the compensation to be paid to our senior management;
- reviewing and making recommendations to our Board of Directors with respect to Director compensation, including equity-based compensation;
- administering and periodically reviewing and making recommendations to our Board of Directors regarding the long-term incentive compensation or equity plans made available to our Directors, employees and consultants; and
- reviewing and making recommendations to our Board of Directors regarding executive compensation policies, strategy and principles and preparing annual reports on the compensation of our senior management.

NOMINATION COMMITTEE

We have established a Board nomination committee following the recommended best practices set out in the Code on Corporate Governance Practices as set out in Appendix 14 to the Hong Kong Listing Rules. The primary duties of the nomination committee are to establish, or recommend to the Board, criteria for identifying appropriate director candidates and to approve and select, or recommend that the Board select, director nominees. The nomination committee currently consists of three members, Li Wa, who serves as its chairman, Shek Lai Him Abraham and Kenny Tam King Ching. The other responsibilities of our nomination committee include, among others:

- reviewing the structure, size and composition of our Board on a regular basis;

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- making recommendations to the Board regarding the responsibilities, organization and membership of all Board committees;
- making recommendations to the Board a successor to the President in the event of retirement or termination of service, and reviewing and approving proposed changes in other senior management positions;
- developing, recommending to the Board and monitoring a statement of corporate governance principles or guidelines;
- evaluating the effectiveness of the Board, Board committees and senior management.

COMPENSATION OF DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

We reimburse our Directors for expenses which are necessarily and reasonably incurred for providing services to us or executing their functions in relation to our operations. Our executive Directors are also our employees and receive, in their capacity as our employees, compensation in the form of salaries and other allowances and benefits in kind.

Our remuneration committee reviews and recommends the terms of remuneration packages, including bonuses and other compensation payable to our Directors to ensure that it is in line with our Directors’ performance and also in compliance with the relevant regulations, which will then be required to be approved by the Board and at our Shareholders’ meeting.

The aggregate amount of salaries and other allowances and benefits in kind paid by us to our five highest paid individuals during the years ended December 31, 2006, 2007 and 2008 was approximately Rmb 2.2 million, Rmb 2.0 million and Rmb 8.7 million, respectively. Approximately Rmb 92,000, Rmb 102,000 and Rmb 99,000 were paid by us as our contribution to the retirement schemes in respect of such individuals for the same respective periods. The aggregate amount of salaries and other allowances, retirement scheme contributions and benefits-in-kind paid by us to or on behalf of all of our Directors was Rmb 2.5 million, Rmb 2.3 million and Rmb 10.1 million for the same respective periods.

Except as disclosed above, no other payments have been made or are payable, in respect of the years ended December 31, 2006, 2007 and 2008, by us or any of our subsidiaries to or on behalf of any of our Directors.

Under the arrangements currently in force, we estimate the aggregate remuneration, excluding discretionary bonus, of our Directors payable for the year ending December 31, 2009 will be approximately Rmb 10 million.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

EMPLOYEES

As of June 30, 2009, we had 1,563 employees. The table below sets forth the number of our employees by their functions:

	<u>Number of employees</u>	<u>Percentage of total</u>
Management	28	1.8%
Administration and human resources	74	4.7
Design	39	2.5
Finance and auditing	56	3.6
Construction	62	4.0
Cost management	48	3.1
Sales and Marketing	69	4.4
Customer relations	28	1.8
Project development	13	0.8
Property management	<u>1,146</u>	<u>73.3</u>
Total	<u><u>1,563</u></u>	<u><u>100.0%</u></u>

We recruit our employees from reputable universities in China, vocational schools and the public. As of June 30, 2009, over 80% of our full-time employees in property development had college or associate college degrees. For our specialized professional positions, such as designer, project planner, project manager, project cost appraiser, accountant, auditor, human resource manager and legal manager, we require them to be filled only by qualified employees/candidates with the requisite professional qualification or certification. We have implemented training programs for different job requirements. We believe that these initiatives have contributed to increased employee productivity.

The remuneration package of our employees includes salary, bonus and other cash subsidies. In general, we determine employee salaries based on each employee’s qualifications, position and seniority. We have designed an annual review system to assess the performance of our employees, which forms the basis for determining salary raise, bonus and promotion. As required by PRC regulations, we participate in various defined retirement contribution plans administered by the PRC provincial and municipal governments for our employees. In accordance with the relevant national and local labor and social welfare laws and regulations, we are required to pay on behalf of our employees a monthly social security premium covering pension insurance, medical insurance, unemployment insurance and housing reserve fund. We believe the salaries and benefits that our employees receive are competitive.

Our employees do not negotiate their terms of employment through any labor union or by way of collective bargaining agreements. We believe we have amicable relationship with our employees. As of the Latest Practicable Date, no significant labor disputes occurred which adversely affected or were likely to have an adverse effect on the operations of our business.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

We have adopted a stock option scheme for our senior management and employees.

COMPLIANCE ADVISOR

We have appointed Anglo Chinese Corporate Finance, Limited (“Anglo Chinese”) as our compliance advisor in compliance with Rule 3A.19 of the Listing Rules. We have entered into a compliance advisor’s agreement with Anglo Chinese, the material terms of which are summarized as follows:

- (a) we have appointed Anglo Chinese as our compliance advisor for the purpose of Rule 3A.19 of the Listing Rules for a period commencing on [●] and ending on the date on which we comply with Rule 13.46 of the Listing Rules in respect of our financial results for the first full financial year commencing after [●], or until the agreement is terminated, whichever is earlier;
- (b) Anglo Chinese will provide us with services, including guidance and advice as to compliance with the requirements under the Listing Rules and applicable laws, rules, codes and guidelines, and to act as one of our principal channels of communication with the Stock Exchange; and
- (c) we may terminate the appointment of Anglo Chinese as our compliance advisor only if its work is of an unacceptable standard as determined under the Listing Rules and the relevant laws and regulations or if there is a material dispute (which cannot be resolved within 30 days) over fees payable to it as permitted by Rule 3A.26 of the Listing Rules. Anglo Chinese will have the right to resign or terminate its appointment by service of a two-month notice to us. In such event, we will appoint a replacement compliance advisor within three months of the effective date of its resignation or termination in compliance with Rule 3A.27 of the Listing Rules.

SUBSTANTIAL SHAREHOLDERS

So far as our Directors are aware, the following persons will:

- have interests or short positions in our Shares or underlying Shares which would fall to be disclosed to us under the provisions of Divisions 2 and 3 of Part XV of the SFO and would represent 5% or more of our share capital, or
- be, directly and/or indirectly interested in 10% or more of the nominal value of any class of our share capital, carrying right to vote in all circumstances at our general meeting:

Shareholder	Number of Shares held	Nature of Interest	Percentage of shareholding in us
Li Wa		[●] Interest of controlled company	[●]%
Sparkle Century		[●] Beneficial owner	[●]%

- (1) Sparkle Century is wholly owned by Li Wa. If the [●] is fully exercised, such percentages of shareholding by Li Wa and Sparkle Century will be approximately 68.7% and 68.7%, respectively.

Except as disclosed in this document, we are not aware of any person who will be directly or indirectly interested in 10% or more of our issued share capital. Our Directors are not aware of any arrangement which may at a subsequent date result in a change of control of our company.

SHARE CAPITAL

The following is a description of the capital structure of our company.

	<i>HK\$</i>
Authorized share capital	
500,000,000,000 Shares	5,000,000,000

	<i>HK\$</i>
Issued share capital	
1,000,000 Shares in issue	10,000

FINANCIAL INFORMATION

You should read the following discussion of our results of operations and financial condition in conjunction with our audited consolidated financial information as of and for each of the three years ended December 31, 2006, 2007 and 2008 and as of and for the six months ended June 30, 2009, including the notes thereto, included in Appendix IA to this document. Our consolidated financial statements have been prepared in accordance with HKFRS, which may differ in material respects from generally accepted accounting principles in other jurisdictions. The following discussion contains forward-looking statements that involve risks and uncertainties. Our future results could differ materially from those discussed in such forward-looking statements as a result of various factors, including those set forth under the section entitled “Risk Factors” and elsewhere in this document.

OVERVIEW

We are one of the few integrated property developers in China well recognized for its leadership position in the development of centrally located high-end commercial properties and mid-to-high-end residential properties in top tier cities. Leveraging on our core competency in our dual-focused approach, we are well positioned to pursue a vigorous growth strategy that maximizes our profitability.

As of June 30, 2009, we were the largest non-government developer of commercial properties, including Grade A office buildings, in the Shenzhen CBD, with a total GFA of 831,081 square meters of commercial properties either completed or under development. We have a substantial land bank for office properties under development and further land parcels which we expect to acquire in the Shenzhen CBD, which (based on information currently available to us) is expected to account for a major proportion of the expected total saleable GFA of office properties in the Shenzhen CBD in the next five years. We continually expand our land bank at competitive costs primarily through non-auction-based channels. Targeting high-growth cities in China with highest GDP and focusing on developing sites located in such cities, we have penetrated seven of the top 10 cities in China ranked in terms of GDP, including Beijing, Shanghai, Shenzhen, Guangzhou, Hangzhou, Chongqing and Qingdao, and have successfully replicated the model of our commercial properties and residential product series in Shenzhen into some of these cities.

While pursuing vigorous growth, our business model has proven to be sustainable, as we have successfully weathered the challenges brought about by the 2008 financial crisis. We believe that such success is attributable to our dual-focused approach to commercial and residential property development. Moreover, the management decision not to accept structured financing helped insulate us from the undesirable financial impact that may otherwise result in material adverse effect on our financial condition and results of operations. Our diversified product portfolio also contributes to the sustainability of our business model. Such portfolio not only enables our businesses to maintain flexibility within the rapidly growing real estate market in China, but also help us mitigate cyclical risks of the economy.

We believe that we have established a business model capable of effectively mitigating cyclical risks of the economy as a result of our dual-focused property development, premium project locations, competitive land cost, prudent financial policies, and absence of any structured financing. During the

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year ended December 31, 2008, our Shenzhen Victoria Harbour was the best-selling single residential project in China according to statistics compiled by Soufun.com. We have been expanding our business on the basis of prudent operations and maximization of the investment return for our shareholders.

As of June 30, 2009, we completed development of commercial and residential properties with a total GFA of approximately 1.9 million square meters. As of the same date, we had 14 property projects under development or held for future development in eight cities with an estimated total GFA of approximately 11.3 million square meters, among which approximately 1.3 million square meters were for commercial properties and 8.4 million square meters for residential properties. The remaining estimated GFA of 1.6 million square meters include common facilities, public areas, underground carparks and hotels. In September 2009, we further expanded into Shanghai and acquired the Shanghai Chengbang Villa Project, which is a residential project under development with a total GFA of approximately 83,356 square meters.

For the years ended December 31, 2006, 2007 and 2008 and the six months ended June 30, 2009, our revenue was Rmb 1,369.9 million, Rmb 990.8 million, Rmb 2,149.6 million and Rmb 2,178.7 million, respectively. Our sales of commercial properties accounted for 99.0%, 19.1%, 16.7% and 7.2% of our total revenue from property development and our sales of residential properties accounted for 0.4%, 79.4%, 82.4% and 92.8% of our total revenue from property development during the same periods. Our net profit attributable to our equity holders for the same periods was Rmb 205.8 million, Rmb 323.7 million, Rmb 184.5 million and Rmb 382.9 million, respectively. We had a gain of Rmb 230.0 million in 2007 from our disposal of a 40% interest in a property project. For the years ended December 31, 2006, 2007 and 2008 and the six months ended June 30, 2009, our property management services contributed approximately 3.1%, 6.9%, 4.0% and 1.9% of our total revenue, respectively. We also hold certain properties for investment purposes, and the fair value gain on our investment properties contributed approximately 34.4%, 25.7%, 22.1% and 9.2% of our profit for the same respective periods on an after-tax basis.

The decrease of the percentage of the sales of commercial properties in our total revenue from property development during the Track Record Period was primarily due to fluctuations caused by our project construction schedules and the relevant accounting rules governing the recognition of revenue rather than a trend of change in property development focus. For example, our sales and pre-sales of commercial properties of Shenzhen Excellence Century Center constituted approximately 44.2% of our total sales and pre-sales from property development for the six months ended June 30, 2009, but none of these sales and pre-sales had been recognized as of June 30, 2009. We expect that the percentage of the sales of commercial properties will increase in line with the progress of our commercial projects.

BASIS OF PREPARATION OF OUR FINANCIAL STATEMENTS

Our financial information has been prepared to reflect our Reorganization of businesses under common control, in which all the companies comprising our group are ultimately controlled by Li Wa and Li Xiaoping and are thereby prepared using the principles of merger accounting as prescribed in Hong Kong Accounting Guideline 5 “Merger Accounting for Common Control Combinations” issued by the Hong Kong Institute of Certified Public Accountants. Therefore, our consolidated financial

FINANCIAL INFORMATION

information present our results of operations, cash flows and financial position as if our structure had been in existence since January 1, 2006 or since the respective dates of incorporation/establishment or acquisition, whichever is later. All intragroup transactions and balances have been eliminated on consolidation. We have prepared our consolidated financial information in accordance with HKFRS, under the historical cost convention, as modified by the revaluation of investment properties, available-for-sale financial assets and financial assets at fair value through profit or loss at their fair value pursuant to HKFRS.

KEY FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Economic Growth, Rate of Urbanization and Demand for Residential and Commercial Properties in China

Economic growth, urbanization and the rising standard of living in China have been the main driving forces behind the increasing market demand for both residential and commercial properties. Currently, while the real estate industry is regarded by the PRC government as one of China’s pillar industries, the industry is significantly dependent on China’s overall economic growth and the resultant demand for both residential and commercial properties. Starting from the middle of 2008, the global economic slowdown and financial market crisis materially and adversely impacted the PRC economy, including the PRC property industry. The PRC property market experienced declines in prices and transaction volumes in major cities and provinces during late 2007 and 2008 before rebounding in the first half of 2009. Overall economic conditions and demand for properties in China have had, and are expected to continue to have, a significant impact on our business, financial condition and results of operations. Because we target mid-to-high-end corporate and individual property buyers in the cities with highest regional GDP, we believe that urbanization in China and the overall economic growth of the country are especially important to our operations. These factors will continue to have a significant, and increasing, impact on our results of operations.

Regulatory Measures in the Real Estate Industry in China

Policies and measures on property development and related industries implemented by the PRC government have a direct impact on our business and results of operations. From time to time, the PRC government adjusts its macroeconomic control policies to encourage or restrict development in the private property sector through regulating, among others, land grants, pre-sales of properties, bank financing and taxation. In the past several years, the PRC government implemented a series of measures with a view to slowing down the growth of the economy, including the property markets. Since the middle of 2008, the PRC government has adopted various temporary measures to combat the global economic slowdown and financial market crisis. We have disclosed further information in the section entitled “Risk Factors — Risks Relating to the Property Industry in China — The PRC government may adopt further measures to slow down the growth in the property sector” in this document. PRC regulatory measures in the real estate industry will continue to impact our business and results of operations.

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Ability to Acquire Suitable Land and to Complete and Sell Properties Developed

Our continuing growth will depend in large part on our ability to acquire quality land at prices that can yield reasonable return and our ability to complete and sell our properties developed. As the PRC economy weathers the recent global economic slowdown and continues to grow at a relatively high speed, and as demand for residential and commercial properties remains relatively strong, we expect that competition among developers for land bank will continue to intensify and land acquisition costs continue to increase.

Property development is time consuming and capital intensive. It may take many months or years before pre-sale of our properties may begin, and no revenue is recognized with respect to such pre-sold properties until they have been completed and delivered to our customers. Our ability to complete our development projects on time and on budget is crucial to our results of operations, while delays in construction, regulatory approval processes and other factors can adversely affect the timetable of our projects. In addition, pre-sale proceeds constitute the most important source of our operating cash inflow during our project development process. PRC laws and regulations allow us to pre-sell properties before their completion upon satisfaction of certain requirements and require us to use the pre-sale proceeds to develop such pre-sold property projects. The amount and timing of cash inflows from pre-sales are affected by a number of factors, including timing and other restrictions on pre-sales imposed by the PRC government, market demand for our properties subject to pre-sale and the number of properties we have available for pre-sale. Reduced cash flow from pre-sale of our properties will increase our reliance on alternative financing and will impact our ability to complete our property developments.

Timing of Property Development

The pre-sale of a property generates positive cash flow for us in the period in which such pre-sale occurs, but we do not recognize revenue with respect to such property until it has been completed and delivered to its purchaser. Thus the timing of our property development and delivery may substantially impact our results of operations and operating cash flow from year to year, as significant time is required before a property development reaches the stage that meets all the pre-sale conditions. Delays in construction, regulatory approval processes and other factors can also adversely affect the timetable of our projects. Moreover, as market demand does not stay constant, cash flow and revenue in a particular period can also depend on our ability to match the market demand at the time of our planned pre-sale or completion of a particular project. As a result, our results of operations have fluctuated in the past and are likely to continue to fluctuate in the future due to the timing of our property development.

Timing of property development also causes the revenue breakdown between our commercial and residential properties to fluctuate between reporting periods as the completion of a substantial residential or commercial development can largely impact such breakdown in a particular period. As a result, our revenue breakdown between commercial and residential properties has fluctuated in the past and is likely to continue to fluctuate in the future. Such fluctuations in the Track Record Period did not indicate or reflect any shift in our focus or strategy.

FINANCIAL INFORMATION

Land and Construction Costs

Our results of operations are affected by land and construction costs. Land and construction costs constitute the most important items in our cost of sales. Over the years, land premiums have generally been steadily increasing in China. For our urban redevelopment projects in Shenzhen, the costs of demolition, relocation and resettlement, including construction costs of redevelopment projects, replacement properties as compensation and monthly stipend to original residents, are accounted for as construction costs or land acquisition costs, as the case may be. It is widely expected that land premiums will continue to rise as the PRC economy continues to grow. Key construction materials such as steel and cement are included in the fees payable to our construction contractors because our construction contracts include them as a part of the construction service. Although short-term price volatility of these materials does not affect us immediately, prolonged rising costs in construction materials will cause contractors to increase their fee quotes, thus impacting our cost of sales and overall project costs. If we cannot sell our properties at a price level sufficient to cover all the increased costs, we will not be able to achieve our target profit margin and our profitability will be adversely impacted.

Access to and Cost of Financing

Borrowings from financing institutions are an important source of funding for our property developments. As of December 31, 2006, 2007 and 2008 and June 30, 2009, our outstanding borrowings amounted to Rmb 2,623.0 million, Rmb 5,142.9 million, Rmb 5,720.4 million and Rmb 6,276.1 million, respectively. As commercial banks in China link the interest rates on their loans to benchmark lending rates published by the PBOC, any increase in such benchmark lending rates will increase the interest costs for our developments. Our access to capital and cost of financing are also affected by restrictions imposed from time to time by the PRC government on bank lending for property developments.

LAT

Our property development business activities are subject to LAT, levied at progressive rates ranging from 30% to 60% on the appreciation of land value. LAT applies to both domestic and foreign investors in real estate in China. The PRC tax authorities have not enforced the LAT regulations on a consistent basis and the determination of the amount of the assessable LAT can sometimes be unclear. Since 2006, we have made provisions for LAT with regard to our recognized revenue from the sale of our properties in accordance with the various rates and pronouncements of the relevant PRC tax authorities. However, we cannot assure you that our provisions have been sufficient to cover all our LAT obligations that tax authorities may ultimately impose on us. Our financial condition may be materially adversely affected if our LAT liabilities as calculated by the relevant PRC tax authorities are substantially higher than our provisions. We have provided more details on the PRC regulations on LAT in the section entitled “Taxation — Mainland China Taxation — Our operations in mainland China — Land appreciation tax” in Appendix V to this document.

FINANCIAL INFORMATION

Fair Value of Investment Properties

Our investment properties include Guangzhou Diwang Shopping Arcade and certain car parks, which we hold for rental income and/or capital appreciation. Our investment properties are stated at their fair value on our consolidated balance sheets as non-current assets as of each balance sheet date on the basis of valuations by an independent property valuer. Gains or losses arising from changes in the fair value of our investment properties are accounted for as gain or loss upon revaluation in our consolidated income statements, which may have a substantial effect on our profits. The property valuation involves the exercise of professional judgment and requires the use of certain bases and assumptions. The fair value of our investment properties may have been higher or lower if the valuer uses a different set of bases or assumptions or if the valuation is conducted by other qualified independent professional valuers using a different set of bases and assumptions. In addition, upward revaluation adjustments reflect unrealized capital gains on our investment properties as of the relevant balance sheet dates and do not generate any cash inflow for our operations or potential dividend distribution to our shareholders. The amounts of fair value adjustments have been, and may continue to be, significantly affected by the prevailing property market conditions in China and may increase or decrease. If similar levels of fair value gains cannot be sustained in the future, our results of operations can be adversely impacted.

CRITICAL ACCOUNTING POLICIES

We prepare our consolidated financial statements under the historical cost convention as modified for the revaluation of investment properties and certain financial instruments and in accordance with HKFRS, which requires us to make judgments, estimates and assumptions that affect (i) the reported amounts of our assets and liabilities at the end of each fiscal period, (ii) the disclosure of our contingent assets and liabilities at the end of each fiscal period and (iii) the reported amounts of revenues and expenses during each fiscal period. We continually evaluate these estimates based on our own historical experience, knowledge and assessment of current business and other conditions, our expectations regarding the future based on available information and our best assumptions, which together form our basis for making judgments about matters that are not readily apparent from other sources. Since the use of estimates is an integral component of the financial reporting process, our actual results could differ from those estimates and expectations. Some of our accounting policies require a higher degree of judgment than others in their application.

When reviewing our financial statements, you should consider (i) our selection of critical accounting policies, (ii) the judgments and other uncertainties affecting the application of such policies, and (iii) the sensitivity of reported results to changes in conditions and assumptions. We believe the following accounting policies involve the most significant judgments and estimates used in the preparation of our consolidated financial statements.

FINANCIAL INFORMATION

Revenue Recognition

Revenue comprises the fair value of the consideration received or receivable for the sales of properties and services in the ordinary course of our business. Revenue is shown net of discount and after eliminating intra-group sales. We recognize revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to us and when specific criteria have been met for each of our activities as described below:

(i) *Sales of properties*

Revenue from sales of properties is recognized when the risks and rewards of properties are transferred to the purchasers, which is when the construction of relevant properties has been completed and the properties have been delivered to the purchasers pursuant to our sales and purchase agreements and collectibility of related receivables is reasonably certain. Deposits and installments received on properties sold prior to the date of revenue recognition are included in our consolidated balance sheets as advanced proceeds received from customers under current liabilities.

(ii) *Property management services*

Revenue arising from property management services is recognized in the accounting period in which the services are rendered.

(iii) *Rental income*

Rental income from property leasing under operating leases is recognized on a straight-line basis over the lease terms. When we provide incentives to our customers, the aggregate cost of incentives is recognized on a straight-line basis over the lease terms as a reduction of rental income.

Completed Properties Held for Sale and Properties Under Development

Completed properties held for sale and properties under development are stated at the lower of cost and net realizable value. Cost comprises development costs attributable to unsold properties. In turn, development costs of property comprise construction costs, amortization of land use rights, capitalized borrowing costs and professional fees incurred during the development period. Net realizable value takes into account the price ultimately expected to be realized, less applicable variable selling expenses and cost of sales or anticipated cost to completion.

We estimate the net realizable value of completed properties held for sale by reference to the available market data, including the most recent sale transactions and market survey reports available from independent property valuers, after taking into account the costs anticipated to incur in the course of developing and selling these properties.

FINANCIAL INFORMATION

We estimate the net realizable value of properties under development by reference to the estimated future discounted cash flow to be derived from such properties. The estimates require judgment as to the anticipated sale prices by reference to recent sale transactions in nearby locations, rate of sales of newly completed properties, the legal and regulatory framework and general market conditions. Our estimates may need to be adjusted subsequently.

If there is an increase in costs for the completion of properties or a decrease in anticipated selling price, the net realizable value will decrease and this may result in provision for completed properties held for sale and properties under development for sale. Such provision requires the use of judgment and estimates by our management. Where the expectation is different from the original estimate, the carrying value and provision for properties in the periods in which such estimate is changed will be adjusted accordingly.

Borrowings

Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the income statement over the period of the borrowings using the effective interest method, or capitalized as appropriate. Borrowings are classified as current liabilities unless we have an unconditional right to defer settlement of the liability for at least 12 months after the respective balance sheet date.

Borrowing costs incurred for the construction of any qualifying assets are capitalized during the period of time that is required to complete and prepare the asset for its intended use. Other borrowing costs are recognized as an expense in the period in which they are incurred.

Investment Properties

Properties held for long-term rental yields or capital appreciation or both and not occupied by us are classified as investment properties. Investment properties are carried at fair value, representing open market value determined annually by a qualified independent professional valuer. We supply the independent professional valuer with various information, including the leases existing on our investment properties and our estimate as to when and whether the lease terms may be extended, for the valuer to use as a basis of its valuation. The property valuation involves the exercise of professional judgment and requires the use of certain basis and assumptions with respect to factors including:

- (i) current prices in an active market for properties of different nature, condition or location (or subject to different leases or other contracts), adjusted to reflect those differences;
- (ii) recent prices of similar properties in less active markets, with adjustments to reflect any changes in economic conditions since the date of the transactions that occurred at those prices; and

FINANCIAL INFORMATION

- (iii) discounted cash flow projections based on reliable estimates of future cash flow, derived from the terms of any existing lease and other contracts, and (where possible) from external evidence such as current market rents for similar properties in the same location and condition, and using discount rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flow.

Our investment properties as of December 31, 2006, 2007 and 2008 and June 30, 2009 were valued by an independent professionally qualified valuer, DTZ Debenham Tie Leung Limited. Valuations are based on capitalization of net rental income from the existing tenancies with due allowance for the reversionary income potential of the properties. The net rental income from the existing tenancies is a property’s contractual rental income for the relevant period. The reversionary income potential is derived by capitalizing the property’s market rental for the rest of its remaining life after the expiry of existing leases.

The basis and assumptions that the valuer uses for the valuation typically include references to values realized in comparable precedent transactions in the market for properties of similar size, characteristics and location. The fair value of our investment properties may have been higher or lower if the valuer used a different set of bases or assumptions or if the valuation was conducted by other qualified independent professional valuers. In addition, upward revaluation adjustments reflect unrealized capital gains of our investment properties at the relevant balance sheet dates and are not profit generated from the sales or rentals of our investment properties, and do not generate any cash inflow to us for potential dividend distribution to our shareholders until such investment properties are disposed of at similarly revalued amounts. The amounts of revaluation adjustments have been, and may continue to be, significantly affected by the prevailing property markets and may fluctuate.

Income Taxes and Deferred Taxation

We are subject to enterprise income tax in China and Hong Kong profits tax. Before and up to December 31, 2007, the companies established in the Shenzhen Special Economic Zone were subject to PRC enterprise income tax at a rate of 15% and the other companies established outside the Shenzhen Special Economic Zone were subject to PRC enterprise income tax at a rate of 33%. Effective January 1, 2008, all enterprises with operations in China are subject to the same statutory income tax rate at 25%. However, companies in the Shenzhen Special Economic Zone are allowed an extension period of five years to phase into this new tax regime. As a result, the transition income tax rates of our PRC subsidiaries established in Shenzhen Special Economic Zone before March 16, 2007 are 18%, 20%, 22%, 24% and 25% in 2008, 2009, 2010, 2011 and 2012, respectively. Hong Kong profits tax has been provided at 17.5% on the assessable profit of our Hong Kong subsidiaries.

Our management is required to exercise its judgment in determining certain expenses which are deductible for income tax purpose, including certain costs incurred in the acquisition of assets or subsidiaries during our ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such difference will impact the income tax and deferred tax provision in the period in which such determination is made.

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Deferred tax assets relating to certain temporary differences and tax losses are recognized when management considers it to be probable that future taxable profit will be available against which the temporary differences or tax losses can be utilized. 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 provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference can be controlled by us and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred income tax is determined using the tax rates that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

LAT

LAT is recognized as an expense to the extent that it is probable that we have the obligation to pay the tax to the PRC tax authorities. For the three years ended December 31, 2006, 2007 and 2008 and the six months ended June 30, 2009, we made LAT provisions in accordance with relevant government regulations. However, the implementation and settlement of LAT varies among various tax jurisdictions in China, and we have not finalized our LAT calculation and payments with any local tax authorities in China. Because at the time we deliver property we may not have completed the entire phase of a project or the project as a whole, our estimate of LAT provisions at such 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 land value and the various deductible items. The ultimate amount of tax liabilities may differ from the amounts that were initially recorded, and such differences will affect our net profits in the relevant periods.

CERTAIN INCOME STATEMENT ITEMS

Revenue

We derive our revenue primarily from sales of properties that we develop, providing property management services and property rental. We recognize our revenue after the properties have been sold and delivered. As is customary in the residential property industry, we pre-sell our properties prior to their completion in accordance with PRC pre-sale regulations. We do not, however, recognize the proceeds from pre-sales until we have completed the construction of these properties and delivered the properties to the purchasers. Typically there is a time gap of 12 months or more between the time we commence pre-sale of the properties under development and the delivery of the properties. We record the proceeds received from the pre-sold properties as advance proceeds received from customers, an item of current liabilities on our balance sheet, and as a part of cash inflows from operating activities on our cash flow statements.

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Cost of Sales

Cost of sales comprises primarily costs incurred directly for our property development, including construction costs, land acquisition costs, capitalized borrowing costs and business taxes.

Construction costs. Construction costs represent costs for the design and construction of a property project, consisting primarily of fees paid to our contractors, including contractors responsible for civil engineering construction, landscaping, equipment installation and interior fittings, as well as infrastructure construction costs and design costs, with costs of our key construction materials such as steel and cement included in our fees paid to our construction contractors. Our construction costs are affected by a number of factors such as price of construction materials, location and types of properties, choices of materials and investments in ancillary facilities. Substantially all of the costs of construction materials, whether procured by ourselves or by our contractors, are accounted for as part of the contractor fees upon settlement with the relevant contractors.

Land acquisition costs. Land acquisition costs represent costs relating to the acquisition of the rights to occupy, use and develop land, including land premiums, deed taxes and government surcharges as well as demolition and resettlement costs associated with certain urban redevelopment projects. The land acquisition costs are recognized as part of cost of sales upon the completion and delivery of relevant properties.

Capitalized borrowing costs. Our borrowing costs are capitalized to the extent that such costs are directly attributable to the acquisition or construction of a project. Such capitalized borrowing costs are included as part of the cost of sales for the relevant property when we recognize the sales revenue.

Business taxes. Our revenue from property development and property rental is subject to a business tax at 5% of such revenue, and our revenue from property management is subject to a business tax at 3% and surcharges at various rates payable to local tax authorities.

Other Income

Other income comprises (i) refund of enterprise income tax arising from reinvestment and (ii) forfeited customer deposits. The tax refund is an incentive granted by the PRC government to encourage profit reinvestment by foreign-invested companies. If a foreign-invested company with over five years of operating history in China has reinvested its distributable profit to increase its registered capital, the relevant tax authority will refund such company 40% of the income tax paid on the portion of the profit that has been reinvested. We received such tax refund during the Track Record Period when we reinvested our distributable profit in the registered capital of our PRC subsidiaries. Such tax incentive is no longer available under the new PRC Enterprise Income Tax Law effective January 1, 2008. The forfeited customer deposits are the non-refundable initial deposits, typically in the amount between Rmb 10,000 and Rmb 50,000, made by our customers upon entering provisional purchase contracts but forfeited to us when such customers fail to finalize the purchases. You may find additional information under the section entitled “Business — Property Development — Payment Arrangements” in this document.

FINANCIAL INFORMATION

Other Gains - Net

Other gains - net primarily comprise fair value gain on investment properties, gains from business combination or acquisition, gains from disposal of assets and fair value gain on financial assets through profit or loss. We hold certain properties such as Guangzhou Diwang Shopping Arcade and car parks for rental income and/or capital appreciation. Our investment properties are revalued on balance sheet dates on an open market value or existing use basis by an independent property valuer. Any appreciation or depreciation in our investment property value is recognized as fair value gains or losses in our consolidated income statements.

Selling and Marketing Costs

Selling and marketing expenses comprise primarily advertising and promotional expenses, sales commissions and other expenses relating to sales of our properties.

Administrative Expenses

Administrative expenses comprise primarily staff salaries, travel expenses, entertainment expenses, rental payments, office expenses, depreciation expenses and provision for bad debts.

Finance Costs - Net

Finance costs - net comprise primarily the net of interest costs and foreign exchange gains/losses. Since the construction period for a project does not necessarily coincide with the interest payment periods of the relevant loan, not all of the interest costs related to a project can be capitalized. The foreign exchange rates also fluctuate. As a result, our finance costs fluctuate from period to period.

Income Tax Expenses

Income tax expenses represent PRC enterprise income tax payable and LAT payable by our PRC subsidiaries and Hong Kong profits tax payable by our Hong Kong company. Currently, we are not subject to any Cayman Islands income tax pursuant to an undertaking obtained from the Governor in Cabinet. You should refer to section entitled “Summary of the Constitution of the Company and Cayman Company Law — 3. Cayman Islands Company Law — (j) Taxation” in Appendix VII to this document for more details.

FINANCIAL INFORMATION

The reconciliation of income tax and our profit before income tax is set out below:

	Year ended December 31,			Six months ended June 30,	
	2006	2007	2008	2008	2009
	(unaudited)				
	(Rmb in thousands)				
Profit before income tax	389,448	434,000	596,342	152,274	782,998
Add: share of loss of an associate	10	—	—	—	—
share of loss of jointly controlled entities	—	—	—	—	2,687
	389,458	434,000	596,342	152,274	785,685
Calculated at PRC enterprise income tax rates (2006 and 2007: 15%, 2008 and 2009: 25%)	58,419	65,100	149,086	38,069	196,421
Effect of different tax rates ⁽¹⁾	2,984	2,772	(6,887)	(5,454)	(1,635)
Effect of change in tax rates ⁽²⁾	—	(20,679)	—	—	—
Income not subject to tax	(2,905)	—	—	—	—
Tax losses not recognized	2,654	860	48,066	22,842	21,553
Utilization of previously unrecognized tax losses	(358)	(4,476)	(2,866)	(2,533)	(40)
Expenses not deductible for income tax purposes	600	611	508	—	1,317
Withholding tax on the earnings expected to be remitted by subsidiaries	—	—	10,000	1,300	20,000
PRC land appreciation tax deductible for PRC enterprise income tax purposes ⁽³⁾	(22,388)	(11,952)	(71,031)	(24,402)	(54,313)
	39,006	32,236	126,876	29,822	183,303
PRC land appreciation tax	149,256	79,678	284,123	97,606	217,252
Income tax expenses	188,262	111,914	410,999	127,428	400,555

- (1) Before and up to December 31, 2007, companies established in the Shenzhen Special Economic Zone of the PRC were subject to PRC enterprise income tax at a rate of 15%, while other companies established outside the Shenzhen Special Economic Zone were subject to PRC enterprise income tax at a rate of 33%. Effective January 1, 2008, all companies with operations in China are subject to the same statutory income tax rate at 25%, but the income tax rates for companies established in Shenzhen Special Economic Zone before March 16, 2007 are 18%, 20%, 22%, 24% and 25% in 2008, 2009, 2010, 2011 and 2012, respectively. The amount represented the effect of such different tax rates.
- (2) Pursuant to the PRC enterprise income tax law passed by the NPC in March 2007, the new enterprise income tax for domestic and foreign enterprises are uniformly set at 25%, which is effective from January 1, 2008. The amount represented the impact on carrying amount of the deferred tax assets and liabilities from the change in tax rates.
- (3) The LAT can be treated as deductible expenses when determining the PRC enterprise income tax. The amount represented the impact on the enterprise income tax from the deduction of the LAT at the applicable tax rate (2006 and 2007: 15%, 2008 and 2009: 25%).

FINANCIAL INFORMATION

RESULTS OF OPERATIONS

The table below summarizes our consolidated results in absolute terms and as a percentage of our revenue for the three years ended December 31, 2006, 2007 and 2008 and the six months ended June 30, 2008 and 2009.

Consolidated Income Statements

	Year ended December 31,						Six months ended June 30,			
	2006		2007		2008		2008		2009	
	(unaudited)									
	(Rmb in millions, except percentages)									
Revenue	1,369.9	100.0%	990.8	100.0%	2,149.6	100.0%	745.0	100.0%	2,178.7	100.0%
Cost of sales	(871.5)	(63.6)	(590.0)	(59.5)	(1,132.2)	(52.7)	(393.7)	(52.8)	(1,198.5)	(55.0)
Gross profit	498.4	36.4	400.8	40.5	1,017.4	47.3	351.4	47.2	980.1	45.0
Other income	19.7	1.4	1.4	0.1	3.6	0.2	1.0	0.1	1.2	0.1
Other gains — net.....	72.8	5.3	317.5	32.0	60.9	2.8	59.4	8.0	35.5	1.6
Selling and marketing costs	(58.9)	(4.3)	(58.6)	(5.9)	(109.8)	(5.1)	(50.8)	(6.8)	(57.0)	(2.6)
Administrative expenses	(82.2)	(6.0)	(112.7)	(11.4)	(157.8)	(7.3)	(88.9)	(11.9)	(76.2)	(3.5)
Operating profit	449.8	32.8	548.3	55.3	814.3	37.9	272.0	36.5	883.7	40.6
Finance income	18.0	1.3	9.9	1.0	9.0	0.4	5.6	0.8	8.7	0.4
Finance costs.....	(78.3)	(5.7)	(124.2)	(12.5)	(227.0)	(10.6)	(125.3)	(16.8)	(106.8)	(4.9)
Finance costs — net.....	(60.3)	(4.4)	(114.3)	(11.5)	(218.0)	(10.1)	(119.7)	(16.1)	(98.0)	(4.5)
Share of loss of jointly controlled entities	—	—	—	—	—	—	—	—	(2.7)	(0.1)
Share of loss of an associate	—	—	—	—	—	—	—	—	—	—
Profit before income tax	389.4	28.4	434.0	43.8	596.3	27.7	152.3	20.4	783.0	35.9
Income tax expenses.....	(188.3)	(13.7)	(111.9)	(11.3)	(411.0)	(19.1)	(127.4)	(17.1)	(400.6)	(18.4)
Profit for the year/period	<u>201.2</u>	<u>14.7</u>	<u>322.1</u>	<u>32.5</u>	<u>185.3</u>	<u>8.6</u>	<u>24.8</u>	<u>3.3</u>	<u>382.4</u>	<u>17.6</u>
Profit/(loss) attributable to:										
Equity owners of our company .	205.8	15.0	323.7	32.7	184.5	8.6	25.4	3.4	382.9	17.6
Minority interests	(4.6)	(0.3)	(1.6)	(0.2)	0.9	0.0	(0.6)	(0.1)	(0.5)	(0.0)
	<u>201.2</u>	<u>14.7%</u>	<u>322.1</u>	<u>32.5%</u>	<u>185.3</u>	<u>8.6%</u>	<u>24.8</u>	<u>3.3%</u>	<u>382.4</u>	<u>17.6%</u>

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Business Segments

We are organized into three business segments: property development, property management and property rental.

The following table sets forth our revenue breakdown by business segment during the Track Record Period.

	Year ended December 31,			Six months ended June 30,	
	2006	2007	2008	2008	2009
				(unaudited)	
	(Rmb in millions)				
Property development	1,305.2	867.7	1,995.8	673.2	2,101.3
Property management	43.1	68.3	86.1	36.4	42.3
Property rental	<u>21.7</u>	<u>54.8</u>	<u>67.7</u>	<u>35.5</u>	<u>35.0</u>
Total	<u>1,369.9</u>	<u>990.8</u>	<u>2,149.6</u>	<u>745.0</u>	<u>2,178.7</u>

Six Months Ended June 30, 2009 Compared to Six Months Ended June 30, 2008

Revenue. Our revenue increased by Rmb 1,433.7 million, or 192.4%, to Rmb 2,178.7 million for the six months ended June 30, 2009 from Rmb 745.0 million for the same period in 2008. The increase in revenue was primarily due to the increase in our revenue from property development.

- Property Development.** Our revenue generated from property development increased by Rmb 1,428.1 million, or 212.1%, to Rmb 2,101.3 million in the six months ended June 30, 2009 from Rmb 673.2 million in the same period in 2008, primarily due to (i) an increase in the total GFA we delivered from approximately 69,346 square meters in the six months ended June 30, 2008 to approximately 166,071 square meters in the same period in 2009, attributable to our two major projects Shenzhen Victoria Harbour and Qingdao Azure Archipelagoes (Phases 1A and 1B) and (ii) an increase in the average selling price from Rmb 9,707 per square meter in the six months ended June 30, 2008 to Rmb 12,653 per square meter in the same period in 2009 primarily as a result of the sale of our high-end residential properties of Shenzhen Victoria Harbour, which constituted approximately 67.4% of our total revenue from property development for the six months ended June 30, 2009, partially offset by the lower average selling prices for residential properties outside Shenzhen.

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We set out in the table below the revenue breakdown for property development and other relevant data for the periods as indicated.

Project	Type	Completion date	Six months ended June 30,			
			2008		2009	
			Average selling price		Average selling price	
Revenue			Revenue	price	Revenue	price
<i>(unaudited)</i>						
<i>(Rmb in millions, except average selling price being Rmb/m²)</i>						
Shenzhen Excellence Times Plaza						
(Phase 1)	Commercial	Oct 2006	166.7	109,121	138.1	33,923
Shenzhen Repulse Bay	Residential	Apr 2007	245.6	16,869	51.0	20,821
Changsha Cote d’Azur	Commercial/					
(Phase 1A)	Residential	Dec 2006	68.5	3,430	88.6	3,862
Shenzhen Cote d’Azur	Commercial/	Nov 2004	68.3	39,368	12.5	25,859
	Residential					
Shenzhen Victoria Harbour (South	Commercial/					
Part)	Residential	Dec 2008	—	—	1,417.1	27,680
Wuhan Cote d’Azur (Phase 1)	Commercial/	Jan 2008	117.1	3,709	44.3	3,071
	Residential					
Qingdao Azure Archipelagoes	Commercial/					
(Phases 1A and 1B)	Residential	Dec 2008	—	—	333.6	4,372
Others	—	—	6.9	—	16.2	—
Total			673.2		2,101.3	

- **Property Management.** Our revenue generated from property management increased by Rmb 5.9 million, or 16.2%, to Rmb 42.3 million in the six months ended June 30, 2009 from Rmb 36.4 million in the same period in 2008, primarily due to an increase in the cumulative GFA for which we provided property management services with respect to property projects we managed for third parties.
- **Property Rental.** Our rental revenue decreased by Rmb 0.5 million, or 1.4%, to Rmb 35.0 million in the six months ended June 30, 2009 from Rmb 35.5 million in the same period in 2008, primarily due to a decrease in retail space we rented out in Shenzhen Cote d’Azur.

Cost of sales. Our cost of sales increased by Rmb 804.8 million, or 204.4%, to Rmb 1,198.5 million in the six months ended June 30, 2009 from Rmb 393.7 million in the same period in 2008. The increase was in line with our increased property sales as discussed above.

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Gross profit margin. Our gross profit margin decreased to 45.0% in the six months ended June 30, 2009 from 47.2% in the same period in 2008, primarily due to our sale of retail properties of Shenzhen Excellence Times Plaza (Phase 1) in the six months ended June 30, 2008, which constituted approximately 24.8% of our total revenue from property development for the same period. The sale of these retail properties had a much higher gross profit margin as compared with our sale of other properties, including our sale of the high-end residential properties and office buildings in the six months ended June 30, 2009.

Other gains — net. Our net other gains decreased by Rmb 23.9 million, or 40.2% to Rmb 35.5 million in the six months ended June 30, 2009 from Rmb 59.4 million in the same period in 2008 primarily because we received Rmb 15.8 million in the six months ended June 30, 2008 as reimbursement for the cost incurred for the ancillary facilities located in a property previously developed by us, but did not receive any similar payment in the same period in 2009. Moreover, the fair value gain on our investment properties decreased by Rmb 6.0 million to Rmb 35.0 million in the six months ended June 30, 2009 as compared to Rmb 41.0 million in the same period in 2008.

Other income. Our other income increased by Rmb 0.2 million, or 20.0%, to Rmb 1.2 million in the six months ended June 30, 2009 from Rmb 1.0 million in the same period in 2008. The increase was primarily due to an increase in our forfeiture income primarily as a result of our customers’ cancellation of their property purchase options and forfeiture of their deposits in line with the increase in our property sales and pre-sales.

Selling and marketing costs. Our overall selling and marketing costs increased by Rmb 6.2 million, or 12.2%, to Rmb 57.0 million in the six months ended June 30, 2009 from Rmb 50.8 million in the same period in 2008. The increase was primarily due to an increase in our promotional expenses, sales commissions and other expenses in connection with our increased property sales.

Administrative expenses. Our administrative expenses decreased by Rmb 12.7 million, or 14.3%, to Rmb 76.2 million in the six months ended June 30, 2009 from Rmb 88.9 million in the same period in 2008. The decrease was primarily due to a decrease in the number of our administrative staff, our tightened control over administrative expenses and our decreased amount of donation.

Finance costs — net. Our net finance costs decreased by Rmb 21.7 million, or 18.1%, to Rmb 98.0 million in the six months ended June 30, 2009 from Rmb 119.7 million in the same period in 2008, primarily due to a decrease in our interest rates.

Income tax expenses. Our income tax expenses increased by Rmb 273.2 million, or 214.4%, to Rmb 400.6 million in the six months ended June 30, 2009 from an income tax of Rmb 127.4 million in the same period in 2008, primarily due to an increase in both our LAT provisions and enterprise income tax payments. Our LAT increased from Rmb 97.6 million in the six months ended June 30, 2008 to Rmb 217.3 million in the same period in 2009 primarily due to our increased property sales and the relatively low land cost of such properties, particularly with respect to our sales of high-end residential properties of Shenzhen Victoria Harbour, which constituted approximately 67.4% of our total revenue from property development for the six months ended June 30, 2009. The current portion of our enterprise income tax increased from Rmb 17.6 million in the six months ended June 30, 2008 to Rmb 153.2 million in the same period in 2009 primarily due to (i) the increase in profit before tax,

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particularly the profit generated from our sale of properties of Shenzhen Victoria Harbour, and (ii) to a lesser extent, the increase of income tax rate by 2% to 20% in 2009 from 18% in 2008 in Shenzhen Special Economic Zone. For more information, please refer to the section entitled “— Significant Accounting Policies — Income Taxes and Deferred Taxation.” For the same reasons, our total enterprise income tax also increased from Rmb 29.8 million in the six months ended June 30, 2008 to Rmb 183.3 million in the same period in 2009.

Profit for the period. As a result of the cumulative effect of the factors discussed above, our profit increased by Rmb 357.6 million, or 1,441.9%, to Rmb 382.4 million in the six months ended June 30, 2009 from Rmb 24.8 million in the same period in 2008.

Profit attributable to our equity holders. Profit attributable to the equity holders of our company increased by Rmb 357.5 million, or 1,407.5%, to Rmb 382.9 million in the six months ended June 30, 2009 from Rmb 25.4 million in the same period in 2008.

Minority interests. Our minority shareholders shared a loss of Rmb 0.5 million in the six months ended June 30, 2009 as compared to a loss of Rmb 0.6 million in the same period in 2008.

2008 Compared to 2007

Revenue. Our revenue increased by Rmb 1,158.8 million, or 117.0%, to Rmb 2,149.6 million in 2008 from Rmb 990.8 million in 2007. The increase in revenue was primarily due to the increase in our revenue from property development.

- ***Property Development.*** Our revenue generated from property development increased by Rmb 1,128.1 million, or 130.0%, to Rmb 1,995.8 million in 2008 from Rmb 867.7 million in 2007, primarily due to (i) an increase in the total GFA we delivered from approximately 69,909 square meters in 2007 to approximately 157,407 square meters in 2008, attributable to our three major developments, Shenzhen Victoria Harbour, Wuhan Cote d’Azur (Phase 1) and Changsha Cote d’Azur (Phase 1A) and (ii) to a lesser extent, an increase in the average selling price from Rmb 12,411 per square meter in 2007 to Rmb 12,679 per square meter in 2008 primarily as a result of the increased GFA sold in Shenzhen as retail properties and the sale of our high-end residential properties of Shenzhen Victoria Harbour, partially offset by a decrease in GFA sold as office properties and the lower average selling prices for residential properties outside Shenzhen.

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We set out in the table below the revenue breakdown for property development and other relevant data for the periods as indicated.

Project	Type	Completion date	Year ended December 31,			
			2007		2008	
			Average selling price		Average selling price	
			Revenue	price	Revenue	price
<i>(Rmb in millions, except average selling price being Rmb/m²)</i>						
Shenzhen Excellence Times Plaza						
(Phase 1)	Commercial	Oct 2006	158.3	16,454	206.5	113,221
Shenzhen Repulse Bay	Residential	Apr 2007	608.5	16,496	313.8	17,695
Changsha Cote d’Azur	Commercial/					
(Phase 1A)	Residential	Dec 2006	68.9	3,515	214.2	4,321
Shenzhen Cote d’Azur	Commercial/	Nov 2004	11.4	6,130	125.8	35,351
	Residential					
Chongqing Excellence Mart (Phase 1)	Commercial	Aug 2006	2.7	2,361	—	—
Shenzhen City Central Garden	Commercial/	May 2003	4.8	5,905	—	—
	Residential					
Shenzhen Victoria Harbour (South	Commercial/					
Part)	Residential	Dec 2008	—	—	900.2	26,790
Wuhan Cote d’Azur (Phase 1)	Commercial/	Jan 2008	—	—	180.7	3,988
	Residential					
Qingdao Azure Archipelagoes (Phases	Commercial/					
1A and 1B)	Residential	Dec 2008	—	—	35.2	6,063
Others	—	—	13.1	—	19.4	—
Total			867.7		1,995.8	

- Property Management.** Our revenue generated from property management increased by Rmb 17.8 million, or 26.1%, to Rmb 86.1 million in 2008 from Rmb 68.3 million in 2007, primarily due to an increase in the cumulative GFA for which we provided property management services, in particular with respect to the newly completed Changsha Cote d’Azur (Phase 1A) and an increasing number of property projects we managed for third parties. Moreover, our increased revenue generated from property management was also attributable to the increased management fees charged for ancillary services.
- Property Rental.** Our rental revenue increased by Rmb 12.9 million, or 23.5%, to Rmb 67.7 million in 2008 from Rmb 54.8 million in 2007, primarily due to (i) an increase in retail space we rent out in Guangzhou Diwang Shopping Arcade and (ii) to a lesser extent, an increase of our rental rates.

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Cost of sales. Our cost of sales increased by Rmb 542.2 million, or 91.9%, to Rmb 1,132.2 million in 2008 from Rmb 590.0 million in 2007. This increase was in line with our increased property sales in 2008 as discussed above.

Gross profit margin. Our gross profit margin increased to 47.3% in 2008 from 40.5% in 2007 primarily because our average selling prices in the Shenzhen and Neighboring Area increased at a higher rate than our cost of sales, particularly for our sales of high-end residential properties and retail properties.

Other gains - net. Our other gains - net decreased by Rmb 256.6 million, or 80.8%, to Rmb 60.9 million in 2008 from Rmb 317.5 million in 2007 primarily because we received a gain in the amount of Rmb 230.0 million from the disposal of our entire 40% interest in Shenzhen Central Walk in 2007, but did not receive any similar gain on disposal of assets in 2008. Moreover, the fair value gain on our investment properties decreased to Rmb 41.0 million in 2008 as compared to Rmb 82.6 million in 2007. The decrease in our other gains - net was partly offset by Rmb 15.8 million we received as reimbursement for the cost incurred for the ancillary facilities located in a property previously developed by us.

Other income. Our other income increased by Rmb 2.2 million, or 157.1%, to Rmb 3.6 million in 2008 from Rmb 1.4 million in 2007 due to an increase in our forfeiture income primarily as a result of our customers’ cancellation of their property purchase options and forfeiture of their deposits in line with the increase in our property sales and pre-sales.

Selling and marketing costs. Our selling and marketing costs increased by Rmb 51.2 million, or 87.4%, to Rmb 109.8 million in 2008 from Rmb 58.6 million in 2007. The increase was primarily due to an increase in our advertising costs of Rmb 49.9 million, particularly for the properties completed and delivered in 2008, Shenzhen Victoria Harbour and Qingdao Azure Archipelagoes, as well as the retail properties of Shenzhen Excellence Times Plaza (Phase 1) and retail properties of Shenzhen Cote d’Azur.

Administrative expenses. Our administrative expenses increased by Rmb 45.1 million, or 40%, to Rmb 157.8 million in 2008 from Rmb 112.7 million in 2007. The increase was primarily due to (i) an increase in general office expenses and staff salaries resulting from our full year operations for our projects in Qingdao and Dongguan in 2008 as compared with our operation for only part of the year in 2007 for these projects; and (ii) an increase in the number of our administrative and management staff hired in connection with our business expansion.

Finance costs - net. Our finance costs - net increased by Rmb 103.7 million, or 90.7%, to Rmb 218.0 million in 2008 from Rmb 114.3 million in 2007, primarily due to an increase in our bank borrowings to finance our property development activities and an increase in our interest rates.

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Income tax expenses. Our income tax expenses increased by Rmb 299.1 million, or 267.3%, to Rmb 411.0 million in 2008 from Rmb 111.9 million in 2007, primarily due to an increase in both our LAT provisions and enterprise income tax payments. Our LAT increased from Rmb 79.7 million in 2007 to Rmb 284.1 million in 2008 primarily due to our increased property sales in 2008 and the relatively low land cost of such properties in the Shenzhen and Neighboring Area as compared with our selling prices, particularly with respect to our sales of properties of Shenzhen Victoria Harbour, Shenzhen Excellence Time Plaza (Phase 1), Shenzhen Repulse Bay and Shenzhen Cote d’Azur. The current portion of our enterprise income tax increased from Rmb 93.7 million in 2007 to Rmb 134.4 million in 2008 in line with the increase in profit, and the total enterprise income tax also increased from Rmb 32.2 million in 2007 to Rmb 126.9 million in 2008 primarily because (1) our profit before tax increased and (2) the impact from changes in enterprise tax rates of Rmb 20.7 million pursuant to the PRC income tax law has been reflect in 2007. For more information, please refer to the section entitled “— Significant Accounting Policies — Income Taxes and Deferred Taxation.”

Profit for the year. As a result of the cumulative effect of the factors discussed above, our profit decreased by Rmb 136.8 million, or 42.5%, to Rmb 185.3 million in 2008 from Rmb 322.1 million in 2007. In particular, our property management recorded an operating loss of Rmb 0.8 million in 2008 as compared with an operating profit of Rmb 17.1 million in 2007 primarily due to two reasons. First, we incurred a sizeable amount of expenses to hire more staff and set up offices in connection with the completion and delivery of Shenzhen Victoria Harbour (South Part) in 2008. Second, due to the aging of some project properties under our management, we conducted a major maintenance for such projects in 2008, which substantially increased the costs for our property management.

Profit attributable to our equity holders. Profit attributable to our equity holders decreased by Rmb 139.2 million, or 43.0%, to Rmb 184.5 million in 2008 from Rmb 323.7 million in 2007.

Minority interests. Our minority shareholders shared a gain of Rmb 0.9 million in 2008 as compared to a loss of Rmb 1.6 million in 2007.

2007 Compared to 2006

Revenue. Our revenue decreased by Rmb 379.1 million, or 27.7%, to Rmb 990.8 million in 2007 from Rmb 1,369.9 million in 2006. The decrease in revenue was primarily due to a decrease in our revenue from property development.

- ***Property Development.*** Our revenue generated from property development decreased by Rmb 437.5 million, or 33.5%, to Rmb 867.7 million in 2007 from Rmb 1,305.2 million in 2006, primarily due to (i) a substantial decrease in the average selling price from Rmb 18,305 per square meter in 2006 to Rmb 12,411 per square meter in 2007, due to the sale of a commercial property project, Shenzhen Excellence Times Plaza (Phase 1), which accounted for 97.7% of our revenue from property development in 2006, while a majority of our revenue in 2007 came from the sale of residential properties; and (ii) to a lesser extent, a decrease in the total GFA we delivered from 71,301 square meters in 2006 to 69,909 square meters in 2007.

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We set out in the table below the revenue breakdown for property development and other relevant data for the periods as indicated.

			Year ended December 31,			
			2006		2007	
			Average selling price		Average selling price	
Project	Type	Completion date	Revenue	price	Revenue	price
(Rmb in millions, except average selling price being Rmb/m ²)						
Shenzhen Excellence Times						
Plaza (Phase 1)	Commercial	Oct 2006	1,274.9	18,435	158.3	16,454
Excellence Mansion	Commercial	—	9.7	14,632	—	—
Shenzhen Repulse Bay	Residential	Apr 2007	—	—	608.5	16,496
Changsha Cote d’Azur	Commercial/					
(Phase 1A)	Residential	Dec 2006	—	—	68.9	3,515
Shenzhen Cote d’Azur	Commercial/	Nov 2004	9.5	18,230	11.4	6,130
	Residential					
Chongqing Excellence Mart						
(Phase 1)	Commercial	Aug 2006	2.8	2,873	2.7	2,361
Shenzhen City Central Garden .	Commercial/	May 2003	—	—	4.8	5,905
	Residential					
Others	—	—	8.3	—	13.1	—
Total			1,305.2		867.7	

- **Property Management.** Our revenue generated from property management increased by Rmb 25.2 million, or 58.5%, to Rmb 68.3 million in 2007 from Rmb 43.1 million in 2006, primarily due to an increase in the cumulative GFA for which we provided property management services, in particular the newly added office space from Shenzhen Excellence Times Plaza (Phase 1), and an increase in the number of property projects we managed for third parties.
- **Property Rental.** Our rental revenue increased by Rmb 33.1 million, or 152.5% to Rmb 54.8 million in 2007 from Rmb 21.7 million in 2006, primarily due to an increase of approximately 20,000 square meters of retail space in our rental properties after we acquired the operating rights in Guangzhou Diwang Shopping Arcade in August 2006.

Cost of sales. Our cost of sales decreased by Rmb 281.5 million, or 32.3%, to Rmb 590.0 million in 2007 from Rmb 871.5 million in 2006. The decrease was in line with our decreased property sales in 2007 as discussed above.

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Gross profit margin. Our gross profit margin increased to 40.5% in 2007 from 36.4% in 2006, primarily due to the higher profit margin for Shenzhen Repulse Bay, which is a high-end residential development.

Other gains - net. Our other gains - net increased by Rmb 244.7 million, or 336.1%, to Rmb 317.5 million in 2007 from Rmb 72.8 million in 2006, primarily due to the gain from the disposal of our entire 40% interest in Shenzhen Central Walk and the fair value gain on our investment properties.

Shenzhen Central Walk is a large-scale commercial complex located in the Shenzhen CBD. We acquired a 40% equity interest in this project in 2004 in order to receive the economic benefit from its development. This investment was classified as available-for-sale financial assets on the acquisition date. We decided to make the disposal because the sale would result in a satisfactory yield on our investment in Shenzhen Central Walk. We disposed of our entire interests in it to the controlling shareholder in Shenzhen Central Walk for a consideration of Rmb 330.0 million on an arm’s-length basis. Except for sharing the interests in Shenzhen Central Walk, the controlling shareholder had no other relationship with us and the consideration it offered to us was based on commercial negotiation taking into account of then market conditions in Shenzhen, its location, uniqueness and prospects. We did not have any independent valuation of the project conducted prior to or at the time of the disposal. At the time of the disposal, we were aware of the intent of the controlling shareholder to further sell Shenzhen Central Walk to a third party once it secured a 100% interest in the project. Our total investment in Shenzhen Central Walk was Rmb 100.0 million, and the disposal resulted in a gain of Rmb 230.0 million in 2007.

The fair value gain on our investment properties increased to Rmb 82.6 million in 2007 as compared to Rmb 69.2 million in 2006 primarily due to the overall property price appreciation in Guangzhou and Shenzhen markets.

Other income. Our other income decreased by Rmb 18.3 million, or 93.0%, to Rmb 1.4 million in 2007 from Rmb 19.7 million in 2006. The decrease was primarily due to our receipt of Rmb 19.4 million as refund of our enterprise income tax payments as a result of our reinvestment of our distributable net profit in 2006 while we received no such enterprise income tax refund in 2007. The tax refund is an incentive granted by the PRC government to encourage profit reinvestment by foreign-invested companies. If a foreign-invested company with over five years of operating history in China has reinvested its distributable profit to increase its registered capital, the relevant tax authority will refund 40% of the income tax paid on the portion of the profit that has been reinvested. Such tax incentive is no longer available under the new PRC Enterprise Income Tax Law effective January 1, 2008.

Selling and marketing costs. Our selling and marketing costs decreased by Rmb 0.3 million, or 0.5%, to Rmb 58.6 million in 2007 from Rmb 58.9 million in 2006. The decrease was primarily due to a decrease in our marketing and advertising costs of Rmb 10.2 million because we incurred most of such costs in 2006 for the properties delivered and revenue recognized in 2007, including Shenzhen Excellence Times Plaza (Phase 1), Shenzhen Repulse Bay, Changsha Cote d’Azur. The decrease in our marketing and advertising costs was mostly offset by the increases in the staff salaries and office expenses relating to selling and marketing as a result of our property development in Qingdao and Changsha.

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Administrative expenses. Our administrative expenses increased by Rmb 30.5 million, or 37.1%, to Rmb 112.7 million in 2007 from Rmb 82.2 million in 2006. The increase was primarily due to (i) our increased general office expenses and staff salaries resulting from our business expansion in Qingdao and Changsha and additional development projects in Shenzhen; and (ii) an increase in the number of our administrative and management staff in connection with our business expansion and our acquisition of Guangzhou Guixin, which holds the operating rights in Guangzhou Diwang Shopping Arcade.

Finance costs - net. Our finance costs - net increased by Rmb 54.0 million, or 89.6%, to Rmb 114.3 million in 2007 from Rmb 60.3 million in 2006, primarily due to an increase in our bank borrowings to finance our property development activities.

Income tax expenses. Our income tax expenses decreased by Rmb 76.4 million to Rmb 111.9 million in 2007 from Rmb 188.3 million in 2006. The decrease was primarily due to a decrease in LAT from Rmb 149.3 million in 2006 to Rmb 79.7 million in 2007, which was in line with our decreased property sales in 2007. While the current portion of our enterprise income tax increased from Rmb 74.0 million in 2006 to Rmb 93.7 million in 2007 in line with the increase in profit (after deduction of LAT), the total enterprise income tax decreased from Rmb 39.0 million in 2006 to Rmb 32.2 million in 2007, primarily because we recognized additional deferred income tax assets of Rmb 20.7 million in 2007 as a result of the change of enterprise income tax rates pursuant PRC enterprise income tax laws. For more information, please refer to the section entitled “— Significant Accounting Policies — Income Taxes and Deferred Taxation.”

Profit for the year. As a result of the cumulative effect of the factors discussed above, our profit increased by Rmb 120.9 million to Rmb 322.1 million in 2007 from Rmb 201.2 million in 2006.

Profit attributable to our equity holders. Profit attributable to our equity holders increased by Rmb 117.9 million to Rmb 323.7 million in 2007 from Rmb 205.8 million in 2006.

Minority interests. Our minority shareholders shared a loss of Rmb 1.6 million in 2007 as compared to a loss of Rmb 4.6 million in 2006.

CERTAIN BALANCE SHEET ITEMS

Land Use Rights

Land use rights consist of our costs of acquiring rights to use the relevant parcels of land for the purpose of developing commercial and residential properties. We divide our land use rights into current and non-current assets. Land use rights are classified as current assets unless the construction of the relevant property development projects is expected to complete beyond a normal operating cycle. One normal cycle typically means one to two years. We had aggregate land use rights of Rmb 1,216.6 million, Rmb 2,463.1 million, Rmb 3,268.4 million and Rmb 3,133.1 million as of December 31, 2006, 2007 and 2008 and June 30, 2009, which were divided into land use rights of current assets

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of Rmb 445.3 million, Rmb 1,276.2 million, Rmb 1,947.5 million and Rmb 1,820.7 million, respectively, and land use rights of non-current assets of Rmb 771.4 million, Rmb 1,186.9 million, Rmb 1,320.9 million and Rmb 1,312.5 million, respectively. The fluctuation of our land use rights during the Track Record Period was primarily attributable to our development schedule.

Property under Development

Properties under development as classified under our consolidated financial statements include properties in respect of which we have obtained the relevant land use rights certificates as well as the construction permits. We had properties under development of Rmb 255.5 million, Rmb 616.9 million, Rmb 1,770.7 million and Rmb 1,938.5 million, respectively, as of December 31, 2006, 2007 and 2008 and June 30, 2009. The increase of our properties under development during the Track Record Period was primarily attributable to the timing of our project completion and commencement of construction. Property projects upon completion will be taken out of the properties under development and moved to the category for completed properties held for sale, and the commencement of project construction will add to the properties under development. The significant increase of project under development during the Track Record Period was consistent with our increased construction costs and capital expenditures in new projects during such period.

Completed Properties Held for Sale

Completed properties held for sale represent completed properties remaining unsold at the end of each financial period stated at the lower of cost and net realizable value. Net realizable value is determined by reference to sale proceeds of properties sold in the ordinary course of business by management estimates based on prevailing market conditions, less applicable variable selling expenses and cost of sales. We had completed properties held for sale of Rmb 550.0 million, Rmb 750.8 million, Rmb 1,933.0 million and Rmb 1,517.1 million, respectively, as of December 31, 2006, 2007 and 2008 and June 30, 2009. The increase from 2006 to 2007 was primarily due to the completion of Shenzhen Repulse Bay. The increase from 2007 to 2008 was primarily due to the completion of Shenzhen Victoria Harbour (South Part), Qingdao Azure Archipelagoes (Phases 1A and 1B) and Wuhan Cote d’Azur (Phase 1A). The higher amount of completed properties held for sale as of December 31, 2008 reflected the completion of our projects in Shenzhen and Qingdao at the end of the year. The decrease of the amount of completed properties held for sale from December 31, 2008 to June 30, 2009 was primarily due to the sale and delivery of such properties and the recognition of the revenue from such sale.

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Trade and Other Receivables

We had trade and other receivables of Rmb 1,776.1 million, Rmb 2,280.2 million, Rmb 2,062.6 million and Rmb 3,094.7 million, respectively, as of December 31, 2006, 2007 and 2008 and June 30, 2009. The following table sets out the breakdown of our trade and other receivables as of the dates indicated.

	As of December 31,			As of June 30,
	2006	2007	2008	2009
	<i>(Rmb in thousands)</i>			
Non-current assets				
Other receivables:				
Third parties	—	—	—	300,000
Current assets				
Trade receivables:				
Related parties	1,299	—	—	—
Third parties	147,230	24,256	65,295	97,701
Other receivables:				
Related parties	233,237	184,964	215,615	845,350
Third parties	774,020	580,621	635,120	649,897
Prepayments:				
Prepayment for land use rights	588,409	1,318,274	1,043,899	1,063,899
Others	31,953	172,042	102,699	137,803
 Total as current assets	<u>1,776,148</u>	<u>2,280,157</u>	<u>2,062,628</u>	<u>2,794,650</u>
 Total	<u>1,776,148</u>	<u>2,280,157</u>	<u>2,062,628</u>	<u>3,094,650</u>

Our other receivables of non-current nature as of June 30, 2009 represent the bank entrustment loans in the amount of Rmb 300 million we made to Dabaihui Group related to our Shenzhen Gangxia Project. For more information on Shenzhen Gangxia Project, see the section entitled “Business — Other Land-related Contractual Arrangements — Shenzhen Gangxia Project” in this document.

Our trade receivables mainly arise from our sales of properties. Our credit policy to our customers is largely reflected in our sale and purchase agreements with our customers. Our customers generally have 15 days to pay their down-payments and three months to pay the remaining purchase price, with or without a mortgage loan. We do not provide installment payment plans to purchasers of our properties. Our credit policy is in line with the market practice of the PRC property industry. It is generally effective and we have not experienced any difficulties.

Our trade receivables from third parties decreased to Rmb 24.3 million as of December 31, 2007 from Rmb 147.2 million as of December 31, 2006 primarily because (i) the outstanding trade receivable amounts as of December 31, 2006 from Shenzhen Excellence Times Plaza (Phase 1) were

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settled in 2007, and (ii) the sales of Shenzhen Repulse Bay were finalized in August 2007 when the project was completed and delivered, and customer payments for most of the sales were settled prior to the balance sheet date. Our trade receivables from third parties increased from Rmb 24.3 million as of December 31, 2007 to Rmb 65.3 million as of December 31, 2008 mainly due to the commencement of sales for Shenzhen Victoria Harbour (South Part) and Wuhan Cote d’Azur as well as the continued sale for Changsha Cote d’Azur in 2008. Our trade receivables from third parties increased from Rmb 65.3 million as of December 31, 2008 to Rmb 97.7 million as of June 30, 2009 primarily due to the sale of retail properties of Shenzhen Excellence Time Plaza (Phase 1) in the second quarter of 2009. The sale of such retail properties generally took approximately three months to complete due to the requirement of relevant mortgage loan procedures.

Our other receivables due from related parties primarily consist of receivables of short-term financing nature. Our other receivables from related parties increased from Rmb 215.6 million as of December 31, 2008 to Rmb 845.4 million as of June 30, 2009 mainly due to our advance payment made on behalf of Jindi Dabaihui relating to the resettlement work conducted on the relevant land of Shenzhen Gangxia Project. For more information on Shenzhen Gangxia Project, see the section entitled “Business — Other Land-related Contractual Arrangements — Shenzhen Gangxia Project” in this document.

Our other receivables due from third parties primarily consist of preliminary project-related investments including down-payment or deposits paid to third parties prior to our receiving the relevant interest in the project. The deposits, down-payments or other considerations we paid under our other land-related contractual arrangements as disclosed in the section entitled “Business — Our Property Projects — Other Land-related Contractual Arrangements” in this document have been accounted for as other receivables or prepayments for land use rights in our financial statements. Normally, we recognize and record the deposits and down-payments paid as “other receivables” initially in accordance with the terms and conditions of the contractual agreements. Afterward, we continue to assess the possibility to obtain the relevant land use rights from time and time, and transfer the deposits and down-payments from “other receivables” to “prepayments” if we believe that it is more likely than not that we will receive the land use rights through such contractual agreements. The aggregate amount of down-payments, land premium or other considerations paid for such contractual arrangements was approximately Rmb 1,287.7 million as of June 30, 2009, which represented 89.8% of our net assets as of December 31, 2008. These payments are unsecured and paid directly to the counterparty or to the project company as share capital instead to an escrow account. Although the recoverability of these payments, if in the form of down-payment or deposit, was stipulated in the contracts, the timeframe and method for the refund were not specified and there is no mechanism in place to prevent any potential misuse of these funds by the counterparty or to ensure funds available when refund is due. During the Track Record Period, we did not experience any material default by our counterparties under similar arrangements. At the present time, we do not foresee any significant difficulties in recovering our deposits and down payments based on the contractual provisions. However, we cannot assure you that any refund will be provided in a timely manner or at all.

Our prepayments during the Track Record Period primarily related to our prepayments for land use rights and, to a lesser extent, to prepayments to third-party construction contractors. Our prepayment for land use rights increased to Rmb 1,318.3 million as of December 31, 2007 from Rmb 588.4 million as of December 31, 2006 primarily due to the prepayments for the land use rights

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relating to Lianyungang Cote d’Azur and Shenzhen Excellence Century Center, and the deposits for a Qingdao project. The decrease in our prepayment for land use rights from Rmb 1,318.3 million as of December 31, 2007 to Rmb 1,043.9 million as of December 31, 2008 was primarily because we obtained the land use rights certificates for our Wuhan Houhu Village Project and Shenzhen Excellence Century Center, partially offset by an increase in our prepayments for the land use rights with respect to land for which we have existing acquisition contractual arrangements, particularly for our projects in Hangzhou and Qingdao. Our prepayment for land use rights slightly increased to Rmb 1,063.9 million as of June 30, 2009 from Rmb 1,043.9 million as of December 31, 2008 primarily due to our prepayment made in connection with our contractual arrangement to acquire land use rights for Shenzhen Zhenbao Project. For more information on Shenzhen Zhenbao Project, see the section entitled “Business — Other Land-related Contractual Arrangements — Shenzhen Zhenbao Project” in this document.

Our other prepayments consist primarily of prepaid utility costs and supplies for construction, and prepaid advertising expenses. These prepayments increased to Rmb 172.0 million as of December 31, 2007 as compared to Rmb 32.0 million as of December 31, 2006 primarily due to prepaid construction costs for Wuhan Cote D’Azur and Dongguan Azure Polis. The prepayments further decreased to Rmb 102.7 million as of December 31, 2008 primarily because we continued to recognize prepaid construction costs as properties under development in line with the progress of our property developments. Our other prepayments increased to Rmb 137.8 million as of June 30, 2009 primarily due to the increase of our prepaid construction cost in connection with the progress of our property development.

The aging analysis of our trade receivables as of the dates indicated is as follows:

	As of December 31,			As of June 30,
	2006	2007	2008	2009
	<i>(Rmb in thousands)</i>			
Within 90 days	144,247	19,855	33,180	68,613
Over 90 days and within 180 days	3,444	315	6,255	12,073
Over 180 days and within 365 days ...	—	3,662	18,131	2,735
Over 365 days	<u>838</u>	<u>424</u>	<u>7,729</u>	<u>14,280</u>
Total	<u>148,529</u>	<u>24,256</u>	<u>65,295</u>	<u>97,701</u>

Our trade receivables turnover days was 21 days, 32 days, 7.6 days and 6.8 days in the years ended December 31, 2006, 2007 and 2008 and the six months ended June 30, 2009, respectively. Trade receivable turnover (days) = (beginning balance of trade receivables for the period + ending balance of trade receivables for the period) / 2 / revenue x 365 days for a year or 183 days for six months.

The significant decrease in trade receivables turnover days from 2007 to 2008 was primarily because we shortened our customers’ payment period in 2008 as compared with previous years.

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Investment Properties

We hold certain amount of properties for long-term rental yields or for capital appreciation or both, but not for our occupation. As of June 30, 2009, we held investment properties at a valuation of Rmb 741.0 million based on revaluation by DTZ Debenham Tai Leung Limited, an independent valuer. The increase in our investment properties as of December 31, 2007 as compared to December 31, 2006 was primarily due to the overall property price appreciation in Guangzhou and Shenzhen markets in 2007, and the increased number of carparks we owned. The increase in our investment properties as of December 31, 2008 as compared to December 31, 2007 was primarily due to the appreciation based on the revaluation of such investment properties. The increase in our investment properties as of June 30, 2009 as compared to December 31, 2008 was also due to appreciation based on revaluation of such investment properties.

Deferred Tax Assets

Deferred tax assets relate primarily to the temporary differences on recognition of sales and related cost of sales and tax losses recognized when management considers it probable that future taxable profit will be available against which the temporary differences or tax losses can be utilized.

The deferred income tax assets for recognition of sales and related cost of sales is provided in full, using the liability method, on temporary differences arising between the tax bases of advanced proceeds received from customers and their carrying amounts in the financial statements (normally the advanced proceeds received from customers are deemed as sales under the tax regulations, and we are required to prepay the related income tax, while under our accounting methods, such advance proceeds are treated as liabilities until we deliver the relevant properties to the buyer). Therefore, the amount fluctuates in line with the movement of advanced proceeds received from customers. Due to our expansion and the increase in advanced proceeds received from customers over the Track Record Period, the amount of deferred income tax assets for recognition of sales and related cost of sales increased accordingly.

Advance Proceeds Received from Customers

We record our pre-sale proceeds as “advance proceeds received from customers” within our current liabilities in our consolidated balance sheets. We do not recognize these advance proceeds from pre-sale or sale of properties as revenue until we have completed the construction of the relevant projects and issued notices to our customers of completion and delivery of properties pursuant to our sales and purchase agreements. As of December 31, 2006, 2007 and 2008 and June 30, 2009, our aggregate advance proceeds received from customers amounted to Rmb 598.5 million, Rmb 558.1 million, Rmb 1,217.7 million and Rmb 1,725.1 million, respectively. The increase in pre-sale proceeds as of December 31, 2008 as compared to December 31, 2007 was primarily due to pre-sales of our Shenzhen Victoria Harbour and Qingdao Azure Archipelagoes. The increase in pre-sale proceeds as of June 30, 2009 as compared to December 31, 2008 was primarily due to pre-sales of our Shenzhen Excellence Century Center.

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Trade and Other Payables

We had trade and other payables of Rmb 1,137.5 million, Rmb 711.4 million, Rmb 1,775.3 million and Rmb 1,764.0 million, respectively, as of December 31, 2006, 2007 and 2008 and June 30, 2009. The following table sets out the breakdown of our trade and other payables as of the dates indicated.

	As of December 31,			As of June 30,
	2006	2007	2008	2009
	<i>(Rmb in thousands)</i>			
Trade payables				
Third parties	370,967	313,763	1,066,976	914,049
Notes payable	—	—	—	59,726
Other payables				
Related parties	412,265	75,203	100,211	110,920
Third parties	282,446	319,013	514,941	586,691
Accrued expenses	435	1,944	279	253
Other taxes payable	<u>71,355</u>	<u>1,474</u>	<u>92,938</u>	<u>92,367</u>
Total	<u>1,137,468</u>	<u>711,397</u>	<u>1,775,345</u>	<u>1,764,006</u>

Our trade payables represent mainly payables to third parties including suppliers and contractors. We do not have uniform settlement terms with our suppliers and contractors. For general suppliers, we typically settle our payments within 90 days of receiving the goods and services. For our construction contractors, we typically settle in the current month a portion of the estimated construction costs during the previous month based on a schedule negotiated at the contracting stage. Typically our arrangements with the contractors allow us to withhold a warranty fee of up to 5% of the aggregate construction costs, the settlement of which will be made within three years from the completion.

Our trade payables to third parties increased as of December 31, 2008 as compared to December 31, 2007 primarily because we extended the payment period for both our existing and new trade payables to third parties. We were able to agree on such extended payment periods with third parties under the tightened credit market in 2008 as a result of our mutual intention to maintain a long-term relationship with such third parties. Our trade payables to third parties slightly decreased as of June 30, 2009 as compared to December 31, 2008 primarily due to our continued payment of the trade payables in the six months ended June 30, 2009 related to Shenzhen Victoria Harbour (South Part) and Qingdao Azure Archipelagoes (Phases 1A and 1B), both of which were completed in December 2008.

Our notes payable represent mainly acceptance bills payable. Our notes payable as of June 30, 2009 were the acceptance bills payable in connection with the construction payment for Shenzhen Excellence Century Center.

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Our other payables to third parties include various deposits from third parties, payable amounts to transferors with respect to our acquisition of project companies and other miscellaneous payables. The other payables to third parties increased from Rmb 282.4 million as of December 31, 2006 to Rmb 319.0 million as of December 31, 2007 primarily due to (i) amounts payable to the transferor for our acquisition of Lianyungang Tianxingjian and Lianyungang Ruihao; (ii) deed tax payable on land acquired; and (iii) certain contract deposits. The other payables to third parties increased to Rmb 514.9 million as of December 31, 2008 due to amounts payable to the transferor of Lianyungang Tianqian, Lianyungang Tianjun, Lianyungang Tianxingjian and Lianyungang Ruihao for preliminary development of the land for our project in Lianyungang. The other payables to third parties slightly increased to Rmb 586.7 million as of June 30, 2009 due to the increase of payables of short-term financing nature related to our Hangzhou Binjiang Project.

The aging analysis of our trade payables as of the dates indicated is as follows:

	As of December 31,			As of June 30,
	2006	2007	2008	2009
	<i>(Rmb in thousands)</i>			
Within 90 days	307,333	149,649	882,993	61,957
Over 90 days and within 180 days	1,727	2,118	1,546	127,744
Over 180 days and within 365 days ...	333	22,697	83,860	592,513
Over 365 days	61,574	139,299	98,577	131,835
Total	<u>370,967</u>	<u>313,763</u>	<u>1,066,976</u>	<u>914,049</u>

Our trade payables turnover days was 96 days, 212 days, 223 days and 151 days in the years ended December 31, 2006, 2007 and 2008 and the six months ended June 30, 2009, respectively. The trade payables turnover is calculated using the following formula:

Trade payables turnover (days) = (beginning balance of trade payables for the period + ending balance of trade payables for the period) / 2 / cost of sales x 365 days for a year or 183 days for six months.

Our lower trade payable turnover days of 96 in 2006 was primarily because of the significant increase in our cost of sales from the previous year resulting from our substantially increased revenue in 2006, which in turn translated into shorter turnover days for the period per our formula disclosed above. Our trade payable turnover days decreased from 223 in 2008 to 151 in the six months ended June 30, 2009 primarily because we sped up our payment of trade payables with our cash generated from the sales and presales of our properties

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LIQUIDITY AND CAPITAL RESOURCES

Our operations require cash primarily for acquisition of land and construction of our properties. To date, we have primarily financed our expenditures through cash generated from our operating activities, including proceeds from pre-sales and sales of properties, and borrowings from commercial banks. During the Track Record Period, we utilized substantial amount of cash from financing activities to fund our operations. We recorded net cash used in operating activities of Rmb 2,133.4 million for 2007, Rmb 1,132.5 million for the six months ended June 30, 2008 and Rmb 327.3 million for 2008. We recorded net cash generated from operating activities of Rmb 437.4 million for 2006 and Rmb 646.1 million for the six months ended June 30, 2009. In 2007 and 2008, our negative operating cash flow was primarily due to increased amount of expenditures in line with our fast expansion in property development. While we had negative operating cash flow in the amount of Rmb 1,132.5 million in the first half of 2008, our operating cash flow improved substantially in the second half of 2008, resulting in a lower negative operating cash flow in the amount of Rmb 327.3 million for the whole year of 2008. This was primarily due to the advance proceeds we received from the pre-sale of Shenzhen Victoria Harbour and the extension of payment period for our trade payables to third parties. As we had negative operating cash flows in 2007 and 2008, the cash inflows from financing activities were important to ensure our business expansion and property development as planned. For a detailed analysis of our cash flow during the Track Record Period, please refer to the discussion below in this section; for a detailed analysis of our borrowings during the Track Record Period, please refer to the section entitled “— Indebtedness and Contingent Liabilities — Borrowings.” We plan to meet our future funding obligations and commitments with the proceeds from the [●], bank borrowings and cash flow generated from our operating activities.

The following table presents selected cash flow data from our consolidated cash flow statements for the periods indicated:

	Year ended December 31,			Six months ended June 30,	
	2006	2007	2008	2008	2009
				<i>(unaudited)</i>	
				<i>(Rmb in millions)</i>	
Net cash generated from/(used in)					
operating activities	437.4	(2,133.4)	(327.3)	(1,132.5)	646.1
Net cash (used in)/from investing					
activities	(420.8)	5.8	(93.9)	(43.2)	7.9
Net cash from/(used in) financing					
activities	<u>833.2</u>	<u>2,229.6</u>	<u>(219.1)</u>	<u>680.1</u>	<u>367.6</u>
Cash and cash equivalents at end of					
the year/period	1,159.8	1,261.7	621.4	766.1	1,642.9

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Operating Activities

Six months ended June 30, 2009. We had net cash generated from operating activities of approximately Rmb 646.1 million for the six months ended June 30, 2009. The net operating cash flow primarily reflected our profit of Rmb 382.4 million for the six months ended June 30, 2009, as adjusted by income statement items with non-cash effect of Rmb 482.1 million, and cash from the following factor:

- an increase of approximately Rmb 1,032.0 million in our trade and other receivables (including prepayments), which was primarily due to (i) the advance payment in the approximate amount of Rmb 535.1 million we made to Jindi Dabaihui relating to the resettlement work conducted on the relevant land of Shenzhen Gangxia Project and (ii) the bank entrustment loans in the amount of Rmb 300 million we made to Dabaihui Group related to our Shenzhen Gangxia Project. For more information on Shenzhen Gangxia Project, see the section entitled “Business — Other Land-related Contractual Arrangements — Shenzhen Gangxia Project” in this document.

The effect of this factor was partially offset by cash inflows from the following:

- a decrease of approximately Rmb 124.5 million in our land use rights, which was primarily as a result of transfer to cost of sales upon sales of relevant properties in the six months ended June 30, 2009, primarily the sale of properties of Shenzhen Victoria Harbour and Qingdao Azure Archipelagoes (Phases 1A and 1B);
- a decrease of approximately Rmb 328.9 million in our property under development and completed properties held for sale, which was primarily due to transfer to cost of sales upon sales of relevant properties in the six months ended June 30, 2009, primarily the sale of properties of Shenzhen Victoria Harbour and Qingdao Azure Archipelagoes (Phases 1A and 1B); and
- an increase of approximately Rmb 507.4 million in advanced proceeds from customers, which was primarily due to the pre-sales of properties of Shenzhen Victoria Harbour and Shenzhen Excellence Century Center, which were partially offset by the recognition of advanced proceeds as revenue upon delivery of relevant properties.

2008. We had net cash used in operating activities of approximately Rmb 327.3 million for 2008. The net operating cash flow primarily reflected our profit of Rmb 185.3 million for 2008, as adjusted by income statement items with non-cash effect of Rmb 620.3 million, and cash outflows from the following factors:

- an increase of approximately Rmb 826.0 million in our land use rights. The increase was primarily due to (1) our acquisition of land for the development of Huizhou Luofushan Project, (2) the increase in land use rights as a result of transfer from prepayment for Wuhan Houhu Village and Shenzhen Excellence Century Center. The increase was partially offset by the decrease in land use rights as a result of transfer to cost of sales upon sales of relevant properties in 2008; and

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- an increase of approximately Rmb 2,118.8 million in our property under development and completed properties held for sale, which was primarily due to the additional construction of Shenzhen Victoria Harbour, Qingdao Azure Archipelagoes (Phase 1A and 1B), Shenzhen Excellence Times Plaza (Phase 2), Shenzhen Excellence Century Center, Dongguan Azure Polis and Changsha Valley Villa.

The effect of these factors was partially offset by cash inflows from the following:

- an increase of approximately Rmb 659.6 million in advanced proceeds from customers, which was primarily due to our pre-sale of Shenzhen Victoria Harbour and Qingdao Azure Archipelagoes;
- a decrease of approximately Rmb 330.0 million in our trade and other receivables (including prepayments), which was primarily due to a decrease in prepayments for land use rights as a result of transfer to land use rights upon obtaining land certificates for Wuhan Houhu Village Project and Shenzhen Excellence Century Center. This decrease was partially offset by an increase in prepayments for land use rights in accordance with the payment terms of existing land contracts; and
- an increase of approximately Rmb 938.1 million in our trade and other payables, which was primarily due to our extended payment period for our trade payables to our contractors and suppliers under the tightened credit market conditions in 2008.

2007. We had net cash used in operating activities of approximately Rmb 2,133.4 million for 2007. The net operating cash flow primarily reflected our profit of Rmb 322.1 million for 2007, as adjusted by income statement items with non-cash effect of negative Rmb 67.7 million, and cash outflows from the following factors:

- an increase of approximately Rmb 505.4 million in our trade and other receivables primarily due to our prepaid land acquisition costs for land use rights in connection with our development projects in Dongguan and Qingdao;
- an increase of approximately Rmb 860.8 million in our land use rights primarily from our acquisition of land for the development of Dongguan Azure Polis, Qingdao Azure Archipelagoes and Lianyungang Cote d’Azur (Phase 1);
- a decrease of approximately Rmb 429.3 million in our trade and other payables primarily due to payments to contractors and suppliers for the construction of Shenzhen Excellence Times Plaza (Phase 2), Changsha Cote d’Azur (Phase 1B) and Wuhan Cote d’Azur (Phase 1); and
- an increase of approximately Rmb 516.1 million in our property under development and completed properties held for sale, primarily due to the additional construction of Shenzhen Excellence Times Plaza (Phase 2), Shenzhen Excellence Victoria Harbor, Qingdao Azure Archipelagoes and Changsha Cote d’Azur (Phase 1B).

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2006. We had net cash generated from operating activities of approximately Rmb 437.4 million in 2006. The net operating cash flow primarily reflected our profit of Rmb 201.2 million in 2006, as adjusted by income statement items with non-cash effect of Rmb 186.4 million, and cash inflows from the following:

- an increase of approximately Rmb 351.3 million in the advance proceeds from customers. The increase was primarily due to our pre-sale of Shenzhen Excellence Times Plaza (Phase 1), Shenzhen Repulse Bay and Changsha Cote d’Azur; and
- a decrease of approximately Rmb 324.3 million in our trade and other receivables (excluding trade and other receivables arising from acquisition, which is reflected in acquisition of subsidiaries). The decrease was primarily due to that we did not need to make as much prepayments for land use rights in 2006.

The effect of these factors was partially offset by cash outflows from the following:

- an increase of approximately Rmb 47.6 million in our land use rights. The increase was primarily due to that we acquired land primarily for the development of Shenzhen Excellence Century Center and Shenzhen Victoria Harbour;
- a decrease of approximately Rmb 170.7 million in our trade and other payables. The decrease was primarily due to our payments to contractors and suppliers; and
- an increase of approximately Rmb 324.5 million in our property under development and completed properties held for sale. The increase was primarily due to the construction of Shenzhen Excellence Times Plaza (Phases 1 and 2) and Shenzhen Repulse Bay, and the completion of Chongqing Excellence Mart (Phase 1) and the retail shops at Changsha Cote d’Azur (Phase 1A).

Investing Activities

Six months ended June 30, 2009. Our net cash generated from investing activities was Rmb 7.9 million for the six months ended June 30, 2009, which was mainly attributable to the interest of Rmb 8.7 million received on our bank deposits.

2008. Our net cash used in investing activities was Rmb 93.9 million for 2008, which was mainly attributable to approximately Rmb 46.5 million for the acquisition of a 70% interest in Hangzhou Hengxing and a 51% interest in Shenzhen Dabaihui from independent third parties, and approximately Rmb 47.7 million for the acquisition of a 10% interest in Guangzhou Guixin and a 10% interest in Hunan Lushan from independent third parties. Cash inflow from investing activities in 2008 was the interest of Rmb 9.0 million received on our bank deposits.

2007. Our net cash generated from investing activities was Rmb 5.8 million for 2007, which was mainly attributable to the proceeds of Rmb 330.0 million from our disposal of our 40% interest in Shenzhen Central Walk and our interest income of Rmb 20.2 million, which was mostly offset by

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approximately Rmb 171.7 million for the acquisition of certain subsidiaries and approximately Rmb 160.1 million for purchase of additional interest in subsidiaries. The reason for the disposal of our interest in Shenzhen Central Walk was because we achieved satisfactory return on our investment in Shenzhen Central Walk.

2006. Our net cash used in investing activities was Rmb 420.8 million in 2006, which was mainly attributable to approximately Rmb 400.1 million for the acquisition of a 90% interest in Guangzhou Guixin Industry Co., Ltd, a 60% interest in Hunan Lushan Villas Investment & Development Co., Ltd. from an independent third party, and a 60% interest in Shenzhen Excellent Century Development Co., Ltd. Cash inflow from investing activities in 2006 was the interest of Rmb 9.2 million received on our bank deposits.

Financing Activities

Six months ended June 30, 2009. Our net cash from financing activities was Rmb 367.6 million for the six months ended June 30, 2009, which was mainly attributable to the net proceeds of Rmb 1,418.8 million from our borrowings primarily for the development of Shenzhen Excellence Century Center as well as other properties under development, partially offset by our repayment of borrowings of Rmb 863.4 million and interest payment of Rmb 187.8 million.

2008. Our net cash used in financing activities was Rmb 219.1 million for 2008, which was mainly attributable to our repayment of borrowings of Rmb 2,188.5 million, the increase of Rmb 350.0 million in our restricted bank deposits for bank borrowings and interest payment of Rmb 446.6 million, partially offset by the net proceeds of Rmb 2,766.0 million from our borrowings primarily for the development of Shenzhen Victoria Harbour, Qingdao Azure Archipelagoes and Shenzhen Excellence Century Center.

2007. Our net cash from financing activities was Rmb 2,229.6 million for 2007, which was mainly attributable to the net proceeds of Rmb 4,141.9 million from our borrowings primarily for the development of Qingdao Azure Archipelagoes and Wuhan Cote d’Azur, partially offset by our repayment of borrowings of Rmb 1,749.2 million.

2006. Our net cash from financing activities was Rmb 833.2 million for 2006, which was mainly attributable to the net proceeds of Rmb 2,049.0 million from our borrowings primarily for the development of Changsha Cote d’Azur, Shenzhen Excellence Times Plaza (Phase 1) and Shenzhen Repulse Bay, partially offset by our repayment of borrowings of Rmb 1,170.0 million.

Net Current Asset Position

Our net current assets as of August 31, 2009 were approximately Rmb 4,006.7 million, comprising current assets of approximately Rmb 11,960.9 million and current liabilities of approximately Rmb 7,954.2 million. As of the same date, our current assets consisted of land use rights of Rmb 1,817.4 million, properties held for sale or under development of Rmb 3,831.5 million, trade and other receivables of Rmb 3,441.6 million, prepaid taxation of Rmb 169.5 million and cash of Rmb 2,701.0 million. Our current liabilities consisted of advances from pre-sale of properties of Rmb 3,089.9 million, trade and other payables of Rmb 1,578.4 million, current income tax liabilities of Rmb 955.7 million and borrowings of Rmb 2,330.3 million.

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Working Capital

As of December 31, 2006, 2007 and 2008 and June 30, 2009, our aggregate cash and cash equivalents amounted to Rmb 1,159.8 million, Rmb 1,261.7 million, Rmb 621.4 million and Rmb 1,642.9 million, respectively, substantially all of which were subject to PRC foreign exchange controls if such cash and cash equivalents were to be exchanged into foreign currencies or remitted outside of China.

Based on the estimated net proceeds from the [●], our cash on hand and available banking facilities, and our future cash flows from operations, we are of the opinion that we have sufficient working capital for our present requirements and for the next 12 months from the date of this document.

INDEBTEDNESS AND CONTINGENT LIABILITIES

Borrowings

As of December 31, 2006, 2007 and 2008 and June 30, 2009, we had the following outstanding borrowings.

	As of December 31,			As of June 30,
	2006	2007	2008	2009
	<i>(Rmb in thousands)</i>			
Borrowings included in non-current liabilities:				
Bank borrowings	1,963,000	4,405,000	4,645,500	5,572,842
Less: current portion of non-current borrowings	<u>(230,000)</u>	<u>(1,240,000)</u>	<u>(1,061,000)</u>	<u>(1,587,000)</u>
Total	<u>1,733,000</u>	<u>3,165,000</u>	<u>3,584,500</u>	<u>3,985,842</u>
Borrowings included in current liabilities:				
Bank borrowings	660,000	737,892	1,074,895	703,276
Current portion of non-current borrowings	<u>230,000</u>	<u>1,240,000</u>	<u>1,061,000</u>	<u>1,587,000</u>
Total	<u>890,000</u>	<u>1,977,892</u>	<u>2,135,895</u>	<u>2,290,276</u>

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Our outstanding bank borrowings amounted to Rmb 2,623.0 million, Rmb 5,142.9 million, Rmb 5,720.4 million and Rmb 6,276.1 million, respectively, as of December 31, 2006, 2007 and 2008 and June 30, 2009. The increase in our bank borrowings was primarily due to additional funds needed for new and existing development projects. For the years ended December 31, 2006, 2007 and 2008 and the six months ended June 30, 2009, the average interest rate on our borrowings was 5.09%, 6.30%, 7.09% and 5.61%, respectively. Approximately Rmb 320.0 million, Rmb 1,634.0 million, Rmb 1,702.0 million and Rmb 2,814.8 million of our total borrowings as of December 31, 2006, 2007 and 2008 and June 30, 2009, respectively, were guaranteed by Li Wa or Li Xiaoping. Such guarantees will be released immediately prior to [●].

As conditions for these borrowings, some of our subsidiaries, including Excellence Century City, Shenzhen Excellence and Excellence China, are restricted from distributing any or certain level of profits or dividends.

Pursuant to our HK\$ 780 million facilities with ICBC Asia, we have pledged certain equity interest, including the related rights to dividends, in some of our major subsidiaries including Excellence Hong Kong, Excellence China and Excellence Century City to ICBC Asia. As a result, these subsidiaries are restricted in their ability to make distribution to the Company until we have fully repaid the loans. However, we intend to repay all the borrowings under the ICBC Asia loan facilities from the proceeds of the [●] within one month after [●], and we have no current intention to pay out any dividend after the [●] and before mid 2010. We do not expect the ICBC Asia loan facilities will hinder our ability to distribute dividends to public shareholders or affect our flexibility in utilizing internal funds or affect the ability of our subsidiaries to transfer their net income to us in the form of dividends or otherwise after the [●]. We have not drawn down the remaining unutilized HK\$112 million under the ICBC Asia loan facilities and the drawdown period of such facilities has already expired.

Additionally, some of our subsidiaries, including Excellence China, Shenzhen Qi'nian and Dongguan Zhongtian, are subject to restrictions for further debt financing from third-party banks unless bank consents or certain financial ratios have been obtained or met.

Pursuant to our HK\$780 million facilities with ICBC Asia, we are also subject to certain restrictions for further debt financing. However, as we intend to repay all the borrowings under the ICBC loan agreement from the proceeds of the [●] within one month after [●], we do not expect the ICBC Asia loan facilities will hinder our ability to obtain further debt financing after the [●].

According to the relevant laws and regulations governing PRC banking industry and real estate industry, PRC property developers can apply for project loans up to 65% of the estimated total project investment after obtaining the land use rights certificate, construction land planning permit, construction permit and construction works planning permit for the relevant project.

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The table below sets forth the maturity profiles of our bank borrowings as of the dates indicated:

	As of December 31,			As of June 30,
	2006	2007	2008	2009
	<i>(Rmb in thousands)</i>			
Within 1 year.....	890,000	1,977,892	2,135,895	2,290,276
Between 1 and 2 years.....	1,008,000	896,000	2,356,500	3,183,842
Between 2 and 5 years.....	725,000	2,215,000	1,186,000	802,000
Over 5 years	—	54,000	42,000	—
Total	<u>2,623,000</u>	<u>5,142,892</u>	<u>5,720,395</u>	<u>6,276,118</u>

As of June 30, 2009, we have available unutilized banking facilities in the total amount of approximately Rmb 5.8 billion. On October 6, 2009, we further entered into a US\$50 million facility with Superb Miles Limited, a subsidiary of ICBC International Holdings Limited and an associated company of ICBC International Capital Limited. Under this facility, we may draw down loans up to US\$50 million within six months of October 6, 2009 at the interest rate of LIBOR plus 3%. This facility is also guaranteed by Li Wa and Li Xiaoping. Such guarantees will be released immediately prior to [●] and replaced by the guarantee given by us. Pursuant to this facility agreement, if either of the following conditions, among others, occur, it would constitute an event of default under the facility and the loan will, become immediately due and payable: (a) before [●], Mr. Li Wa and Mr. Li Xiaoping, collectively, do not or cease to own 100% interest in Excellence Hong Kong; (b) [●] for [●]; or (c) Mr. Li Wa or Mr. Li Xiaoping dies or by reason of any physical condition or incapacity becomes incapable of managing his own affairs or becomes a patient under any mental health legislation. As of the Latest Practicable Date, we had drawn down loans in the total amount of US\$20.0 million under this facility.

Gearing Ratio

We monitor our capital on the basis of our gearing ratio, which is calculated as net debt divided by total capital. Net debt is calculated as total borrowing (including current and non-current borrowings, as shown in the consolidated balance sheet) less cash and cash equivalents. Total capital is calculated as equity, as shown in the consolidated balance sheet, plus net debt.

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The following table sets out our gearing ratio as of the dates indicated.

	As of December 31,			As of June 30,
	2006	2007	2008	2009
<i>(Rmb in thousands, except for gearing ratios)</i>				
Total borrowings	2,623,000	5,142,892	5,720,395	6,276,118
Less: cash and bank balances	(1,209,684)	(1,289,782)	(1,009,027)	(2,043,479)
Net debt.....	1,413,316	3,853,110	4,711,368	4,232,639
Total equity	1,254,897	1,284,944	1,434,222	1,816,665
Total capital.....	<u>2,668,213</u>	<u>5,138,054</u>	<u>6,145,590</u>	<u>6,049,304</u>
Gearing ratio ⁽¹⁾	53.0%	75.0%	76.7%	70.0%

(1) Gearing ratio = net debt/total capital.

The increase in our gearing ratio in 2007 was primarily due to our increased borrowing for property development projects including Qingdao Azure Archipelagoes, Shenzhen Victoria Harbour and Wuhan Cote d’Azur. Our gearing ratio in 2008 remained at the 2007 level as a result of our repayment of our previous borrowings of Rmb 2,188.5 million and incurrence of new borrowings in an amount of Rmb 2,766.0 million primarily for our development of Shenzhen Victoria Harbour, Qingdao Azure Archipelagoes and Shenzhen Excellence Century Center. Our gearing ratio decreased slightly from 76.7% as of December 31, 2008 to 70.0% as of June 30, 2009 due to the increase in our cash and cash equivalents. We monitor our indebtedness level generally through monthly review of our management accounts including balance sheets, income statements and cash flow statements to assess our financial condition and keep our leverage at a reasonable level in light of the cost of capital, business opportunities and market conditions at the time. We believe that our gearing ratio of 70.0% as of June 30, 2009, although higher than the previous years, is reasonable for a company of our size and development stage.

Contingent Liabilities

We make arrangements with various PRC banks to provide mortgage facilities to purchasers of our pre-sold properties. In accordance with market practice, we are required to provide guarantees to these banks in respect of mortgages provided to our customers. Guarantees for mortgages on pre-sold residential properties are generally discharged at the earlier of: (i) the submission of property ownership certificates to the mortgagee banks, or (ii) the payment of the total amount of mortgages by purchasers. If a purchaser defaults on the mortgage loan, we are typically required to repurchase the underlying property by paying off the mortgage loan. If we fail to do so, the mortgagee banks will auction the underlying property and recover the balance from us if the outstanding loan amount

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exceeds the net foreclosure sale proceeds. In line with industry practice, we do not conduct independent credit checks on our customers but rely on the credit checks conducted by the mortgagee banks. As of December 31, 2006, 2007 and 2008 and June 30, 2009, our outstanding guarantees for mortgage loans of the purchasers of our pre-sold properties were approximately Rmb 908.2 million, Rmb 606.5 million, Rmb 533.4 million and Rmb 1,287.7 million, respectively. During the Track Record Period, we did not encounter any material mortgage loan defaults.

Except as disclosed above, as of the Latest Practicable Date, we did not have any outstanding loan capital issued or agreed to be issued, bank overdrafts, loans, debt securities, borrowings or other similar indebtedness, liabilities under acceptance (other than normal trade bills) or acceptance credits, debentures, charged, finance leases, hire purchase commitments, guarantees or other material contingent liabilities.

We confirm that, other than disclosed in this document, there has been no material change in our indebtedness or contingent liabilities since June 30, 2009.

Capital Expenditures and Commitments

We incurred capital expenditures of Rmb 354.0 million, Rmb 13.9 million, Rmb 17.6 million and Rmb 0.9 million in the years ended December 31, 2006, 2007 and 2008 and the six months ended June 30, 2009, respectively. We had no significant capital commitments as of December 31, 2006, 2007 and 2008 and June 30, 2009.

Our capital expenditures in 2006 primarily consisted of Rmb 330.2 million for acquiring operating rights in Guangzhou Diwang and the goodwill of Rmb 0.3 million associated with the acquisition of 90% equity interest in Guangzhou Guixin, Rmb 16.1 million of goodwill arising from the acquisition of additional 60% equity interest in Excellence Century City, and Rmb 7.4 million for acquiring additional fixed assets. Our capital expenditure for 2007 was Rmb 13.9 million, most of which was for the acquisition of fixed assets including motor vehicles, office furniture and equipment. Our capital expenditures in 2008 primarily consisted of approximately Rmb 17.6 million for acquiring the goodwill of Rmb 7.9 million associated with the acquisition of 70% equity interest in Hangzhou Hengxing and the fixed assets of Rmb 9.7 million including motor vehicles, office furniture and equipment. Our capital expenditures in the six months ended June 30, 2009 primarily consisted of approximately Rmb 0.9 million for acquiring fixed assets.

As a property developer, we need funds primarily for acquisition of land and construction of our properties. By contrast, the amount of our capital expenditures, which mainly involve acquisition of project operating rights, goodwill, motor vehicles, office furniture and equipment, is relatively limited. We currently do not have any specific capital expenditure plan and expect to incur capital expenditures in the future in line with our operations and business expansions.

FINANCIAL INFORMATION

Lease Payments

Our future aggregate minimum lease payments under non-cancellable operating leases in respect of properties are as follows:

	As of December 31,			As of June 30,
	2006	2007	2008	2009
	<i>(Rmb in thousands)</i>			
Not later than one year	1,041	653	1,661	1,412
Later than one year and not later than five years	40	173	2,982	2,400
Later than five years	—	—	—	—
Total	<u>1,081</u>	<u>826</u>	<u>4,643</u>	<u>3,812</u>

OFF-BALANCE SHEET ARRANGEMENTS

Except for the contingent liabilities set forth above, we have not entered into any off-balance sheet guarantees or other commitments to guarantee the payment obligations of any third parties. We do not have any variable interest in any unconsolidated entity that provides financing, liquidity, market risk or credit support to us or engages in leasing or hedging or research and development services with us.

MARKET RISKS

We are, in the normal course of business, exposed to market risks primarily relating to fluctuations in interest rates, commodity prices, foreign exchange rates and the inflation rate.

Interest Rate Risk

We are exposed to interest rate risks, primarily relating to our bank borrowings, which totaled Rmb 2,623.0 million, Rmb 5,142.9 million, Rmb 5,720.4 million and Rmb 6,276.1 million, respectively, as of December 31, 2006, 2007 and 2008 and June 30, 2009. We undertake debt obligations to support our property development and general working capital needs. Upward fluctuations in interest rates increase the cost of our financing. Fluctuations in interest rates can also lead to significant fluctuations in the fair values of our debt obligations. The benchmark one-year lending rate published by the PBOC effective as of December 31, 2006, 2007 and 2008 was 6.12%, 7.47% and 5.31%, respectively. We do not currently use any derivative instruments to modify the nature of our debt to manage our interest rate risk.

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Commodity Risk

We are exposed to fluctuations in the prices of raw materials for our property developments, including primarily steel and cement. Such purchase costs are generally accounted for as part of the contractor fees pursuant to our arrangements with our construction contractors. Accordingly, rising prices for construction materials will affect our construction costs in the forms of increased fees payable to our contractors and suppliers. As a result, fluctuations in the prices of construction materials have a significant impact on our results of operations.

Foreign Exchange Risk

All of our revenues and expenses are denominated in Renminbi, and therefore, we have not had exposure to foreign exchange rate fluctuations. Subsequent to this [●], a depreciation of Renminbi would adversely affect the value of any dividends we pay to our offshore shareholders. We currently do not engage in hedging activities designed or intended to manage such currency risk. Also see the section entitled “Risk Factors — Risks Relating to China — Fluctuations in the value of Renminbi will affect the value of, and dividends payable on, our Shares in foreign currency terms and affect the amount of our foreign debt service in Renminbi terms” in this document.

Inflation

China has not experienced significant inflation or deflation in recent years. According to the National Bureau of Statistics of China, China’s overall national inflation rate, as represented by the general consumer price index, was approximately 1.5% in 2006, 4.8% in 2007, and 5.9% in 2008, respectively. Recent inflation and deflation have not materially affected our business. Deflation could negatively affect our business as it might be a disincentive for prospective property purchasers to make a purchase.

DIVIDENDS AND DISTRIBUTABLE RESERVES

In accordance with PRC laws and our Articles of Association, appropriations to the statutory surplus reserve and statutory public welfare fund should be based on the profits after taxation and minority interests. The amount of profits available for distribution to our shareholders is determined based on the lower of post-appropriated profits determined in accordance with PRC accounting standards and financial regulations, or HKFRS.

FINANCIAL INFORMATION

Declaration of dividends is proposed by our Board of Directors. Our Board of Directors has the authority to decide whether to propose the declaration of dividends for any year and, if they decide to propose the declaration of dividends, how much dividend to declare. Any dividends, if declared, are distributed in Renminbi with respect to our Shares on a per Share basis and will be paid in Hong Kong Dollar. The declaration of dividends is subject to the approval by our shareholders, and the amounts of dividends actually declared and paid will also depend on the following factors:

- our general business conditions;
- our financial results;
- our capital requirements;
- interests of our shareholders; and
- any other factors which may be relevant.

On October 17, 2009, we declared a special dividend of Rmb 400 million to our existing shareholders as of that date, being Sparkle Century and Broad Ocean. Before the completion of the [●], such special dividend will be fully settled out of our internally generated cash flow. Based on the estimated net proceeds from the [●], our cash on hand and available banking facilities, and our future cash flows from operations, and taking into account the distribution of this special dividend of Rmb 400 million, we are of the opinion that we have sufficient working capital for our present requirements and for the next 12 months from the date of this document. Our past dividend payment history is not, and should not be taken as, an indication of our potential future practice on dividend payments. There is no assurance that dividends of any amount will be declared or distributed in any year.

Distributable Reserves

As of June 30, 2009, our reserves available for distribution to our equity holders amounted to approximately Rmb 1,645.7 million.

NO MATERIAL ADVERSE CHANGE

We confirm that there has not been any material adverse change in our financial or trading position since June 30, 2009.

FUTURE PLANS

FUTURE PLANS

We intend to grow our business by continuing to focus on development of commercial and residential properties comprising office buildings, commercial complexes, hotels and residential properties.

Our current land bank is sufficient for property developments in the next five years and we plan to replenish our land bank on a rolling basis. As of June 30, 2009, we had a total of approximately 11.3 million square meters of GFA under development or held for future development. We will use a portion of our net proceeds from this [●] to acquire additional land use rights for our future development and for our existing property developments. We intend to finance the remaining development costs with our operating cash flows and external borrowings.

APPENDIX IA ACCOUNTANT’S REPORT OF EXCELLENCE REAL ESTATE GROUP LIMITED

The following is the text of a report, prepared for the sole purpose of incorporation in this document, received from our reporting accountant, PricewaterhouseCoopers, Certified Public Accountants, Hong Kong.

Draft



羅兵咸永道會計師事務所

PricewaterhouseCoopers
22/F, Prince's Building
Central, Hong Kong

[●]

The Directors
Excellence Real Estate Group Limited

Dear Sirs,

We set out below our report on the financial information (the “Financial Information”) of Excellence Real Estate Group Limited (the “Company”) and its subsidiaries (hereinafter collectively referred to as the “Group”) and jointly controlled entities set out in Sections I to IV below, for inclusion in [●]. The Financial Information comprises the consolidated balance sheets as at 31 December 2006, 2007 and 2008 and 30 June 2009, the balance sheets of the Company as at 31 December 2007, 2008 and 30 June 2009, the consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated cash flow statements for each of the years ended 31 December 2006, 2007 and 2008 and the six months ended 30 June 2008 and 2009 (the “Relevant Periods”), and a summary of significant accounting policies and other explanatory notes.

The Company was incorporated in the Cayman Islands on 4 June 2007 as an exempted company with limited liability under the Companies Law (2004 Revision) of the Cayman Islands. Pursuant to a group reorganisation as detailed in note 1 of Section II headed “General Information and Group Reorganisation” below, which was completed on 18 January 2008, the Company became the holding company of the subsidiaries comprising the Group (the “Reorganisation”).

As at the date of this report, the Company has direct and indirect interests in the subsidiaries and jointly controlled entities as set out in notes 1 and 10 of Section II below. All of these companies are private companies.

APPENDIX IA ACCOUNTANT’S REPORT OF EXCELLENCE REAL ESTATE GROUP LIMITED

All companies comprising the Group have adopted 31 December 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 audited financial statements or management financial statements of the subsidiaries comprising the Group were prepared in accordance with accounting principles and relevant financial regulations of the People’s Republic of China (the “PRC”) or those relevant accounting principles applicable to their respective place of incorporation.

For the purpose of this report, the directors of the Company have prepared consolidated financial statements of the Company for the Relevant Periods in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) (the “Underlying Financial Statements”) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”). We have audited the Underlying Financial Statements for each of the years ended 31 December 2006, 2007 and 2008 and the six months ended 30 June 2009 in accordance with the Hong Kong Standards on Auditing.

The Financial Information has been prepared based on the Underlying Financial Statements, with no adjustment made thereon.

Directors’ responsibility

The directors of the Company are responsible for the preparation and the true and fair presentation of the Underlying Financial Statements in accordance with HKFRSs.

For the financial information for each of the years ended 31 December 2006, 2007 and 2008 and the six months ended 30 June 2009, the directors of the Company are responsible for the preparation and the true and fair presentation of the financial information in accordance with HKFRSs. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of the financial information that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

For the financial information for the six months ended 30 June 2008, the directors of the Company are responsible for the preparation and the presentation of the financial information in accordance with the accounting policies set out in Note 2 of Section II below which are in conformity with HKFRSs.

Reporting accountant’s responsibility

For the financial information for each of the years ended 31 December 2006, 2007 and 2008 and the six months ended 30 June 2009, our responsibility is to express an opinion on the financial information based on our examination and to report our opinion to you. We examined the Underlying Financial Statements used in preparing the financial information, and carried out such additional procedures as we considered necessary in accordance with the Auditing Guideline 3.340 “Prospectuses and the Reporting Accountant” issued by the HKICPA.

APPENDIX IA ACCOUNTANT’S REPORT OF EXCELLENCE REAL ESTATE GROUP LIMITED

For the financial information for the six months ended 30 June 2008, our responsibility is to express a conclusion on the financial information based on our review and to report our conclusion to you. We conducted our review in accordance with the Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity”. A review of the financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Opinion and review conclusion

In our opinion, the financial information for each of the years ended 31 December 2006, 2007 and 2008 and the six months ended 30 June 2009, for the purpose of this report, gives a true and fair view of the state of affairs of the Company as at 31 December 2007, 2008 and 30 June 2009, and of the state of affairs of the Group as at 31 December 2006, 2007 and 2008 and 30 June 2009 and of the Group’s results and cash flows for the respective years and period then ended.

Based on our review, which does not constitute an audit, nothing has come to our attention that causes us to believe that the financial information for the six months ended 30 June 2008, for the purpose of this report, is not prepared, in all material respects, in accordance with the accounting policies set out in Note 2 of Section II below which are in conformity with HKFRSs.

APPENDIX IA ACCOUNTANT’S REPORT OF EXCELLENCE REAL ESTATE GROUP LIMITED

I FINANCIAL INFORMATION

Consolidated balance sheets

		As at 31 December			As at
	Note	2006	2007	2008	30 June
		RMB'000	RMB'000	RMB'000	2009
					RMB'000
ASSETS					
Non-current assets					
Property, plant and equipment	6	30,381	36,405	34,425	30,170
Investment properties	7	572,500	665,000	706,000	741,000
Land use rights	8	771,365	1,186,887	1,320,854	1,312,469
Intangible assets	9	37,615	38,390	46,290	46,290
Investment in jointly controlled entities	10	—	—	65,172	62,485
Available-for-sale financial assets	11	322,712	—	—	—
Deferred income tax assets	21	34,032	54,469	82,529	79,737
Other receivables	14	—	—	—	300,000
		1,768,605	1,981,151	2,255,270	2,572,151
Current assets					
Land use rights	8	445,275	1,276,249	1,947,517	1,820,666
Properties under development	12	255,479	616,854	1,770,654	1,938,471
Completed properties held for sale	13	550,043	750,792	1,933,047	1,517,101
Trade and other receivables	14	1,776,148	2,280,157	2,062,628	2,794,650
Prepaid taxation		60,415	38,864	77,495	124,898
Financial assets at fair value through profit or loss	15	2,323	—	—	—
Restricted cash	16	49,908	28,066	387,663	400,589
Cash and cash equivalents	17	1,159,776	1,261,716	621,364	1,642,890
		4,299,367	6,252,698	8,800,368	10,239,265
Total assets		6,067,972	8,233,849	11,055,638	12,811,416
EQUITY					
Capital and reserves attributable to equity owners of the Company					
Share capital	18	6,535	6,879	6,879	6,879
Reserves	19	1,021,101	1,097,989	1,262,757	1,645,695
		1,027,636	1,104,868	1,269,636	1,652,574
Minority interests		227,261	180,076	164,586	164,091
Total equity		1,254,897	1,284,944	1,434,222	1,816,665
LIABILITIES					
Non-current liabilities					
Borrowings	20	1,733,000	3,165,000	3,584,500	3,985,842
Deferred income tax liabilities	21	215,464	240,484	261,040	288,313
		1,948,464	3,405,484	3,845,540	4,274,155
Current liabilities					
Advance proceeds received from customers		598,514	558,144	1,217,725	1,725,138
Trade and other payables	22	1,137,468	711,397	1,775,345	1,764,006
Current income tax liabilities		238,629	295,988	646,911	941,176
Borrowings	20	890,000	1,977,892	2,135,895	2,290,276
		2,864,611	3,543,421	5,775,876	6,720,596
Total liabilities		4,813,075	6,948,905	9,621,416	10,994,751
Total equity and liabilities		6,067,972	8,233,849	11,055,638	12,811,416
Net current assets		1,434,756	2,709,277	3,024,492	3,518,669
Total assets less current liabilities		3,203,361	4,690,428	5,279,762	6,090,820

APPENDIX IA ACCOUNTANT’S REPORT OF EXCELLENCE REAL ESTATE GROUP LIMITED

Balance sheets

		As at 31 December		As at
	<i>Note</i>	2007	2008	30 June
		<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
ASSETS				
Non-current assets				
Investments in subsidiaries	33	344	7,567	7,567
		344	7,567	7,567
Current assets				
Other receivables		—	5,304	5,301
Cash and cash equivalents		89	67	67
		89	5,371	5,368
Total assets		433	12,938	12,935
EQUITY				
Capital and reserves				
Share capital	18	344	6,879	6,879
Reserves	19	(66)	(175)	(175)
Total equity		278	6,704	6,704
LIABILITIES				
Current liabilities				
Trade and other payables		155	6,234	6,231
		155	6,234	6,231
Total liabilities		155	6,234	6,231
Total equity and liabilities		433	12,938	12,935
Net current liabilities		(66)	(863)	(863)
Total assets less current liabilities		278	6,704	6,704

APPENDIX IA ACCOUNTANT’S REPORT OF EXCELLENCE REAL ESTATE GROUP LIMITED

Consolidated statements of comprehensive income

		Year ended 31 December			Six months ended 30 June	
	Note	2006	2007	2008	2008	2009
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
					(unaudited)	
Revenue	5	1,369,948	990,759	2,149,588	745,044	2,178,665
Cost of sales	25	(871,535)	(589,950)	(1,132,194)	(393,671)	(1,198,540)
Gross profit		498,413	400,809	1,017,394	351,373	980,125
Other income	23	19,705	1,371	3,639	967	1,239
Other gains - net	24	72,753	317,469	60,898	59,360	35,529
Selling and marketing costs	25	(58,862)	(58,621)	(109,825)	(50,830)	(56,969)
Administrative expenses	25	(82,241)	(112,731)	(157,786)	(88,894)	(76,198)
Operating profit		449,768	548,297	814,320	271,976	883,726
Finance income	26	18,022	9,930	9,027	5,634	8,715
Finance costs	26	(78,332)	(124,227)	(227,005)	(125,336)	(106,756)
Finance costs - net	26	(60,310)	(114,297)	(217,978)	(119,702)	(98,041)
Share of loss of jointly controlled entities	10	—	—	—	—	(2,687)
Share of loss of an associate		(10)	—	—	—	—
Profit before income tax		389,448	434,000	596,342	152,274	782,998
Income tax expenses	29	(188,262)	(111,914)	(410,999)	(127,428)	(400,555)
Profit for the year/period		201,186	322,086	185,343	24,846	382,443
Other comprehensive income:						
Gains/(losses) recognised directly in equity:						
Fair value gains on available-for-sale financial assets	19	139,241	7,288	—	—	—
Tax effect of fair value gains on available-for-sale financial assets	19	(20,886)	(1,093)	—	—	—
Reclassification for gains included in profit and loss	19	—	(195,500)	—	—	—
Other comprehensive income for the year/period, net of tax		118,355	(189,305)	—	—	—
Total comprehensive income for the year/period		319,541	132,781	185,343	24,846	382,443
Profit/(loss) attributable to:						
Equity owners of the Company		205,778	323,714	184,467	25,429	382,938
Minority interests		(4,592)	(1,628)	876	(583)	(495)
		201,186	322,086	185,343	24,846	382,443
Total comprehensive income attributable to:						
Equity owners of the Company		324,133	134,409	184,467	25,429	382,938
Minority interests		(4,592)	(1,628)	876	(583)	(495)
		319,541	132,781	185,343	24,846	382,443
Basic and diluted earnings per share for profit attributable to equity owners of the Company during the year/period	31	217	331	184	25	383
Dividends	30	—	—	—	—	—

APPENDIX IA ACCOUNTANT’S REPORT OF EXCELLENCE REAL ESTATE GROUP LIMITED

Consolidated statements of changes in equity

	Attributable to the equity owners of the Company				Minority interests	Total equity
	Share capital <i>RMB'000</i>	Other reserves <i>RMB'000</i> <i>Note (i)</i>	Retained earnings <i>RMB'000</i>	Total <i>RMB'000</i>		
Balance at 1 January 2006	6,535	116,253	583,315	706,103	89,983	796,086
Profit/(loss) for the year	—	—	205,778	205,778	(4,592)	201,186
Other comprehensive income:						
Fair value gains of available-for-sale financial assets, net of tax	—	118,355	—	118,355	—	118,355
	—	118,355	—	118,355	—	118,355
Total comprehensive income for the year	—	118,355	205,778	324,133	(4,592)	319,541
Transfer to other reserve	—	35,653	(35,653)	—	—	—
Capital injections to subsidiaries by their then shareholders	—	—	—	—	69,000	69,000
Acquisition of subsidiaries (<i>note 37</i>)	—	—	—	—	93,250	93,250
Acquisition of additional interest in a subsidiary	—	(2,600)	—	(2,600)	(20,380)	(22,980)
Balance at 31 December 2006	6,535	267,661	753,440	1,027,636	227,261	1,254,897
Profit/(loss) for the year	—	—	323,714	323,714	(1,628)	322,086
Other comprehensive income:						
Fair value gains of available-for-sale financial assets, net of tax	—	6,195	—	6,195	—	6,195
Disposal of available-for-sale financial assets	—	(195,500)	—	(195,500)	—	(195,500)
	—	(189,305)	—	(189,305)	—	(189,305)
Total comprehensive income for the year	—	(189,305)	323,714	134,409	(1,628)	132,781
Transfer to other reserve	—	22,359	(22,359)	—	—	—
Capital injections to the Company and its subsidiaries by their then shareholders	344	—	—	344	23,020	23,364
Acquisition of subsidiaries (<i>note 37</i>)	—	—	—	—	43,000	43,000
Acquisition of additional interest in subsidiaries	—	(57,521)	—	(57,521)	(111,577)	(169,098)
Balance at 31 December 2007	6,879	43,194	1,054,795	1,104,868	180,076	1,284,944
Profit for the year	—	—	184,467	184,467	876	185,343
Total comprehensive income for the year	—	—	184,467	184,467	876	185,343
Transfer to other reserve	—	51,904	(51,904)	—	—	—
Acquisition of subsidiaries (<i>note 37</i>)	—	—	—	—	7,514	7,514
Acquisition of additional interest in subsidiaries	—	(19,699)	—	(19,699)	(23,880)	(43,579)
Balance at 31 December 2008	6,879	75,399	1,187,358	1,269,636	164,586	1,434,222
Profit/(loss) for the period	—	—	382,938	382,938	(495)	382,443
Total comprehensive income for the period	—	—	382,938	382,938	(495)	382,443
Balance at 30 June 2009	6,879	75,399	1,570,296	1,652,574	164,091	1,816,665
Unaudited:						
Balance at 1 January 2008	6,879	43,194	1,054,795	1,104,868	180,076	1,284,944
Profit/(loss) for the period	—	—	25,429	25,429	(583)	24,846
Total comprehensive income for the period	—	—	25,429	25,429	(583)	24,846
Acquisition of subsidiaries (<i>note 37</i>)	—	—	—	—	2,614	2,614
Acquisition of additional interest in subsidiaries	—	—	—	—	(23,280)	(23,280)
Balance at 30 June 2008	6,879	43,194	1,080,224	1,130,297	158,827	1,289,124

Note (i):

Other reserves comprise merger reserve, capital reserve, statutory reserves and investment revaluation reserve, see note 19 for details.

APPENDIX IA ACCOUNTANT’S REPORT OF EXCELLENCE REAL ESTATE GROUP LIMITED

Consolidated cash flow statements

	<i>Note</i>	Year ended 31 December			Six months ended 30 June	
		2006	2007	2008	2008	2009
		<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
					<i>(unaudited)</i>	
Cash flows from operating activities						
Net cash generated from/(used in) operations	32	452,197	(2,051,834)	(259,749)	(1,086,100)	722,282
PRC enterprise income tax paid		(14,771)	(70,257)	(52,627)	(45,987)	(69,761)
PRC land appreciation tax paid		—	(11,308)	(14,953)	(444)	(6,464)
Net cash from/(used in) operating activities		437,426	(2,133,399)	(327,329)	(1,132,531)	646,057
Cash flows from investing activities						
Purchases of property, plant and equipment		(6,969)	(12,613)	(8,544)	(3,126)	(860)
Acquisition of subsidiaries, net of cash acquired	37	(400,078)	(171,680)	(46,498)	(13,348)	—
Payment for investment in a jointly controlled entity		—	—	(172)	(172)	—
Purchase of additional interest in subsidiaries		(22,980)	(160,140)	(47,715)	(32,216)	—
Proceeds from disposal of available-for-sale financial assets		—	330,000	—	—	—
Interest received		9,231	20,186	9,027	5,634	8,715
Net cash (used in)/from investing activities		(420,796)	5,753	(93,902)	(43,228)	7,855
Cash flows from financing activities						
Capital contributions from the then shareholders of the Company and its subsidiaries		69,000	23,364	—	—	—
Proceeds from borrowings		2,049,000	4,141,892	2,766,000	1,862,000	1,418,842
Repayments of borrowings		(1,170,000)	(1,749,225)	(2,188,497)	(947,796)	(863,381)
Restricted bank deposits for bank borrowings	20	—	—	(350,000)	—	—
Interest paid		(114,762)	(186,445)	(446,624)	(234,111)	(187,847)
Net cash from/(used in) financing activities		833,238	2,229,586	(219,121)	680,093	367,614
Net increase/(decrease) in cash and cash equivalents		849,868	101,940	(640,352)	(495,666)	1,021,526
Cash and cash equivalents at the beginning of the year/period		309,908	1,159,776	1,261,716	1,261,716	621,364
Cash and cash equivalents at the end of the year/period		1,159,776	1,261,716	621,364	766,050	1,642,890

APPENDIX IA ACCOUNTANT’S REPORT OF EXCELLENCE REAL ESTATE GROUP LIMITED

II NOTES TO THE FINANCIAL INFORMATION

1 General information and Reorganisation

The Company was incorporated in the Cayman Islands on 4 June 2007 as an exempted company with limited liability under the Companies Law (2004 Revision) of the Cayman Islands. The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The address of its principal place of business is 22nd Floor, Excellence Mansion, No. 98 Fuhua First Road, Futian Central District, Shenzhen, Guangdong Province, China. During the Relevant Periods, the Group is principally engaged in the property development, property rental, property management and related businesses.

Excellence Holdings Investment Limited (“Excellence Hong Kong”) was incorporated in Hong Kong on 7 March 1996 by Mr. Li Wa. As at 1 January 2006, Excellence Hong Kong was held by Mr. Li Wa and Mr. Li Xiaoping (hereinafter collectively referred as “Original Shareholders”) as to 95% and 5% respectively. The Original Shareholders, through Excellence Hong Kong, established and acquired various companies in the PRC engaging in property development, property rental, property management and related business. Details of the acquisition of companies during the Relevant Periods are set out below and in note 37.

As part of the Reorganisation, Mr. Li Wa, through his wholly owned holding company incorporated in British Virgin Island (“BVI”), Sparkle Century Holdings Development Limited (“Sparkle Century”), and Mr. Li Xiaoping, through his wholly owned holding company incorporated in BVI, Broad Ocean Investment Group Limited (“Broad Ocean”), subscribed for the entire issued share capital of Company upon its establishment. And accordingly the Company was held as to 95% by Sparkle Century and as to 5% by Broad Ocean.

Prior to the Reorganisation, Excellence Holdings Investment Limited (“Excellence BVI”), another company incorporated in BVI was held as to 95% by Mr. Li Wa and as to 5% by Mr. Li Xiaoping. Pursuant to the Reorganisation, the Company acquired the entire issued share capital of Excellence BVI from Li Wa and Li Xiaoping at considerations of USD47,500 and USD2,500, respectively, representing the issued share capital then held by Li Wa and Li Xiaoping.

On 18 January 2008, in consideration of the issue of 902,500 shares of the Company to Sparkle Century at the direction of Mr. Li Wa, Mr. Li Wa transferred his 47,500 shares in Excellence Hong Kong to Excellence BVI and, in consideration of the issue of 47,500 shares of the Company to Broad Ocean at the direction of Mr. Li Xiaoping, Mr. Li Xiaoping transferred his 2,500 shares in Excellence Hong Kong to Excellence BVI. After such transfers, Excellence Hong Kong became a wholly owned subsidiary of Excellence BVI.

After the above Reorganisation, the Company became the holding company of the subsidiaries comprising the Group. Sparkle Century also became the ultimate holding company of the Group. Mr. Li Wa is the ultimate controlling party.

Particulars of the subsidiaries of the Company as at the date of this report are set out below.

Name	Date of incorporation/ establishment	Nominal value of issued and fully paid share capital/ paid-in capital	Percentage of attributable equity interest to the Company				Date of this report	Principal activities
			As at					
			31 December		30 June			
			2006	2007	2008	2009		

Incorporated in BVI, limited liability companies and operate in the PRC:

Excellence Holdings Investment Limited (note (a))	24 August 2000	USD50,000	100%	100%	100%	100%	100%	Investment holding

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Name	Date of incorporation/ establishment	Nominal value of issued and fully paid share capital/ paid-in capital	Percentage of attributable equity interest to the Company					Principal activities
			As at					
			31 December		30 June		Date of this report	
			2006	2007	2008	2009		
Success State International Limited	30 January 2008	USD50,000	—	—	100%	100%	100%	Investment holding
Luck Sea International Limited	12 February 2008	USD50,000	—	—	100%	100%	100%	Investment holding
South Smart Investment Limited <i>(note (h))</i>	30 November 2007	USD50,000	—	100%	100%	100%	100%	Investment holding
Top Gate Investment Holdings Limited	2 April 2008	USD50,000	—	—	100%	100%	100%	Investment holding
Early State Group Limited	15 January 2008	USD50,000	—	—	100%	100%	100%	Investment holding
Jolly Park Holdings Limited <i>(note (a))</i>	16 January 2008	USD50,000	—	—	100%	100%	100%	Investment holding
Joyrun Holdings Limited <i>(note (a))</i>	8 July 2008	USD50,000	—	—	100%	100%	100%	Investment holding
Merry Wave Group Limited	25 April 2008	USD50,000	—	—	100%	100%	100%	Investment holding
Incorporated in Hong Kong, limited liability companies and operate in Hong Kong:								
Excellence Holdings Investment Limited	7 March 1996	HKD1,000,000	100%	100%	100%	100%	100%	Investment holding
Excellence Real Estate Investment Limited	30 May 2007	HKD70,200,000	—	100%	100%	100%	100%	Investment holding
Grand Way Real Estate Investment Limited	31 May 2007	HKD1,000,000	—	100%	100%	100%	100%	Investment holding
Oriental Rich Holdings Group Limited	5 July 2007	HKD10,000	—	100%	100%	100%	100%	Investment holding
Excellence Effort Property Development Limited	9 July 2008	HKD10,000	—	—	100%	100%	100%	Investment holding
Sapphire Nature International Limited	30 January 2008	HKD10,000	—	—	100%	100%	100%	Investment holding

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Name	Date of incorporation/ establishment	Nominal value of issued and fully paid share capital/ paid-in capital	Percentage of attributable equity interest to the Company				Date of this report	Principal activities
			As at					
			31 December 2006	2007	2008	30 June 2009		
Splendid Profit Holdings Limited <i>(note (h))</i>	30 January 2008	HKD10,000	—	—	100%	100%	100%	Investment holding
Success State Hotel Management Limited	18 April 2008	HKD10,000	—	—	100%	100%	100%	Investment holding
Best Group Enterprises Development Limited	11 July 2008	HKD10,000	—	—	100%	100%	100%	Investment holding
Universe Asia Int’l Enterprises Limited	8 July 2008	HKD10,000	—	—	100%	100%	100%	Investment holding
Established and operate in the PRC, all of which are foreign investment enterprises:								
深圳卓越世紀城房地產開發有限公司 Shenzhen Excellence Century City Real Estate Development Co., Ltd. (“Excellence Century City”) <i>(note (c) and note 37(c))</i>	3 May 1994	HKD488,000,000	100%	100%	100%	100%	100%	Real estate development
深圳金利居房地產開發有限公司 Shenzhen Jinliju real Estate Development Co., Ltd. (“Shenzhen Jinliju”) <i>(note (b))</i>	19 June 1995	RMB50,000,000	—	100%	100%	100%	100%	Real estate development
卓越置業集團有限公司 Excellence Real Estate Holdings Co., Ltd. (“Excellence China”)	21 June 1996	HKD750,000,000	100%	100%	100%	100%	100%	Real estate development
深圳市卓越物業管理有限公司 Shenzhen Excellence Property Management Co., Ltd. (“Excellence Property Management”)	27 October 1999	RMB5,000,000	60%	100%	100%	100%	100%	Property management

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Name	Date of incorporation/ establishment	Nominal value of issued and fully paid share capital/ paid-in capital	Percentage of attributable equity interest to the Company				Date of this report	Principal activities
			As at					
			31 December 2006	2007	2008	30 June 2009		
北京恒銀房地產開發有限公司 Beijing Hengyin Property Development Co., Ltd.	18 January 2001	RMB50,000,000	—	—	—	—	60%	Primary land development
廣州桂鑫實業有限公司 Guangzhou Guixin Industrial Co., Ltd. (“Guangzhou Guixin”) (note (c), (g) and note 37(a))	16 April 2002	RMB3,000,000	90%	90%	100%	100%	100%	Property rental and management
上海德天置業有限公司 Shanghai Detian Real Estate Company Limited	23 January 2003	RMB100,000,000	—	—	—	—	100%	Real estate development
深圳卓越房地產開發有限公司 Shenzhen Excellence Real Estate Development Co., Ltd. (“Shenzhen Excellence”)	17 March 2003	HKD128,000,000	100%	100%	100%	100%	100%	Real estate development
深圳市梅沙海景高爾夫渡假村有限公司 Shenzhen Meisha Seaview Golf Resort Co., Ltd. (“Meisha Seaview”)	2 January 2004	RMB112,200,000	51%	51%	51%	51%	51%	Construction and operation of golf resort
武漢卓越房地產開發有限公司 Wuhan Excellence Real Estate Development Co., Ltd. (“Wuhan Excellence”) (note (g))	10 March 2004	RMB50,000,000	72%	100%	100%	100%	100%	Real estate development
長沙市卓越置業發展有限公司 Changsha Excellence Real Estate Development Co., Ltd. (“Changsha Excellence”) (note (e), (g))	31 March 2004	RMB50,000,000	100%	100%	100%	100%	100%	Real estate development

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Name	Date of incorporation/ establishment	Nominal value of issued and fully paid share capital/ paid-in capital	Percentage of attributable equity interest to the Company				Date of this report	Principal activities
			As at					
			31 December 2006	2007	2008	30 June 2009		
杭州恒興置業有限公司 Hangzhou Hengxing Real Estate Co., Ltd. (“Hangzhou Hengxing”) <i>(note (c) and note 37(e))</i>	21 May 2004	RMB20,000,000	—	—	70%	70%	70%	Real estate development
深圳市鵬躍投資發展有限 公司 Shenzhen Pengyue Investment Co., Ltd. (“Shenzhen Pengyue”) <i>(note (b))</i>	26 May 2004	RMB20,000,000	100%	100%	100%	100%	100%	Real estate development
東莞市中天廣場建造有限 公司 Dongguan Zhongtian Plaza Development Co., Ltd. (“Dongguan Zhongtian”) <i>(note (c) and note 37(d))</i>	15 June 2004	RMB20,000,000	—	80%	80%	80%	80%	Real estate development
重慶市萬商置業有限公司 Chongqing Wanshang Real Estate Co., Ltd. (“Chongqing Wanshang”) <i>(note (d) and note (g))</i>	31 December 2003	RMB20,000,000	99%	100%	100%	100%	100%	Real estate development
武漢正和置業有限公司 Wuhan Zhenghe Real Estate Co., Ltd. (“Wuhan Zhenghe”)	6 September 2005	RMB10,000,000	100%	100%	100%	100%	100%	Real estate development
深圳市大百匯房地產有限 公司 Shenzhen Dabaihui Property Development Co., Ltd. (“Shenzhen Dabaihui”) <i>(note (c) and note 37(f))</i>	13 October 2005	RMB10,000,000	—	—	51%	51%	51%	Real estate development

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Name	Date of incorporation/ establishment	Nominal value of issued and fully paid share capital/ paid-in capital	Percentage of attributable equity interest to the Company				Date of this report	Principal activities
			As at					
			31 December 2006	2007	2008	30 June 2009		
深圳市鵬潤房地產開發有限公司 Shenzhen Pengrun Development Property Co., Ltd. (“Shenzhen Pengrun”)	2 December 2005	RMB10,000,000	—	—	51%	51%	51%	Real estate development
山東卓越房地產開發有限公司 Shandong Excellence Real Estate Development Co., Ltd. (“Shandong Excellence”)	11 January 2006	RMB100,000,000	61%	61%	61%	61%	61%	Real estate development
深圳市祈年建業投資有限公司 Shenzhen Qi’nian Industrial Development Co., Ltd. (“Shenzhen Qi’nian”) (note (b) and (h))	5 April 2006	RMB20,000,000	—	100%	100%	100%	100%	Real estate development
深圳卓越商業置業有限公司 Shenzhen Excellence Commercial Real Estate Co., Ltd. (“Excellence Commercial”) (note (f))	1 September 2006	RMB100,000,000	100%	100%	100%	100%	100%	Real estate development
卓越置業集團(青島)有限公司 Excellence Real Estate (Qingdao) Co., Ltd. (“Excellence Qingdao”) (note (g))	2 November 2006	RMB100,000,000	70%	100%	100%	100%	100%	Real estate development
湖南麓山別墅投資開發有限公司 Hunan Lushan Villa Investments Co., Ltd. (“Hunan Lushan”) (note (c), (g) and note 37(b))	4 December 2006	RMB10,000,000	60%	90%	100%	100%	100%	Real estate development

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Name	Date of incorporation/ establishment	Nominal value of issued and fully paid share capital/ paid-in capital	Percentage of attributable equity interest to the Company				Date of this report	Principal activities
			As at					
			31 December 2006	2007	2008	30 June 2009		
重慶市萬商市場經營管理 有限公司 Chongqing Wanshang Marketing Management Co., Ltd. (“Wanshang Marketing”)	14 August 2006	RMB2,000,000	99%	99%	99%	99%	99%	Property management
連雲港天乾房地產開發 有限公司 Lianyungang Tianqian Real Estate Development Co., Ltd. (“Lianyungang Tianqian”) (note (b))	22 January 2007	USD29,990,000	—	100%	100%	100%	100%	Real estate development
連雲港瑞豪置業有限公司 Lianyungang Ruihao Real Estate Co., Ltd. (“Lianyungang Ruihao”) (note (b))	2 February 2007	RMB10,000,000	—	100%	100%	100%	100%	Real estate development
連雲港天峻置業有限公司 Lianyungang Tianjun Real Estate Co., Ltd. (“Lianyungang Tianjun”) (note (b))	2 February 2007	USD29,990,000	—	100%	100%	100%	100%	Real estate development
連雲港天行健房地產開發 有限公司 Lianyungang Tianxingjian Real Estate Development Co., Ltd. (“Lianyungang Tianxingjian”) (note (b))	7 February 2007	RMB10,000,000	—	100%	100%	100%	100%	Real estate development
惠州卓越東部房地產開發 有限公司 Huizhou Excellence Eastern Real Estate Development Co., Ltd.	7 March 2007	RMB30,000,000	—	100%	100%	100%	100%	Real estate development
深圳兆和房地產開發 有限公司 Shenzhen Zhaohe Real Estate Development Co., Ltd. (“Shenzhen Zhaohe”)	7 March 2007	RMB30,000,000	—	100%	100%	100%	100%	Real estate development

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Name	Date of incorporation/ establishment	Nominal value of issued and fully paid share capital/ paid-in capital	Percentage of attributable equity interest to the Company					Principal activities
			As at					
			31 December		30 June		Date of this report	
2006	2007	2008	2009					
卓越置業成都有限公司 Excellence Real Estate Chengdu Co., Ltd. （“Excellence Chengdu”）	7 June 2007	RMB10,000,000	—	100%	100%	100%	100%	Real estate development
深圳市卓越維港房地產開發有限公司 Shenzhen Excellence Weigang Real Estate Development Co., Ltd. （“Excellence Weigang”）	13 June 2007	RMB40,000,000	—	99.25%	99.25%	99.25%	99.25%	Real estate development
卓越集團(青島)實業有限公司 Qingdao Excellence Industrial Development Co., Ltd. （“Qingdao Excellence Industrial”）	14 August 2007	RMB100,000,000	—	100%	100%	100%	100%	Real estate development
青島卓越建業房地產開發有限公司 Qingdao Excellence Construction Real Estate Development Co., Ltd. （“Qingdao Excellence Real Estate”）	17 September 2007	RMB20,000,000	—	60%	60%	60%	60%	Real estate development
惠州羅浮山卓越置業有限公司 Huizhou Luofu Shan Excellence Real Estate Co., Ltd. （“Huizhou Luofu Shan”）	19 October 2007	RMB50,000,000	—	70%	70%	70%	70%	Real estate development
惠州市柏盛房地產有限公司 Huizhou Baisheng Real Estate Co., Ltd. （“Huizhou Baisheng”）	30 November 2007	RMB50,000,000	—	100%	100%	100%	100%	Real estate development
深圳市康越策劃顧問有限公司 Shenzhen Kangyue Design and Consultancy Co, Ltd. （“Shenzhen Kangyue”）	4 December 2007	RMB10,000,000	—	100%	100%	100%	100%	Enterprise image design and information consulting

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Name	Date of incorporation/ establishment	Nominal value of issued and fully paid share capital/ paid-in capital	Percentage of attributable equity interest to the Company					Principal activities
			As at					
			31 December		30 June		Date of this report	
			2006	2007	2008	2009		
深圳祥華置業發展有限公司 Shenzhen Xianghua Real Estate Development Co., Ltd. (“Shenzhen Xianghua”)	4 December 2007	RMB10,000,000	—	100%	100%	100%	100%	Property management
深圳新錦澤市場營銷策劃 有限公司 Shenzhen Xinjinze Market Sales and Planning Co., Ltd. (“Shenzhen Xinjinze”) (note (h))	23 May 2008	HKD1,500,000	—	—	100%	100%	100%	Inactive
深圳馨蔚然投資顧問 有限公司 Shenzhen Xinweiran Investment Advisory Co., Ltd. (“Shenzhen Xinweiran”)	4 June 2008	HKD1,500,000	—	—	100%	100%	100%	Inactive
深圳邦業酒店經營管理 有限公司 Shenzhen Bangye Hotel Management Co., Ltd (“Shenzhen Bangye”)	29 October 2008	HKD750,000	—	—	100%	100%	100%	Inactive
深圳東潤澤投資顧問 有限公司 Shenzhen Dongrunze Investment Consultancy Co., Ltd. (“Shenzhen Dongrunze”)	15 October 2008	HKD1,500,000	—	—	100%	100%	100%	Inactive

Notes:

- (a) These three subsidiaries are directly held by the Company, other subsidiaries are indirectly held by the Company.
- (b) During the year ended 31 December 2006, the Group acquired 100% equity interest in Shenzhen Pengyue at a consideration of approximately RMB105,000,000. During the year ended 31 December 2007, the Group acquired 100% equity interests in six companies, namely Shenzhen Qi’nian, Shenzhen Jinliju, Lianyungang Tianqian, Lianyungang Tianjun, Lianyungang Tianxingjian and Lianyungang Ruihao at considerations of approximately RMB230,822,000, RMB210,677,000, RMB37,061,000, RMB28,389,000, RMB32,191,000 and RMB28,559,000, respectively.
- (c) During the year ended 31 December 2006, the Group acquired 90% equity interest in Guangzhou Guixin, 60% equity interest in Hunan Lushan and 60% equity interest in Excellence Century City. During the year ended 31 December 2007, the Group acquired 80% equity interest in Dongguan Zhongtian. During the year ended 31 December 2008, the Group acquired 70% equity interest in Hangzhou Hengxing and 51% equity interest in Shenzhen Dabaihui (refer to note 37 for details).

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- (d) As at 1 January 2006, Mr. Wang Ping and Ms. Li Xiaohong, held 70% and 29% equity interest in Chongqing Wanshang on behalf of Mr. Li Wa. During the year ended 31 December 2007, such aggregated 99% equity interest has been transferred to Excellence China. Chongqing Wanshang has been consolidated into the Group from 1 January 2006 as Chongqing Wanshang and the Company are under the common control of Mr. Li Wa, one of the Original Shareholders.
- (e) As at 1 January 2006, 49% and 5% equity interest of Changsha Excellence was held by Excellence China and the Original Shareholders, respectively. During the year ended 31 December 2007, the Original Shareholders transferred its 5% equity interest in Changsha Excellence to Excellence China. Changsha Excellence has been consolidated into the Group from 1 January 2006 as Changsha Excellence and the Company are under the common control of the Original Shareholders.
- (f) On 1 September 2006, Excellence Commercial was held by Excellence China and Mr. Li Wa as to 70% and 30% respectively since its date of establishment. During the year ended 31 December 2007, Mr. Li Wa transferred its 30% equity interest to the Group. Excellence Commercial has been consolidated into the Group and accounted for as a wholly owned subsidiary from its date of establishment.
- (g) During the year ended 31 December 2006, Excellence China acquired an additional 46% equity interest in Changsha Excellence from other owners, who were also related parties of the Group, at a consideration of RMB22,980,000. During the year ended 31 December 2007, the Group acquired an additional 30% equity interest in Excellence Qingdao, an additional 28% equity interest in Wuhan Excellence, an additional 40% equity interest in Excellence Property Management, additional 1% equity interest in Chongqing Wanshang and an additional 30% equity interest in Hunan Lushan at an aggregated consideration of approximately RMB169,098,000. During the year ended 31 December 2008, the Group further acquired an additional 10% equity interest in Guangzhou Guixin and 10% equity interest in Hunan Lushan at an aggregated consideration of approximately RMB43,579,000. After the above transactions, all the aforementioned subsidiaries are wholly owned by the Group.
- (h) The Group indirectly held a 100% equity interest in Shenzhen Qi’nian through South Smart Investment Limited (“South Smart”), which is wholly owned by Excellence BVI. Pursuant to a share transfer agreement between Excellence BVI and HNA Group (Hong Kong) Co., Limited, an independent third party, dated 12 October 2009, Excellence BVI agreed to transfer a 99% equity interest in South Smart to HNA Group (Hong Kong) Co., Limited, at a consideration of RMB1.16 billion. As at the date of this report, the transaction has not been completed. Splendid Profit Holdings Limited, a subsidiary incorporated in Hong Kong, Shenzhen Xinjinze, a subsidiary established in the PRC, and Shenzhen Qi’nian were directly or indirectly 100% owned by South Smart.

No statutory audited financial statements have been prepared for the above subsidiaries as it is not required by the local regulators, except for the following companies for the corresponding financial years:

Name of companies	Year ended 31 December 2006	Statutory auditors	
		Year ended 31 December 2007	Year ended 31 December 2008
Excellence Holdings Investment Limited (Hong Kong)	Lee Sik Wai & Co.	Lee Sik Wai & Co.	Lee Sik Wai & Co.
Excellence Real Estate Investment Limited	Not applicable	C&W (CPA) Limited	C&W (CPA) Limited
Grand Way Real Estate Investment Limited	Not applicable	SBC CPA Limited	SBC CPA Limited
Oriental Rich Holdings Group Limited	Not applicable	Not applicable	SBC CPA Limited
Sapphire Nature International Limited	Not applicable	Not applicable	SBC CPA Limited

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Name of companies	Year ended 31 December 2006	Statutory auditors	
		Year ended 31 December 2007	Year ended 31 December 2008
Splendid Profit Holdings Limited	Not applicable	Not applicable	SBC CPA Limited
Success State Hotel Management Limited	Not applicable	Not applicable	SBC CPA Limited
卓越置業集團有限公司 * Excellence Real Estate Holdings Co., Ltd.	深圳義達會計師事務所 Shenzhen Yida CPAs	深圳義達會計師事務所 Shenzhen Yida CPAs	深圳義達會計師事務所 Shenzhen Yida CPAs
深圳卓越房地產開發有限公司 * Shenzhen Excellence Real Estate Development Co., Ltd.	深圳義達會計師事務所 Shenzhen Yida CPAs	深圳義達會計師事務所 Shenzhen Yida CPAs	深圳義達會計師事務所 Shenzhen Yida CPAs
深圳卓越世紀城房地產開發有限公司 * Shenzhen Excellence Century City Real Estate Development Co., Ltd.	深圳義達會計師事務所 Shenzhen Yida CPAs	深圳義達會計師事務所 Shenzhen Yida CPAs	深圳義達會計師事務所 Shenzhen Yida CPAs
深圳市鵬躍投資發展有限公司 * Shenzhen PengYue Investment Co., Ltd.	深圳義達會計師事務所 Shenzhen Yida CPAs	深圳義達會計師事務所 Shenzhen Yida CPAs	深圳義達會計師事務所 Shenzhen Yida CPAs
武漢卓越房地產開發有限公司 * Wuhan Excellence Real Estate Development Co., Ltd.	武漢天意會計師事務所 有限責任公司 Wuhan Tianyi CPAs	武漢天意會計師事務所 有限責任公司 Wuhan Tianyi CPAs	湖北長江會計師事務所 有限責任公司 Hubei Changjiang CPAs
武漢正和置業有限公司 * Wuhan Zhenghe Real Estate Co., Ltd.	武漢天意會計師事務所 有限責任公司 Wuhan Tianyi CPAs	武漢天意會計師事務所 有限責任公司 Wuhan Tianyi CPAs	湖北長江會計師事務所 有限責任公司 Hubei Changjiang CPAs
長沙市卓越置業發展有限公司 * Changsha Excellence Real Estate Development Co., Ltd.	湖南三湘聯合會計師事務所 Hunan Sanxiang LianHe CPAs	湖南三湘聯合會計師事務所 Hunan Sanxiang LianHe CPAs	湖南德緣彩虹有限責任會計師事務所 Hunan Deyuan Rainbow CPAs
重慶市萬商置業有限公司 * Chongqing Wanshang Real Estate Co., Ltd.	重慶鉑碼會計師事務所 有限公司 ChongQing BoMa CPAs	重慶鉑碼會計師事務所 有限公司 ChongQing BoMa CPAs	重慶鉑碼會計師事務所 有限公司 ChongQing BoMa CPAs
深圳市祈年建業投資有限公司 * Shenzhen Qi’nian Industrial Development Co., Ltd.	深圳義達會計師事務所 Shenzhen Yida CPAs	深圳義達會計師事務所 Shenzhen Yida CPAs	深圳義達會計師事務所 Shenzhen Yida CPAs
廣州桂鑫實業有限公司 * Guangzhou Guixin Industrial Co., Ltd.	廣州中勤會計師事務所 GuangZhou ZhongQin CPAs	廣州中勤會計師事務所 GuangZhou ZhongQin CPAs	廣州中勤會計師事務所 GuangZhou ZhongQin CPAs
深圳卓越商業置業有限公司 * Shenzhen Excellence Commercial Real Estate Co., Ltd.	深圳義達會計師事務所 Shenzhen Yida CPAs	深圳義達會計師事務所 Shenzhen Yida CPAs	深圳義達會計師事務所 Shenzhen Yida CPAs

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Name of companies	Year ended 31 December 2006	Statutory auditors	
		Year ended 31 December 2007	Year ended 31 December 2008
連雲港天乾房地產開發有限公司 * Lianyungang Tianqian Real Estate Development Co., Ltd.	Not applicable	連雲港東方聯合會計師事務所 Lianyungang Oriental United CPAs	連雲港海天聯合會計師事務所 Lianyungang Haitian CPAs
連雲港天峻置業有限公司 * Lianyungang Tianjun Real Estate Co., Ltd.	Not applicable	連雲港東方聯合會計師事務所 Lianyungang Oriental United CPAs	連雲港海天聯合會計師事務所 Lianyungang Haitian CPAs
深圳市卓越維港房地產開發有限公司 * Shenzhen Excellence Weigang Real Estate Development Co., Ltd.	Not applicable	深圳義達會計師事務所 Shenzhen Yida CPAs	深圳義達會計師事務所 Shenzhen Yida CPAs
湖南麓山別墅投資開發有限公司 * Hunan Lushan Villa Investments Co., Ltd.	Not applicable	湖南德緣有限責任會計師事務所 Hunan Deyuan Rainbow CPAs	湖南德緣有限責任會計師事務所 Hunan Deyuan Rainbow CPAs
卓越置業集團（青島）有限公司 * Excellence Real Estate (Qingdao) Co., Ltd.	Not applicable	Not applicable	青島海暉有限責任會計師事務所 Qingdao Haihui CPAs
卓越置業成都有限公司 * Excellence Real Estate Chengdu Co., Ltd.	Not applicable	Not applicable	四川崇信會計師事務所 Sichuan Chongxin CPAs
惠州市卓越東部房地產開發有限公司 * Huizhou Excellence Eastern Real Estate Development Co., Ltd.	Not applicable	Not applicable	惠州安眾會計師事務所 Huizhou Anzhong CPAs
深圳市兆和房地產開發有限公司 * Shenzhen Zhaohe Real Estate Development Co., Ltd.	Not applicable	Not applicable	深圳義達會計師事務所 Shenzhen Yida CPAs
東莞市中天廣場建造有限公司 * Dongguan Zhongtian Plaza Development Co., Ltd.	Not applicable	Not applicable	東莞市金穗會計師事務所 Dongguan City Kings Duty CPAs
卓越集團（青島）實業有限公司 * Qingdao Excellence Industrial Development Co., Ltd.	Not applicable	Not applicable	青島海暉有限責任會計師事務所 Qingdao Haihui CPAs
青島卓越建業房地產開發有限公司 * Qingdao Excellence Construction Real Estate Development Co., Ltd.	Not applicable	Not applicable	青島海暉有限責任會計師事務所 Qingdao Haihui CPAs

APPENDIX IA ACCOUNTANT’S REPORT OF EXCELLENCE REAL ESTATE GROUP LIMITED

Name of companies	Year ended 31 December 2006	Statutory auditors	
		Year ended 31 December 2007	Year ended 31 December 2008
深圳市卓越物業管理有限公司 * Shenzhen Excellence Property Management Co., Ltd.	Not applicable	Not applicable	深圳義達會計師事務所 Shenzhen Yida CPAs
重慶市萬商市場經營管理有限公司 * Chongqing Wanshang Marketing Management Co., Ltd.	Not applicable	Not applicable	重慶鉅碼會計師事務所 有限公司 ChongQing BoMa CPAs
深圳市祥華置業發展有限公司 * Shenzhen Xianghua Real Estate Development Co., Ltd.	Not applicable	Not applicable	深圳義達會計師事務所 Shenzhen Yida CPAs
深圳市康越策劃顧問有限公司 * Shenzhen Kangyue Design and Consultancy Co, Ltd.	Not applicable	Not applicable	深圳義達會計師事務所 Shenzhen Yida CPAs
惠州市柏盛房地產有限公司 * Huizhou Baisheng Real Estate Co., Ltd.	Not applicable	Not applicable	惠州安眾會計師事務所 Huizhou Anzhong CPAs
惠州羅浮山卓越置業有限公司 * Huizhou Luofu Shan Excellence Real Estate Co., Ltd.	Not applicable	Not applicable	惠州安眾會計師事務所 Huizhou Anzhong CPAs
連雲港天行健房地產開發有限公司 * Lianyungang Tianxingjian Real Estate Development Co., Ltd.	Not applicable	Not applicable	連雲港海天聯合會計師事務所 Lianyungang Haitian CPAs
連雲港瑞豪置地有限公司 * Lianyungang Ruihao Real Estate Co., Ltd.	Not applicable	Not applicable	連雲港海天聯合會計師事務所 Lianyungang Haitian CPAs
深圳新錦澤市場營銷策劃有限公司 * Shenzhen Xinjinze Market Sales and Planning Co., Ltd.	Not applicable	Not applicable	深圳義達會計師事務所 Shenzhen Yida CPAs
深圳馨蔚然投資顧問有限公司 * Shenzhen Xinweiran Investment Advisory Co., Ltd.	Not applicable	Not applicable	深圳義達會計師事務所 Shenzhen Yida CPAs
深圳邦業酒店經營管理有限公司 * Shenzhen Bangye Hotel Management Co., Ltd.	Not applicable	Not applicable	深圳義達會計師事務所 Shenzhen Yida CPAs
深圳東潤澤投資顧問有限公司 * Shenzhen Dongrunze Investment Consultancy Co., Ltd.	Not applicable	Not applicable	深圳義達會計師事務所 Shenzhen Yida CPAs

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‘**’ represent that certain names of the companies in this note represent management’s translation of the Chinese names of these companies as no English names have been registered or available for these companies.

‘Not applicable’ represent that no statutory audited financial statements have been prepared as it is not required by the local regulators for those years or the companies have not been established in those years.

2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of the Financial Information are set out below. These policies have been consistently applied to the Relevant Periods.

2.1 Basis of preparation

Since the companies comprising the Group (other than the companies acquired during the Relevant Period) are under the common control of the Original Shareholders before and after the Reorganisation, the Financial Information has been prepared using the principles of merger accounting, as prescribed in Hong Kong Accounting Guideline 5 “Merger Accounting for Common Control Combinations” issued by the HKICPA.

The Financial Information includes the financial position, results and cash flows of the companies comprising the Group as if the current group structure had been in existence since 1 January 2006, or since their respective dates of incorporation/establishment. For companies acquired from (or disposed to) a third party during the Relevant Period, they would be included in (excluded from) the Financial Information of the Group from the date of the acquisitions (disposals).

The Financial Information has been prepared in accordance with HKFRS under the historical cost convention as modified by the revaluation of available-for-sale financial assets, financial assets at fair value through profit or loss and investment properties, which are carried at fair value, throughout the Relevant Periods.

The preparation of Financial Information in conformity with the HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the Financial Information, are disclosed in note 4 below.

For the purpose of preparing and presenting Financial Information of the Relevant Periods, the Group has adopted the HKFRSs which are effective for the accounting period beginning on 1 January 2009 consistently throughout the Relevant Periods.

The following new standards, amendments to standards and interpretations have been issued but are not effective and have not been early adopted by the Group.

- Amendment to HKAS 39, ‘Financial instruments: Recognition and measurement’ on eligible hedged items, effective for annual periods beginning on or after 1 July 2009. This is not currently applicable to the Group, as it does not have any hedged items.
- HKFRS 3 (revised), ‘Business combinations’ and consequential amendments to HKAS 27, ‘Consolidated and separate financial statements’, HKAS 28, ‘Investments in associates’ and HKAS 31, ‘Interests in joint ventures’, effective prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009. Management is assessing the impact of the new requirements.

The revised standard continues to apply the acquisition method to business combinations, with some significant changes. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date,

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with contingent payments classified as debt subsequently re-measured through the statement of comprehensive income. There is a choice on an acquisition-by-acquisition basis to measure the minority interests in the acquiree either at fair value or at the minority interests’ proportionate share of the acquiree’s net assets. All acquisition-related costs should be expensed. The Group will apply HKFRS 3 (revised) to all business combinations from 1 January 2010.

- HK(IFRIC)-Int 17, ‘Distributions of non-cash assets to owners’, effective for annual periods beginning on or after 1 July 2009. This is not currently applicable to the Group, as it has not made any non-cash distributions.
- HK(IFRIC)-Int 18, ‘Transfers of assets from customers’, effective for transfer of assets received on or after 1 July 2009. This is not relevant to the Group, as it has not received any assets from customers.
- HKICPA’s improvements to HKFRS published in May 2009:

Improvements to HKFRS issued in May 2009 contain 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 amendment to HKFRS 2, HKAS 38, HK(IFRIC)-Int 9 and HK(IFRIC)-Int 16 which are effective for annual periods beginning on or after 1 July 2009 and no transitional provisions for amendment to Appendix to HKAS 18 has been specified, other amendments are effective for annual periods beginning on or after 1 January 2010 although there are separate transitional provisions for each standard.

- Amendment to HKFRS 2, ‘Share-based payment — Group Cash-settled Share-based payment Transactions’, effective for annual periods beginning on or after 1 January 2010, subject to the transitional requirements in HKFRS 2. This is not currently relevant to the Group, as it does not have any share-based payments.
- Amendments to HKFRS 1 ‘Additional Exemptions for First-time Adopters’, effective for annual periods beginning on or after 1 January 2010. This is not relevant to the Group.

The Group is in the process of making an assessment of the impact of these new and revised HKFRS 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.

2.2 *Merger accounting for common control combination*

The Financial Information incorporates the financial information of the combining entities or businesses in which the common control combination occurs as if they had been combined from the date when the combining entities or businesses first came under the control of the controlling parties.

The net assets of the combining entities or businesses are combined using the existing book values from the controlling parties’ perspective. No amount is recognised in consideration for goodwill or excess of acquirers’ interest in the net fair value of acquiree’s identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the controlling party’s interest.

The consolidated income statement includes the results of each of the combining entities or businesses from the earliest date presented or since the date when the combining entities or businesses first came under the common control, where there is a shorter period, regardless of the date of the common control combination.

A uniform set of accounting policies is adopted by those entities. All intra-group transactions, balances and unrealised gains on transactions between combining entities or businesses are eliminated on consolidation.

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Transaction costs, including professional fees, registration fees, costs of furnishing information to shareholders, costs or losses incurred in combining operations of the previously separate businesses, etc., incurred in relation to the common control combination that is to be accounted for by using merger accounting is recognised as an expense in the period in which it is incurred.

2.3 *Subsidiaries*

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group which qualify as business combination, except for those acquisitions which qualify as a common control combination and are therefore accounted for using the merger accounting.

Under the purchase method of accounting, subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group’s share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

For the acquisition of subsidiaries which do not qualify as business combination, the fair value of the consideration transferred, including transaction costs, is allocated to assets acquired and liabilities assumed based on their relative fair value. The assets acquired include intangible assets that are recognised separately. No goodwill arises on such transactions.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

In the Company’s balance sheet the investments in subsidiaries are stated at cost less provision for impairment losses. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

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2.4 *Transactions with minority interests*

The Group applies a policy of treating transactions with minority interests as transactions with equity owners of the Group. For purchases from minority interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is equity. Gains or losses on disposals to minority interests are also recorded in equity.

2.5 *Jointly controlled entities*

A joint venture is classified as a jointly controlled entity if it is held as a long term investment and a contractual arrangement between the shareholders establishes joint control over the economic activities of the joint venture. Results of the jointly controlled entities are incorporated in the financial statements, using the equity method of accounting. Investments in jointly controlled entities represent the Group’s share of their net assets, after attributing fair values to their net tangible and intangible assets at the date of acquisition, less provisions for impairment in value. The share of post-acquisition results and reserves is based on the relevant profit sharing ratios specified in the contractual arrangement.

The Group recognises the portion of gains or losses on the sale of assets by the Group to the jointly controlled entity that it is attributable to the other venturers. The Group does not recognise its share of profits or losses from the jointly controlled entity that result from the purchase of assets from the jointly controlled entity until it resells the assets to an independent party. However, a loss on the transaction is recognised immediately if the loss provides evidence of a reduction in the net realisable value of current assets, or an impairment loss. Accounting policies of jointly controlled entities have been changed where necessary to ensure consistency with the policies adopted by the Group.

2.6 *Associates*

Associates are all entities over which the group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting and are initially recognised at cost. The Group’s investment in associates includes goodwill identified on acquisition, net of any accumulated impairment loss.

The Group’s share of its associate’s post-acquisition profits or losses is recognised in the income statement, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group’s share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group’s interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

2.7 *Segment reporting*

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the core management team led by the Chairman and President of the Group that makes strategic decisions. This core management team comprises all executive Directors.

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2.8 *Foreign currency translation*

(a) *Functional and presentation currency*

Items included in the financial statements of each of the companies now comprising the Group are measured using the currency of the primary economic environment in which the company operates (the “functional currency”). For the purpose of this report, the Financial Information is presented in Renminbi (“RMB”), which is the functional and presentation currency of the Company.

(b) *Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated income statements.

Foreign exchange gains and losses that relate to borrowings and cash equivalents are presented in the consolidated income statement within ‘finance costs - net’. All other foreign exchange gains and losses are presented in the consolidated income statement within ‘other gains - net’.

(c) *Group companies*

The results and financial positions of all the companies now comprising the Group (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- Assets and liabilities for each balance sheet of the companies now comprising the Group are translated at the closing rate at the date of that balance sheet;
- Income and expenses for each income statement of the companies now comprising the Group are translated at average exchange rates; and
- All resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations are taken to shareholders’ equity. When a foreign operation is partially disposed of or sold, exchange differences that were recorded in equity are recognised in the consolidated income statement as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

2.9 *Property, plant and equipment*

Property, plant and equipment are stated at historical cost less depreciation and any impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset’s carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are expensed in the consolidated income statements during the Relevant Periods in which they are incurred.

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Depreciation on property, plant and equipment is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

Buildings	20 years
Motor vehicles	5 - 10 years
Furniture, fitting and equipment	3 - 8 years

The assets’ residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset’s carrying amount is written down immediately to its recoverable amount if the asset’s carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the income statement.

2.10 *Investment property*

Property that is held to earn rentals or for capital appreciation or both and is not occupied by the companies within the Group, or property that is being constructed or developed for future use as investment property, is classified as investment property.

Investment property comprises land held under operating leases and buildings held under finance leases. Land held under operating leases are classified and accounted for as investment property when the rest of the definition of investment property is met. The operating lease is accounted for as if it were a finance lease.

Investment property is initially measured at its cost, including related transaction costs.

After initial recognition, investment property is carried at fair value. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If the information is not available, the group uses alternative valuation methods such as recent prices on less active markets or discounted cash flow projections. Fair value is determined by professional valuation conducted at each balance sheet date. Changes in fair value are recognised in the income statement.

The fair value of investment property reflects, among other things, rental income from current leases and assumptions about rental income from future leases in the light of current market conditions.

The fair value also reflects, on a similar basis, any cash outflows that could be expected in respect of the property. Some of those outflows are recognised as a liability, including finance lease liabilities in respect of land classified as investment property; other outflows including contingent rent payments, are not recognised in the financial statements.

Subsequent expenditure is charged to the carrying amount of the asset only when it is probable that future economic benefits associated with the asset will flow to the Group and the cost of the asset can be measured reliably. All other repairs and maintenance costs are expensed in the income statement during the financial period in which they are incurred.

If an investment property becomes owner-occupied, it is reclassified as property, plant and equipment, and its fair value at the date of reclassification becomes its cost for accounting purposes.

If a property becomes an investment property because its use has changed, any difference resulting between the carrying amount and the fair value of this property at the date of transfer is recognised in equity as a revaluation of property, plant and equipment. However, if a fair value gives rise to a reversal of the previous impairment loss, the write-back is recognised in the income statement.

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2.11 *Intangible assets*

Goodwill represents the excess of the cost of an acquisition over the fair value of the group’s share of the net identifiable assets of the acquired subsidiary/associate/jointly controlled entity at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in “intangible assets”. Goodwill on acquisitions of associates/jointly controlled entity is included in “investments in associates”/“investments in jointly controlled entities” and is tested for impairment as part of the overall balance. Separately recognised goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose.

2.12 *Impairment of investment in subsidiaries, jointly controlled entities, associates and non-financial assets*

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset’s carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset’s fair value less costs to sell and value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating unit). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2.13 *Financial assets*

The Group classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables and available-for-sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(a) *Financial assets at fair value through profit or loss*

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets.

(b) *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the balance sheet date which are classified as non-current assets. Loans and receivables are classified as “trade and other receivables”, “cash and cash equivalents” and “restricted cash” in the balance sheet.

(c) *Available-for-sale financial assets*

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date.

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Regular purchases and sales of investments are recognised on trade-date — the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the income statement. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are carried at amortised cost using the effective interest method.

Gains or losses arising from changes in the fair value of the “financial assets at fair value through profit or loss” category are presented in the income statement within “other gains - net” in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the income statement as part of other income when the group’s right to receive payments is established.

When securities classified as available for sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the income statement as “other gains - net”.

Interest on available-for-sale securities calculated using the effective interest method is recognised in the income statement as part of other income. Dividends on available-for-sale equity instruments are recognised in the income statement as part of other income when the group’s right to receive payments is established.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the group establishes fair value by using valuation techniques. These include the use of recent arm’s length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models, making maximum use of market inputs and relying as little as possible on entity-specific inputs.

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered an indicator that the securities are impaired. In case of debt instruments, objective evidence of impairment includes significant financial difficulty of the issuer or counterparty; default or delinquency in interest or principal payments; or it becoming probable that the borrower will enter bankruptcy or financial reorganisation.

If any such evidence exists for available-for-sale financial assets, the cumulative loss, measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the income statement, is removed from equity and recognised in the income statement. Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement.

2.14 *Properties under development*

Properties under development are stated at the lower of cost and net realisable value. Net realisable value is determined by reference to the estimated selling price in the ordinary course of business, less applicable estimated selling expenses.

Development cost of property comprises construction costs, amortisation of land use rights, borrowing costs capitalised and professional fees incurred during the development period. On completion, the properties are transferred to completed properties held for sale, plant and equipments or investment properties, as appropriate.

When properties under development are transferred to investment properties upon completion, any difference between the fair values of the properties at that date and their previous carrying amounts is recognised in the income statement. Properties under development are transferred to completed properties held for sale and property, plant and equipment at their carrying amounts upon completion.

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2.15 *Completed properties held for sale*

Completed properties remaining unsold at the at the balance sheet date are stated at the lower of cost and net realisable value.

Cost comprises development costs attributable to the unsold properties.

Net realisable value is determined by reference to the estimated selling price in the ordinary course of business, less applicable estimated selling expenses.

2.16 *Trade and other receivables*

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset’s carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the consolidated income statements. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited in the consolidated income statement.

2.17 *Cash and cash equivalents*

Cash and cash equivalents include cash in hand and at banks, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

2.18 *Trade payables*

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.19 *Borrowings*

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statements over the period of the borrowings using the effective interest method, or capitalised on the basis set out in note 2.20, where appropriate.

Borrowings are classified as current liabilities unless there is an unconditional right to defer settlement of the liability for at least 12 months after the respective balance sheet date.

2.20 *Borrowing costs*

Borrowing costs incurred for the construction of any qualifying assets are capitalised during the period of time that is required to complete and prepare the asset for its intended use. Other borrowing costs are recognised as an expense in the period in which they are incurred.

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2.21 *Current and deferred income tax*

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Group’s entities operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the Financial Information. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using the tax rates that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, jointly controlled entities and associates, except where the timing of the reversal of the temporary difference can be controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

2.22 *Employee benefits*

(a) *Employee leave entitlements*

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the balance sheet date.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(b) *Pension obligations*

In accordance with the rules and regulations in the PRC, the PRC based employees of the Group participate in various defined contribution retirement benefit plans organised by the relevant municipal and provincial governments in the PRC under which the Group and the PRC based employees are required to make monthly contributions to these plans calculated as a percentage of the employees’ salaries.

The municipal and provincial governments undertake to assume the retirement benefit obligations of all existing and future retired PRC based employees payable under the plans described above. Other than the monthly contributions, the Group has no further obligation for the payment of retirement and other post retirement benefits of its employees. The assets of these plans are held separately from those of the Group in independently administrated funds managed by the PRC government.

The Group also participates in a pension scheme under the rules and regulations of the Mandatory Provident Fund Scheme Ordinance (“MPF Scheme”) for all employees in Hong Kong. The contributions to the MPF Scheme are based on minimum statutory contribution requirement of 5% of eligible employees’ relevant aggregate income. The assets of this pension scheme are held separately from those of the Group in independently administered funds.

The Group’s contributions to the defined contribution retirement schemes are expensed as incurred.

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2.23 *Provisions and contingent liabilities*

Provisions are recognised when: the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the Financial Information. When a change in the probability of an outflow occurs so that outflow is probable, it will then be recognised as a provision.

2.24 *Revenue recognition*

Revenue comprises the fair value of the consideration received or receivable for the sales of properties and services in the ordinary course of the Group’s activities. Revenue is shown, net of discount and after eliminating sales with the companies now comprising the Group.

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and when specific criteria have been met for each of the Group’s activities as described below.

(a) *Sales of properties*

Revenue from sales of properties is recognised when the risks and rewards of properties are transferred to the purchasers, which is when the construction of relevant properties has been completed and the properties have been delivered to the purchasers and the collectibility of related receivables is reasonably assured. Deposits and instalments received on properties sold prior to the date of revenue recognition are included in the consolidated balance sheets as advanced proceeds received from customers under current liabilities.

(b) *Property management*

Revenue arising from property management is recognised in the accounting period in which the services are rendered.

(c) *Interest income*

Interest income is recognised on a time-proportion basis using the effective interest method. When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cashflow discounted at original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans is recognised using the original effective interest rate.

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(d) *Rental income*

Rental income from properties letting under operating leases is recognised on a straight line basis over the lease terms. When the Group provides incentives to its customers, the aggregate cost of incentives are recognised on a straight-line basis over the lease term as a reduction of rental income.

(e) *Dividend income*

Dividend income is recognised when the right to receive payment is established.

2.25 *Leases*

Leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases.

(a) *The Group is the lessee of operating leases, other than land use rights*

Payments made under operating leases (net of any incentives received from the lessor), are charged to the consolidated income statements on a straight-line basis over the period of the leases.

(b) *The Group is the lessee of operating leases of land use rights*

The upfront prepayments made for the land use rights are expensed in the income statement on a straight-line basis over the period of the lease, except in the course of property development when the amortisation of land use right is included as part of the costs of the property under development.

The upfront prepayment of land use rights included in the current assets are expected to be realised in, or is intended for sale and consumption in the Group’s normal operating cycle.

2.26 *Dividend distribution*

Dividend distribution to the then shareholders of the companies now comprising the Group during the Relevant Periods is recognised in the period in which the dividends are approved by the equity holders of relevant companies now comprising the Group.

2.27 *Insurance contracts*

The Group regards its financial guarantee contracts in respect of mortgage facilities provided to certain property purchasers as insurance contracts.

The Group assesses at each balance sheet date the liabilities under its insurance contracts using current estimates of future cash flows. Changes in carrying amount of these insurance liabilities are recognised in the income statement.

2.28 *Government grants*

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in the income statement over the period necessary to match them with the costs that they are intended to compensate.

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Government grants relating to property, plant and equipment are included in non-current liabilities as deferred government grants and are credited to the income statement on a straight-line basis over the expected lives of the related assets.

3 Financial risk management

The Group’s activities expose it to a variety of financial risks: foreign exchange risk, interest rate risk, price risk credit risk, and liquidity risk. The Group’s overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group’s financial performance.

3.1 Financial risk factor

(a) Foreign exchange risk

The Group’s businesses are principally conducted in RMB. The majority of assets and liabilities is denominated in RMB, there are no significant assets and liabilities denominated in currencies other than RMB. The Group is subject to foreign exchange risk arising from future commercial transactions and recognised assets and liabilities which are denominated in currencies other than RMB. The majority of the Group’s foreign currency transactions and balances are denominated in Hong Kong dollar (“H.K. dollar”) and United States dollar (“U.S. dollar”). The Group currently does not have a foreign currency hedging policy. The Group manages its foreign currency risk by closely monitoring the movement of the foreign currency rates.

The carrying amount of the Group’s foreign currency denominated monetary assets and monetary liabilities at the respective balance sheet dates are as follows:

	As at 31 December			As at
	2006	2007	2008	30 June
	RMB’000	RMB’000	RMB’000	2009
				RMB’000
Assets				
H.K. dollar	37,674	3,639	17,943	262,265
U.S. dollar	—	51,410	1,537	414
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Liabilities				
H.K. dollar	(43,898)	(34,278)	(6,368)	(635,549)
U.S. dollar	—	(357,892)	(334,895)	(273,276)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

The following table shows the sensitivity analysis of an increase of 3%, 3%, 1% and 1% in RMB against the relevant foreign currencies at 31 December 2006, 2007, 2008 and 30 June 2009 respectively. This sensitivity analysis ignores any offsetting foreign exchange factors and has been determined assuming that the change in foreign exchange

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rates had occurred at the balance sheet date. The stated change represents management’s assessment of reasonably possible changes in foreign exchange rates over the period until the next annual balance sheet date. If there is a 3%, 3%, 1% and 1% increase in RMB against the relevant currencies, the effect in the profit for the year is as follows:

	As at 31 December			As at
	2006	2007	2008	30 June
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
H.K. dollar				
Increase/(decrease) in profit before income tax	187	919	(116)	3,733
U.S. dollar				
Increase in profit before income tax	<u>—</u>	<u>9,194</u>	<u>3,334</u>	<u>2,729</u>

(b) *Interest rate risk*

The Group’s income and operating cash flows are substantially independent of changes in market interest rates. The Group has no significant interest-bearing assets. The Group’s exposure to changes in interest rates is mainly attributable to its borrowings. Borrowings at variable rates expose the Group to cash flow interest-rate risk.

The Group currently does not use any interest rate swaps to hedge its exposure to interest rate risk. However, the Group will consider hedging significant interest rate exposure should the need arise.

As at 31 December 2006, 2007, 2008 and 30 June 2009, if interest rates on borrowings had been 1% higher/lower with all other variables held constant, profit before income tax for the year/period would have been RMB15,389,000, RMB20,562,000 and RMB32,355,000, RMB19,080,000, lower/higher respectively, mainly as a result of higher/lower interest expense on floating rate borrowings.

(c) *Price risk*

The Group is exposed to equity securities price risk because of the listed and unlisted equity investments held by the Group which are stated at fair value. Gains and losses arising from changes in the fair value of available-for-sale financial assets and financial assets at fair value through profit or loss are dealt with in equity and income statement respectively. The performance of the Group’s listed and unlisted equity investments are monitored regularly, together with an assessment of their relevance to the Group’s long term strategic plans. |

As at 31 December 2006, if the price of the unlisted equity investments classified as available-for-sale financial assets had been 20% higher/lower with all other variables held constant, the Group’s equity would have been RMB54,861,000 higher/lower. The amount of financial assets at fair value through profit or loss is not material to the Group, no sensitivity analysis is presented.

As at 31 December 2007 and 2008 and 30 June 2009, there are no available-for-sale financial assets or financial assets at fair value through profit or loss.

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(d) *Credit risk*

The Group is exposed to credit risk in relation to its trade and other receivables, and cash deposits with banks.

The carrying amounts of trade and other receivables, restricted cash, cash and cash equivalents represent the Group’s maximum exposure to credit risk in relation to financial assets.

To manage this exposure, the Group has policies in place to ensure that sales are made to customers with an appropriate credit history and deposits are placed with banks with appropriate credit ratings. Other credit policies include predetermined credit limits and other credit approval procedures. It also has other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews regularly the recoverable amount of each individual trade receivables to ensure that adequate impairment losses are made for irrecoverable amounts. The Group has no significant concentrations of credit risk, with exposure spread over a number of counterparties and customers.

For properties that are still under construction, the Group typically provides guarantees to banks in connection with the customers’ borrowing of mortgage loans to finance their purchase of the properties for an amount up to 70% of the total purchase price of the property. If a purchaser defaults on the payment of its mortgage during the term of the guarantee, the bank holding the mortgage may demand the Group to repay the outstanding amount under the loan and any accrued interest thereon. Under such circumstances, the Group is able to retain the customer’s deposit and sell the property to recover any amounts paid by the Group to the bank. In this regard, the directors of the Company consider that the Group’s credit risk is significantly reduced. Nevertheless, the net realisable values of the relevant properties are subject to the fluctuation of the property market in general, the Group assesses at each balance sheet date the liabilities based on the current estimates of future cashflows. As at 31 December 2006, 2007, 2008 and 30 June 2009, no provision has been made in the financial statements.

(e) *Liquidity risk*

The Group aims to maintain sufficient cash and cash equivalents and ensure the availability of funding through an adequate amount of available financing, including short-term and long term bank loans to meet its construction commitments. Due to the dynamic nature of the underlying businesses, the Group’s finance department maintains flexibility in funding by maintaining adequate amount of cash and cash equivalents and flexibility in funding through having available sources of financing. It is the policy of the Group to regularly monitor current and expected liquidity requirements and to ensure that adequate funding is available for operating, investing and financing activities.

The Group has a number of alternative plans to mitigate the potential impacts on anticipated cash flows should there be significant adverse changes in economic environment. These include adjusting and further slowing down the construction progress as appropriate to ensure available resources for the development of properties for sale, implementing cost control measure, accelerating sales with more flexible pricing. The Group, will base on its assessment of the relevant future costs and benefits, pursue such options as appropriate. In addition, with more favourable policies being implemented by the Central Government and the Guangdong Provincial Government, management is confident the Group will be able to achieve its business plan. The Group also maintains undrawn committed credit facilities to further reduce liquidity risk in meeting funding requirements.

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The table below analyses the Group’s non-derivative financial liabilities into relevant maturity grouping based on the remaining period at the balance sheet to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

	Less than 1 years RMB’000	Between 1 and 2 years RMB’000	Between 2 and 5 years RMB’000	Over 5 years RMB’000	Total RMB’000
At 31 December 2006					
Borrowings	890,000	1,008,000	725,000	—	2,623,000
Interest	126,617	67,258	43,941	—	237,816
Trade and other payables (excluding other tax payables)	<u>1,066,113</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>1,066,113</u>
Total	<u>2,082,730</u>	<u>1,075,258</u>	<u>768,941</u>	<u>—</u>	<u>3,926,929</u>
At 31 December 2007					
Borrowings	1,977,892	896,000	2,215,000	54,000	5,142,892
Interest	307,797	209,004	153,903	3,759	674,463
Trade and other payables (excluding other tax payables)	<u>709,923</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>709,923</u>
Total	<u>2,995,612</u>	<u>1,105,004</u>	<u>2,368,903</u>	<u>57,759</u>	<u>6,527,278</u>
At 31 December 2008					
Borrowings	2,135,895	2,356,500	1,186,000	42,000	5,720,395
Interest	323,972	186,456	63,262	2,013	575,703
Trade and other payables (excluding other tax payables)	<u>1,682,407</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>1,682,407</u>
Total	<u>4,142,274</u>	<u>2,542,956</u>	<u>1,249,262</u>	<u>44,013</u>	<u>7,978,505</u>
At 30 June 2009					
Borrowings	2,290,276	3,183,842	802,000	—	6,276,118
Interest	275,384	166,329	38,035	—	479,748
Trade and other payables (excluding other tax payables)	<u>1,671,639</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>1,671,639</u>
Total	<u>4,237,299</u>	<u>3,350,171</u>	<u>840,035</u>	<u>—</u>	<u>8,427,505</u>

3.2 Capital risk management

The Group’s objectives when managing capital are to safeguard the Group’s ability to continue as a going concern in order to provide returns for equity owners and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. The Group’s strategy remains consistent throughout the Relevant Periods.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to equity owners, issue new shares or sell assets to reduce debt.

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Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowing (including current and non-current borrowings, as shown in the consolidated balance sheet) less cash and bank balance. Total capital is calculated as total equity, as shown in the consolidated balance sheet, plus net debt.

The gearing ratios at 31 December 2006, 2007 and 2008 and 30 June 2009 were as follows:

	As at 31 December			As at
	2006	2007	2008	30 June
	RMB'000	RMB'000	RMB'000	2009
				RMB'000
Total borrowings (<i>note 20</i>)	2,623,000	5,142,892	5,720,395	6,276,118
Less: cash and bank balances (<i>note 17</i>)	(1,209,684)	(1,289,782)	(1,009,027)	(2,043,479)
Net debt	1,413,316	3,853,110	4,711,368	4,232,639
Total equity	1,254,897	1,284,944	1,434,222	1,816,665
Total capital	<u>2,668,213</u>	<u>5,138,054</u>	<u>6,145,590</u>	<u>6,049,304</u>
Gearing ratio	<u>53%</u>	<u>75%</u>	<u>77%</u>	<u>70%</u>

The increase in gearing ratio during 2007 is due to significant increase in borrowings to finance property development.

3.3 Fair value estimation

The fair value of financial instruments traded in active markets (such as trading and available-for-sale securities) is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the Group is the current bid price.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance sheet date. Techniques, such as estimated discounted cash flows, are used to determine fair value for financial instruments.

The carrying values less impairment provisions of trade and other receivables and the carrying values of trade and other payables approximate their fair values due to their short maturities. The fair values of financial liabilities for disclosure purposes are estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

4 Critical accounting estimates and assumptions

Estimates and judgements used in preparing the Financial Information are evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that may have a significant effect on the carrying amounts of assets and liabilities within the next financial year are discussed below.

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4.1 *Income taxes and deferred taxation*

Significant judgement 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. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such difference will impact the income tax and deferred tax provision in the period in which such determination is made.

Deferred tax assets relating to certain temporary differences and tax losses are recognised when management considers to be probable that future taxable profit will be available against which the temporary differences or tax losses can be utilised. The outcome of their actual utilisation may be different.

4.2 *Land appreciation taxes*

The Group is subject to land appreciation taxes in the PRC. However, the implementation and settlement of these taxes varies among various tax jurisdictions in cities of the PRC, and the Group has not finalised its land appreciation taxes calculation and payments with any local tax authorities in the PRC. Accordingly, significant judgement is required in determining the amount of the land appreciation and its related taxes. The Group recognised these land appreciation taxes based on management’s estimates according to the understanding of the tax rules. The final tax outcome could be different from the amounts that were initially recorded, and these differences will impact the income tax provisions in the periods in which such taxes have been finalised with local tax authorities.

4.3 *Estimate of fair value of investment properties*

The fair value of each investment property is individually determined at each balance sheet date by independent valuers based on a market value assessment. The valuers have relied on the discounted cash flow analysis and the capitalisation of income approach as their primary methods, supported by the direct comparison method. These methodologies are based upon estimates of future results and a set of assumptions specific to each property to reflect its tenancy and cashflow profile. The fair value of each investment property reflects, among other things, rental income from current leases and assumptions about rental income from future leases in the light of current market conditions. The fair value also reflects, on a similar basis, any cash outflows that could be expected in respect of the property.

As at 31 December 2006, 2007 and 2008 and 30 June 2009, if the market value of investment properties had been 5% higher/lower with all variables held constant, the carrying value of the Group’s investment properties would have been RMB28,625,000, RMB33,250,000, RMB35,300,000 and RMB37,050,000 higher/lower, respectively.

4.4 *Impairment of goodwill*

The Group tests annually for impairment of goodwill in accordance with accounting policy as stated in note 2.12. The recoverable amounts of cash-generating units have been determined based on the higher of the fair value less cost to sell and value-in-use calculation of the underlying assets, mainly properties. These calculations require the use of estimates, such as discount rates, future profitability and growth rates.

4.5 *Fair value of unlisted financial instruments*

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Group uses its judgement to select a variety of methods and makes assumptions that are mainly based on market conditions existing at each balance sheet date. The Group has used discounted cash flow analysis for the available-for-sale financial assets that are not traded in active markets.

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5 Segment information

The chief operating decision-maker is the core management team led by the Chairman and President of the Group. This core management team comprises all executive Directors.

Management has determined the operating segments based on the reports reviewed by this core management team. The Group is organised into business units based on their products and services and has three reportable operating segments as follows:

- property development segment is engaged in real estate development;
- property management segment provides management and security services to residential and commercial properties; and
- property rental segment is engaged in property letting to earn rentals and/or for capital appreciation of properties.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss before finance income and finance cost. Finance income, finance costs and income taxes are managed on a group basis and are not allocated to operating segments. Other information, provided to the chief operating decision-makers, is measured in a manner consistent with that in the financial statements.

Revenues comprise turnover which include sales proceeds from property sales, income from property management services and rental operations, as follows:

	Year ended 31 December			Six months ended 30 June	
	2006	2007	2008	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				<i>(unaudited)</i>	
Property development	1,305,174	867,675	1,995,791	673,167	2,101,336
Property management	43,056	68,317	86,063	36,427	42,305
Property rental	<u>21,718</u>	<u>54,767</u>	<u>67,734</u>	<u>35,450</u>	<u>35,024</u>
	<u>1,369,948</u>	<u>990,759</u>	<u>2,149,588</u>	<u>745,044</u>	<u>2,178,665</u>

There were no inter-segment revenues during the Relevant Periods.

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The segment results for the year ended 31 December 2006, together with the reconciliation of operating profit before finance income and costs to profit before income tax, are presented as follows:

	Property development <i>RMB'000</i>	Property management <i>RMB'000</i>	Property rental <i>RMB'000</i> <i>note (a)</i>	Group <i>RMB'000</i>
Segment revenue	<u>1,305,174</u>	<u>43,056</u>	<u>21,718</u>	<u>1,369,948</u>
Operating profit before finance income and costs	373,602	526	75,640	449,768
Finance costs - net				(60,310)
Share of loss of an associate	<u>(10)</u>	<u>—</u>	<u>—</u>	<u>(10)</u>
Profit before income tax				389,448
Income tax expenses				<u>(188,262)</u>
Profit for the year				<u><u>201,186</u></u>
Depreciation (<i>note 6</i>)	4,266	674	68	5,008
Amortisation (<i>note 8</i>)	4,143	—	—	4,143
Additions to non-current assets	349,936	390	330,162	680,488
Non-cash items:				
Fair value gain on investment properties	—	—	69,207	69,207
Fair value gain on financial assets at fair value through profit or loss	<u>1,320</u>	<u>—</u>	<u>—</u>	<u>1,320</u>

Note (a):

The segment results of the property rental segment included the fair value gains of investment properties.

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The segment results for the year ended 31 December 2007, together with the reconciliation of operating profit before finance income and costs to profit before income tax, are presented as follows:

	Property development <i>RMB’000</i>	Property management <i>RMB’000</i>	Property rental <i>RMB’000</i> <i>note (a)</i>	Group <i>RMB’000</i>
Segment revenue	<u>867,675</u>	<u>68,317</u>	<u>54,767</u>	<u>990,759</u>
Operating profit before finance income and costs	416,681	17,050	114,566	548,297
Finance costs - net				<u>(114,297)</u>
Profit before income tax				434,000
Income tax expenses				<u>(111,914)</u>
Profit for the year				<u><u>322,086</u></u>
Depreciation (<i>note 6</i>)	6,263	692	47	7,002
Amortisation (<i>note 8</i>)	11,548	—	—	11,548
Additions to non-current assets	932,319	687	2	933,008
Non-cash items:				
Fair value gain on investment properties	<u>—</u>	<u>—</u>	<u>82,618</u>	<u>82,618</u>

The segment results for the year ended 31 December 2008, together with the reconciliation of operating profit before finance income and costs to profit before income tax, are presented as follows:

	Property development <i>RMB’000</i>	Property management <i>RMB’000</i>	Property rental <i>RMB’000</i> <i>note (a)</i>	Group <i>RMB’000</i>
Segment revenue	<u>1,995,791</u>	<u>86,063</u>	<u>67,734</u>	<u>2,149,588</u>
Operating profit/(loss) before finance income and costs	732,511	(838)	82,647	814,320
Finance costs - net				<u>(217,978)</u>
Profit before income tax				596,342
Income tax expenses				<u>(410,999)</u>
Profit for the year				<u><u>185,343</u></u>
Depreciation (<i>note 6</i>)	8,942	731	47	9,720
Amortisation (<i>note 8</i>)	20,733	—	—	20,733
Additions to non-current assets	225,964	644	—	226,608
Non-cash items:				
Fair value gain on investment properties	<u>—</u>	<u>—</u>	<u>41,000</u>	<u>41,000</u>

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The unaudited segment results for the six months ended 30 June 2008, together with the reconciliation of operating profit before finance income and costs to profit before income tax, are presented as follows:

	Property development <i>RMB’000</i>	Property management <i>RMB’000</i>	Property rental <i>RMB’000</i> <i>note (a)</i>	Group <i>RMB’000</i>
Segment revenue	<u>673,167</u>	<u>36,427</u>	<u>35,450</u>	<u>745,044</u>
Operating profit before finance income and costs	205,331	3,199	63,446	271,976
Finance costs - net				<u>(119,702)</u>
Profit before income tax				152,274
Income tax expenses				<u>(127,428)</u>
Profit for the period				<u><u>24,846</u></u>
Depreciation	4,899	288	28	5,215
Amortisation	9,857	—	—	9,857
Additions to non-current assets	219,434	164	—	219,598
Non-cash items:				
Fair value gain on investment properties	<u>—</u>	<u>—</u>	<u>41,000</u>	<u>41,000</u>

The segment results for the six months ended 30 June 2009, together with the reconciliation of operating profit before finance income and costs to profit before income tax, are presented as follows:

	Property development <i>RMB’000</i>	Property management <i>RMB’000</i>	Property rental <i>RMB’000</i> <i>note (a)</i>	Group <i>RMB’000</i>
Segment revenue	<u>2,101,336</u>	<u>42,305</u>	<u>35,024</u>	<u>2,178,665</u>
Operating profit before finance income and costs	828,457	(3,730)	58,999	883,726
Finance costs - net				<u>(98,041)</u>
Share of loss of jointly controlled entities				<u>(2,687)</u>
Profit before income tax				782,998
Income tax expenses				<u>(400,555)</u>
Profit for the period				<u><u>382,443</u></u>
Depreciation (<i>note 6</i>)	3,727	417	9	4,153
Amortisation (<i>note 8</i>)	10,688	—	—	10,688
Additions to non-current assets	289	548	23	860
Non-cash items:				
Fair value gain on investment properties	<u>—</u>	<u>—</u>	<u>35,000</u>	<u>35,000</u>

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Additions to non-current assets comprise additions to property, plant and equipment, investment properties, intangible assets and land use rights classified as non-current, including additions resulting from acquisitions through business combinations (notes 37).

The amounts of segment assets provided to the core management team consist primarily of property, plant and equipment, land use rights, investment properties, financial assets, properties under development, completed properties held for sale, and receivables and prepaid taxation. These assets are allocated based on the operations of the segment. Segment assets exclude deferred income tax assets and cash balances. These are part of the reconciliation to the total balance sheet assets.

Segment liabilities consist primarily of operating liabilities. They exclude current and deferred income tax liabilities and borrowings. Borrowings are managed by the treasury function on a centralised basis. These are part of the reconciliation to the total balance sheet liabilities.

The segment assets and liabilities at 31 December 2006 are as follows:

	Property development <i>RMB'000</i>	Property management <i>RMB'000</i>	Property rental <i>RMB'000</i>	Group <i>RMB'000</i>
Segment assets	<u>4,221,360</u>	<u>28,258</u>	<u>574,638</u>	<u>4,824,256</u>
Segment liabilities	<u>1,715,921</u>	<u>19,765</u>	<u>296</u>	<u>1,735,982</u>

The segment assets and liabilities at 31 December 2007 are as follows:

	Property development <i>RMB'000</i>	Property management <i>RMB'000</i>	Property rental <i>RMB'000</i>	Group <i>RMB'000</i>
Segment assets	<u>6,193,868</u>	<u>27,542</u>	<u>668,188</u>	<u>6,889,598</u>
Segment liabilities	<u>1,238,849</u>	<u>22,728</u>	<u>7,964</u>	<u>1,269,541</u>

The segment assets and liabilities at 31 December 2008 are as follows:

	Property development <i>RMB'000</i>	Property management <i>RMB'000</i>	Property rental <i>RMB'000</i> <i>(note)</i>	Group <i>RMB'000</i>
Segment assets	<u>9,249,923</u>	<u>39,872</u>	<u>674,287</u>	<u>9,964,082</u>
Segment liabilities	<u>2,944,563</u>	<u>33,826</u>	<u>14,681</u>	<u>2,993,070</u>

Note: Segment assets include investments in jointly controlled entities of RMB65,172,000.

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The segment assets and liabilities at 30 June 2009 are as follows:

	Property development <i>RMB’000</i>	Property management <i>RMB’000</i>	Property rental <i>RMB’000</i> <i>(note)</i>	Group <i>RMB’000</i>
Segment assets	<u>10,103,233</u>	<u>49,129</u>	<u>535,838</u>	<u>10,688,200</u>
Segment liabilities	<u>3,433,820</u>	<u>40,928</u>	<u>14,396</u>	<u>3,489,144</u>

Note: Segment assets include investments in jointly controlled entities of RMB62,485,000.

The reportable segment assets and liabilities as at 31 December 2006, 2007 and 2008 and 30 June 2009 are reconciled to Group’s total assets and total liabilities as follows:

	As at 31 December			As at 30 June
	2006 <i>RMB’000</i>	2007 <i>RMB’000</i>	2008 <i>RMB’000</i>	2009 <i>RMB’000</i>
Total segment assets	4,824,256	6,889,598	9,964,082	10,688,200
Unallocated:				
Deferred income tax assets	34,032	54,469	82,529	79,737
Cash balances	<u>1,209,684</u>	<u>1,289,782</u>	<u>1,009,027</u>	<u>2,043,479</u>
Total assets shown in the consolidated balance sheet	<u>6,067,972</u>	<u>8,233,849</u>	<u>11,055,638</u>	<u>12,811,416</u>
Total segment liabilities	1,735,982	1,269,541	2,993,070	3,489,144
Unallocated:				
Deferred income tax liabilities	215,464	240,484	261,040	288,313
Current income tax liabilities	238,629	295,988	646,911	941,176
Borrowings	<u>2,623,000</u>	<u>5,142,892</u>	<u>5,720,395</u>	<u>6,276,118</u>
Total liabilities shown in the consolidated balance sheet	<u>4,813,075</u>	<u>6,948,905</u>	<u>9,621,416</u>	<u>10,994,751</u>

The Company is domiciled in the Cayman Islands. No revenue from external customers is derived from the Cayman Islands. All revenues from external customers are derived in the PRC for the Relevant Periods. All non-current assets other than financial instruments and deferred tax assets (there are no employment benefit asset and rights arising under insurance contracts) are located in the PRC.

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6 Property, plant and equipment

	Buildings	Motor	Furniture,	
	RMB’000	vehicles	fitting &	Total
	RMB’000	RMB’000	equipment	RMB’000
	RMB’000	RMB’000	RMB’000	RMB’000
At 1 January 2006				
Cost	18,621	9,234	9,432	37,287
Accumulated depreciation	<u>(2,028)</u>	<u>(3,387)</u>	<u>(3,936)</u>	<u>(9,351)</u>
Net book amount	<u>16,593</u>	<u>5,847</u>	<u>5,496</u>	<u>27,936</u>
Year ended 31 December 2006				
Opening net book amount	16,593	5,847	5,496	27,936
Acquisition of subsidiaries (<i>note 37</i>)	—	—	484	484
Additions	—	3,215	3,754	6,969
Depreciation	<u>(1,985)</u>	<u>(1,634)</u>	<u>(1,389)</u>	<u>(5,008)</u>
Closing net book amount	<u>14,608</u>	<u>7,428</u>	<u>8,345</u>	<u>30,381</u>
At 31 December 2006				
Cost	18,621	12,449	13,670	44,740
Accumulated depreciation	<u>(4,013)</u>	<u>(5,021)</u>	<u>(5,325)</u>	<u>(14,359)</u>
Net book amount	<u>14,608</u>	<u>7,428</u>	<u>8,345</u>	<u>30,381</u>
Year ended 31 December 2007				
Opening net book amount	14,608	7,428	8,345	30,381
Acquisition of subsidiaries (<i>note 37</i>)	—	—	550	550
Additions	—	10,654	1,959	12,613
Disposals	—	(40)	(97)	(137)
Depreciation	<u>(1,985)</u>	<u>(3,063)</u>	<u>(1,954)</u>	<u>(7,002)</u>
Closing net book amount	<u>12,623</u>	<u>14,979</u>	<u>8,803</u>	<u>36,405</u>
At 31 December 2007				
Cost	18,621	22,700	14,939	56,260
Accumulated depreciation	<u>(5,998)</u>	<u>(7,721)</u>	<u>(6,136)</u>	<u>(19,855)</u>
Net book amount	<u>12,623</u>	<u>14,979</u>	<u>8,803</u>	<u>36,405</u>

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	Buildings	Motor	Furniture,	
	<i>RMB’000</i>	vehicles	fitting &	Total
		<i>RMB’000</i>	equipment	<i>RMB’000</i>
			<i>RMB’000</i>	<i>RMB’000</i>
Year ended 31 December 2008				
Opening net book amount	12,623	14,979	8,803	36,405
Acquisition of subsidiaries (<i>note 37</i>)	—	—	1,111	1,111
Additions	—	6,238	2,306	8,544
Disposal	—	(1,650)	(265)	(1,915)
Depreciation	<u>(1,985)</u>	<u>(5,703)</u>	<u>(2,032)</u>	<u>(9,720)</u>
Closing net book amount	<u>10,638</u>	<u>13,864</u>	<u>9,923</u>	<u>34,425</u>
At 31 December 2008				
Cost	18,621	24,555	15,872	59,048
Accumulated depreciation	<u>(7,983)</u>	<u>(10,691)</u>	<u>(5,949)</u>	<u>(24,623)</u>
Net book amount	<u>10,638</u>	<u>13,864</u>	<u>9,923</u>	<u>34,425</u>
Six months ended 30 June 2009				
Opening net book amount	10,638	13,864	9,923	34,425
Additions	—	87	773	860
Disposals	—	(794)	(168)	(962)
Depreciation	<u>(993)</u>	<u>(2,261)</u>	<u>(899)</u>	<u>(4,153)</u>
Closing net book amount	<u>9,645</u>	<u>10,896</u>	<u>9,629</u>	<u>30,170</u>
At 30 June 2009				
Cost	18,621	23,162	16,190	57,973
Accumulated depreciation	<u>(8,976)</u>	<u>(12,266)</u>	<u>(6,561)</u>	<u>(27,803)</u>
Net book amount	<u>9,645</u>	<u>10,896</u>	<u>9,629</u>	<u>30,170</u>

APPENDIX IA ACCOUNTANT’S REPORT OF EXCELLENCE REAL ESTATE GROUP LIMITED

7 Investment properties

	Year ended 31 December			Six months ended 30 June 2009
	2006	2007	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000
Opening net book amount	140,000	572,500	665,000	706,000
Transfer from property under development	33,131	9,882	—	—
Acquisition of subsidiaries (<i>note 37</i>)	330,162	—	—	—
Fair value gains (included in other gains - net)	69,207	82,618	41,000	35,000
	<u>572,500</u>	<u>665,000</u>	<u>706,000</u>	<u>741,000</u>

The investment properties are stated at 31 December 2006, 2007, 2008 and 30 June 2009 at fair value, representing market value appraised by an independent, professionally qualified valuer, DTZ Debenham Tie Leung Limited who held a recognised and relevant professional qualification and has recent experience in the location and category of the investment properties being valued. In valuing the investment properties, investment approach is adopted by capitalising the net rental income derived from the existing tenancies with due allowance for reversionary income potential of the properties.

	As at 31 December			As at 30 June 2009
	2006	2007	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000
Outside Hong Kong, held on leases of				
Between 50 to 70 years	212,500	235,000	236,000	236,000
Between 10 to 50 years (<i>note below</i>)	<u>360,000</u>	<u>430,000</u>	<u>470,000</u>	<u>505,000</u>
	<u>572,500</u>	<u>665,000</u>	<u>706,000</u>	<u>741,000</u>

Note: The investment property is located at Basements 1 to 3, Diwang Plaza, No.18 Jiaochang West Road, Yuexiu District, Guangzhou of the PRC (“Diwang Plaza”). The Group has not been provided with the certificate for the state-owned land use right of this property, the title of which vests with Guangzhou Sports Bureau.

According to an agreement dated 16 April 2002 entered into between Guangzhou People’s Stadium and the Group, the Group has the right to use and operate Diwang Plaza for 40 years from the opening date of the property, and should return the interest of Diwang Plaza to Guangdong People’s Stadium thereafter.

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The following amounts have been recognised in the consolidated statements of comprehensive income:

	Year ended 31 December			Six months ended 30 June	
	2006	2007	2008	2008	2009
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
				<i>(unaudited)</i>	
Rental income	21,718	54,767	67,734	35,450	35,024
Direct operating expenses arising from investment properties	<u>(16,660)</u>	<u>(23,180)</u>	<u>(25,578)</u>	<u>(10,210)</u>	<u>(11,077)</u>

The future aggregate minimum lease rentals receivable under non-cancellable operating leases in respect of land and buildings are as follows:

	Year ended 31 December			Six months ended 30 June	
	2006	2007	2008	2008	2009
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
				<i>(unaudited)</i>	
Not later than one year	16,057	20,741	49,388	70,249	66,336
Later than one year and not later than five years	36,416	82,386	62,640	71,508	78,332
Later than five years	<u>15,138</u>	<u>3,950</u>	<u>5,701</u>	<u>7,598</u>	<u>3,852</u>
	<u>67,611</u>	<u>107,077</u>	<u>117,729</u>	<u>149,355</u>	<u>148,520</u>

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8 Land use rights

	Year ended 31 December			Six months ended
	2006	2007	2008	30 June
	RMB'000	RMB'000	RMB'000	2009
				RMB'000
Opening net book amount	928,025	1,216,640	2,463,136	3,268,371
Acquisition of subsidiaries (<i>note 37</i>)	245,126	397,225	—	—
Additions	389,668	1,004,591	998,588	—
Amortisation:				
- expensed in administrative expenses	(4,143)	(11,548)	(20,733)	(10,688)
- capitalised in properties under development	(6,502)	(12,204)	(26,165)	(9,837)
Transfer to cost of sales	<u>(335,534)</u>	<u>(131,568)</u>	<u>(146,455)</u>	<u>(114,711)</u>
Closing net book amount	<u>1,216,640</u>	<u>2,463,136</u>	<u>3,268,371</u>	<u>3,133,135</u>
Included in current assets	445,275	1,276,249	1,947,517	1,820,666
Included in non-current assets	<u>771,365</u>	<u>1,186,887</u>	<u>1,320,854</u>	<u>1,312,469</u>
	<u>1,216,640</u>	<u>2,463,136</u>	<u>3,268,371</u>	<u>3,133,135</u>
Outside Hong Kong, held on leases of:				
Between 50 to 70 years	<u>1,216,640</u>	<u>2,463,136</u>	<u>3,268,371</u>	<u>3,133,135</u>

Land use rights comprise cost of acquiring rights to use certain land which are all located in the PRC for property development over fixed periods. Land use rights are recognised as an expense on a straight-line basis over the unexpired period of the rights, except during the course of property development when the amortisation of land use rights is included as part of the cost of the property under development. When the relevant properties are sold, the remaining carrying amount is derecognised and included in cost of sales.

As at 31 December 2006, 2007 and 2008 and 30 June 2009, no land use rights were pledged as collateral for the Group’s borrowings.

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9 Intangible assets

Goodwill	Year ended 31 December			Six months ended 30 June
	2006	2007	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000
Opening net book amount	21,209	37,615	38,390	46,290
Acquisition of subsidiaries (note 37)	16,406	775	7,900	—
Closing net book amount	37,615	38,390	46,290	46,290
At the end of year/period				
Cost	37,615	38,390	46,290	46,290
Accumulated impairment	—	—	—	—
	37,615	38,390	46,290	46,290

Goodwill is allocated to the Group’s cash generating units (“CGU”) identified according to the operations of the company acquired.

A segment-level summary of the goodwill is presented as below.

Goodwill	As at 31 December			As at 30 June
	2006	2007	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000
Segment				
Property development	37,315	38,090	45,990	45,990
Property rental	300	300	300	300
	37,615	38,390	46,290	46,290

The recoverable amount of each of the acquired subsidiaries is determined based on value-in-use calculations. These calculations use pre-tax cash flow projections based on management best estimates covering a five-year period. Management determined the estimated operating results based on past performance and its expectations for the market development. The discount rate used is pre-tax and reflects specific risks relating to the real estate projects developed by the acquired companies.

Key assumptions used for value-in-use calculations of CGU are as follows:

Profit margin	15% - 17%
Discount rate	7.5% - 12%

Based on the impairment test, no impairment provision is required as at 31 December 2006, 2007, 2008 and 30 June 2009.

Assuming no growth rate is applied and the discount rates increased by 1%, there is still enough headroom and no impairment charge is required.

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10 Investment in jointly controlled entities

	Year ended 31 December			Six months ended
	2006	2007	2008	30 June
	RMB'000	RMB'000	RMB'000	RMB'000
Beginning of the year/period	—	—	—	65,172
Addition arising from acquisition of a subsidiary (note 37(f))	—	—	65,000	—
Other addition	—	—	172	—
Share of loss	—	—	—	(2,687)
End of the year/period	—	—	65,172	62,485

Particulars of the jointly controlled entities are as follows:

	Place of incorporation	Percentage of interest attributable to the Group			
		As at 31 December		As at 30 June	
		2006	2007	2008	2009
深圳市金地大百匯房地產開發有限公司 Shenzhen Jindi Dabaihui Real Estate Company Limited. (“Jindi Dabaihui”)	PRC	—	—	33.15%	33.15%
Excellence Effort Property Development Limited	BVI	—	—	50%	50%

The Group’s share of assets and liabilities of jointly controlled entities are as follows:

	As at 31 December			As at
	2006	2007	2008	30 June
	RMB'000	RMB'000	RMB'000	RMB'000
Non-current assets	—	—	250	331
Current assets	—	—	243,001	1,017,991
Non-current liabilities	—	—	—	(260,000)
Current liabilities	—	—	(178,079)	(695,837)
	—	—	65,172	62,485

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The Group’s share of the revenue and results of jointly controlled entities are as follows:

	As at 31 December			As at 30 June
	2006	2007	2008	2009
	RMB’000	RMB’000	RMB’000	RMB’000
Revenue	—	—	—	—
Expenses	—	—	—	(2,687)
Results	<u>—</u>	<u>—</u>	<u>—</u>	<u>(2,687)</u>

11 Available-for-sale financial assets

	Year ended 31 December			Six months ended 30 June
	2006	2007	2008	2009
	RMB’000	RMB’000	RMB’000	RMB’000
Beginning of the year/period	183,471	322,712	—	—
Additions	—	—	—	—
Disposals	—	(330,000)	—	—
Net gains transferred to equity (note 19)	<u>139,241</u>	<u>7,288</u>	<u>—</u>	<u>—</u>
End of the year/period	<u>322,712</u>	<u>—</u>	<u>—</u>	<u>—</u>

The available-for-sale financial assets represent unlisted 40% equity investment in Shenzhen Yijing Commercial Centre Development Co., Ltd. (“Shenzhen Central Walk”). The Group did not have significant influence on Shenzhen Central Walk, mainly because the Group has no ability to impact the financial and operating policy decisions in Shenzhen Central Walk during the period when the Group held its 40% equity interest, and accordingly, the Group treated it as available-for-sale financial assets rather than an associate. The fair values of this unlisted investment are determined by discounted cash flow model.

Key assumptions used for the determination of the fair value of this unlisted investment are as follows:

Profit margin	10% - 25%
Discount rate	5.6%

During the year ended 31 December 2007, the Group disposed of its entire interests in Shenzhen Central Walk for a consideration of RMB330,000,000, resulting in a gain of RMB230,000,000 (note 24).

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12 Properties under development

	As at 31 December			As at 30 June
	2006	2007	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000
Amount comprises:				
Construction costs and capital expenditure	229,812	563,265	1,637,054	1,796,604
Interest capitalised	<u>25,667</u>	<u>53,589</u>	<u>133,600</u>	<u>141,867</u>
	<u>255,479</u>	<u>616,854</u>	<u>1,770,654</u>	<u>1,938,471</u>

The properties under development are located in the PRC. No properties under development as at each period end of the Relevant Periods were pledged as collateral for the Group’s borrowings.

13 Completed properties held for sale

No completed properties held for sale as at each period end of the Relevant Periods were pledged as collateral for the Group’s borrowings.

14 Trade and other receivables

	As at 31 December			As at 30 June
	2006	2007	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000
Non-current assets:				
Other receivables:				
Third parties (<i>note(c)</i>)	<u>—</u>	<u>—</u>	<u>—</u>	<u>300,000</u>
Current assets:				
Trade receivables (<i>note (a)</i>):				
Related parties (<i>note 38(d)</i>)	1,299	—	—	—
Third parties	147,230	24,256	65,295	97,701
Other receivables:				
Related parties (<i>note 38(d)</i>)	233,237	184,964	215,615	845,350
Third parties (<i>note (b)</i>)	774,020	580,621	635,120	649,897
Prepayments:				
Prepayment for land use rights	588,409	1,318,274	1,043,899	1,063,899
Third parties	<u>31,953</u>	<u>172,042</u>	<u>102,699</u>	<u>137,803</u>
	<u>1,776,148</u>	<u>2,280,157</u>	<u>2,062,628</u>	<u>2,794,650</u>
	<u>1,776,148</u>	<u>2,280,157</u>	<u>2,062,628</u>	<u>3,094,650</u>

As at 31 December 2006, 2007 and 2008 and 30 June 2009, the fair value of trade and other receivables of the Group approximated their carrying amounts as at each balance sheet date of the Relevant Periods.

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- (a) Trade receivables mainly arose from sale of properties. Proceeds receivable in respect of sales of properties are settled in accordance with the terms of the related sales and purchase agreements. The ageing analysis of trade receivables at the each of the balance sheet dates of the Relevant Periods is as follows:

	As at 31 December			As at
	2006	2007	2008	30 June
	RMB'000	RMB'000	RMB'000	2009
				RMB'000
Within 90 days	144,247	19,855	33,180	68,613
Over 90 days and within 180 days	3,444	315	6,255	12,073
Over 180 days and within 365 days	—	3,662	18,131	2,735
Over 365 days	838	424	7,729	14,280
	<u>148,529</u>	<u>24,256</u>	<u>65,295</u>	<u>97,701</u>

Trade receivables aged over 365 days are past due but not impaired. These relate to a number of customers for whom there is no history of default. The remaining balances are neither past due nor impaired and these relate to a number of customers for whom there is no history of default.

- (b) As at 31 December 2006, the balance includes an advance made by the Group to Shenzhen Central Walk, an investee company classified as available-for-sale financial assets, amounting to approximately RMB80,000,000. In accordance with the terms of the agreement, the interest rate of such advance is twice of the prevailing bank borrowing interest rates in the PRC. Such advance, together with aggregated interest of approximately RMB10,989,000, were repaid to the Group during the year ended 31 December 2007.
- (c) As at 30 June 2009, the other receivables represent an advance made by the Group to a minority shareholder of a 51%-owned subsidiary of the Group, amounting to RMB300,000,000. In accordance with the terms of the agreement, the advance carries interest at the prevailing bank borrowing interest rates in the PRC and is repayable within 5 years. The advance is secured by the 49% equity interest in the aforesaid subsidiary.
- (d) All trade receivables and other receivables are denominated in RMB, except for certain other receivables which are denominated in H.K. dollar with balances of RMB240,000, RMB1,822,000, RMB15,521,000 and RMB6,282,000 as at 31 December 2006, 2007, 2008 and 30 June 2009 respectively.
- (e) Other receivables are neither past due nor impaired. These relate to a number of counterparties for whom there is no history of default.

15 Financial assets at fair value through profit or loss

The financial assets at fair value through profit or loss represented the investments in equity securities trading on The Stock Exchange of Hong Kong Limited. The investments are denominated in H.K. dollar and held for trading. The investments were disposed of during the year ended 31 December 2007.

16 Restricted cash

In accordance with relevant documents issued by local State-Owned Land and Resource Bureau, certain property development companies of the Group are required to place in designated bank accounts certain amount of proceeds from presale of properties as guarantee deposits for construction of related properties. The deposits can only be used for paying for construction materials and construction fee of the relevant property projects when approval from local State-Owned Land and Resource Bureau is obtained. Such guarantee deposits will only be released after the completion of related pre-sold properties or the issuance of the real estate ownership certificate, whichever is the earlier.

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In addition, as at 31 December 2008 and 30 June 2009, RMB350,000,000 bank deposits has been pledged for the bank borrowings (note 20).

Restricted cash is excluded from cash and cash equivalents.

17 Cash and cash equivalents

	As at 31 December			As at
	2006	2007	2008	30 June
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Cash at bank and in hand:				
Denominated in RMB	1,172,250	1,236,555	1,005,068	1,787,082
Denominated in H.K. dollar	37,434	1,817	2,422	255,983
Denominated in U.S. dollar	<u>—</u>	<u>51,410</u>	<u>1,537</u>	<u>414</u>
	<u>1,209,684</u>	<u>1,289,782</u>	<u>1,009,027</u>	<u>2,043,479</u>
Less: Restricted cash (<i>note (16)</i>)	<u>(49,908)</u>	<u>(28,066)</u>	<u>(387,663)</u>	<u>(400,589)</u>
	<u>1,159,776</u>	<u>1,261,716</u>	<u>621,364</u>	<u>1,642,890</u>

The conversion of RMB denominated balances into foreign currencies and the remittance of such foreign currencies denominated bank balances and cash out of the PRC are subject to relevant rules and regulations of foreign exchange control promulgated by the PRC government.

As at 31 December 2006, 2007 and 2008 and 30 June 2009, approximately 57%, 58%, 78% and 75% of bank balances are placed in the state-owned banks in the PRC, respectively.

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18 Share capital

Company	Note	Number of ordinary shares	Nominal	Nominal	Equivalent
			value of	value of	nominal
			ordinary shares USD	ordinary shares HKD'000	value of ordinary shares RMB'000
Authorised:					
Ordinary shares of USD1.00 each upon incorporation and as at 31 December 2007	(a)	50,000	50,000	—	
Increase in authorized share capital	(b)	<u>950,000</u>	<u>950,000</u>	<u>—</u>	
Ordinary shares of USD1.00 each as at 31 December 2008 and 30 June 2009		1,000,000	1,000,000	—	
Increase in authorized share capital from re-denomination of the shares from USD to HKD	(c)	<u>499,999,000,000</u>	<u>(1,000,000)</u>	<u>5,000,000</u>	
Ordinary share of HKD0.01 each as at date of this report		<u><u>500,000,000,000</u></u>	<u><u>—</u></u>	<u><u>5,000,000</u></u>	
Issued:					
Ordinary shares of USD1.00 each	(a)	<u>50,000</u>	<u>50,000</u>	<u>—</u>	<u>344</u>
As at 31 December 2007		50,000	50,000	—	344
Ordinary shares of USD1.00 each	(b)	<u>950,000</u>	<u>950,000</u>	<u>—</u>	<u>6,535</u>
As at 31 December 2008 and 30 June 2009		<u><u>1,000,000</u></u>	<u><u>1,000,000</u></u>	<u><u>—</u></u>	<u><u>6,879</u></u>
Group		Year ended 31 December			Six months ended
		2006	2007	2008	30 June 2009
Beginning of the year/period (Note (e))		6,535	6,535	6,879	6,879
Shares issued (Note (a))		<u>—</u>	<u>344</u>	<u>—</u>	<u>—</u>
End of the year/period (Note (e))		<u>6,535</u>	<u>6,879</u>	<u>6,879</u>	<u>6,879</u>

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Notes:

- (a) On 4 June 2007 (the date of incorporation of the Company), the authorised share capital of the Company was USD50,000 divided into 50,000 shares of USD1.00 each. At the same date, 50,000 ordinary shares of the Company were allotted and issued to Original Shareholders at par.
- (b) On 18 January 2008, the Company, through its wholly owned subsidiary, Excellence BVI, acquired the entire share capital of Excellence Hong Kong from Original Shareholders. In return, 950,000 ordinary shares have been authorised and issued by the Company to the wholly owned BVI subsidiaries of Original Shareholders (see note 1 for details).
- (c) On 14 October 2009, the Company’s shareholders passed resolutions to re-denominate the shares of the Company from U.S. dollars to H.K. dollars by way of:
- an increase in the authorized share capital by HKD5,000,000,000 by the creation of 500,000,000,000 shares of HKD0.01 each;
 - the issue of 1,000,000 Shares, nil paid, to the shareholders of record pro rata to their existing shareholders;
 - the repurchase of the 1,000,000 shares of USD1.00 in issue at par on the date the resolutions were passed;
 - applying the proceeds from the repurchase toward the paying up, credited as fully paid, of the 1,000,000 nil paid shares in issue; and
 - the cancellation of all 1,000,000 unissued shares of USD1.00.
- (d) On 14 October 2009, the Company granted to Tam Lai Ling, one of the directors of the Company, options to subscribe for shares of the Company at an exercise price equal to the [●], amounting to a total value of HKD30,000,000.
- (e) Pursuant to a board resolution dated 14 October 2009, conditional on the share premium amount of the Company being credited as a result of the [●], the Company will capitalise an amount of HKD89,990,000 standing to the credit of its share premium account in paying up in full at par 8,999,000,000 shares, each of which will be allotted and issued to its then shareholders.
- (f) The share capital presented in the consolidated balance sheets as at 31 December 2006 and 2007 represented the share capital of the Company, arising from the transaction as described in note (b) above, which is deemed to have been in issue throughout the Relevant Periods presented in this report in accordance with the Reorganisation.

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19 Reserves

Group

	Merger reserve RMB'000 (note (a))	Capital reserve RMB'000	Statutory reserves RMB'000 (note (b))	Investment revaluation reserve RMB'000	Retained earnings RMB'000	Total RMB'000
Balance at 1 January 2006	(5,458)	—	50,761	70,950	583,315	699,568
Revaluation - gross (note 11)	—	—	—	139,241	—	139,241
Revaluation - tax (note 21)	—	—	—	(20,886)	—	(20,886)
Profit for the year	—	—	—	—	205,778	205,778
Transfer to statutory reserves	—	—	35,653	—	(35,653)	—
Acquisition of additional interest in subsidiaries	—	(2,600)	—	—	—	(2,600)
Balance at 31 December 2006	(5,458)	(2,600)	86,414	189,305	753,440	1,021,101
Revaluation — gross (note 11)	—	—	—	7,288	—	7,288
Revaluation — tax (note 21)	—	—	—	(1,093)	—	(1,093)
Disposal of available-for-sale financial assets	—	—	—	(195,500)	—	(195,500)
Profit for the year	—	—	—	—	323,714	323,714
Transfer to statutory reserves	—	—	22,359	—	(22,359)	—
Acquisition of additional interest in subsidiaries	—	(57,521)	—	—	—	(57,521)
Balance at 31 December 2007	(5,458)	(60,121)	108,773	—	1,054,795	1,097,989
Profit for the year	—	—	—	—	184,467	184,467
Transfer to statutory reserves	—	—	51,904	—	(51,904)	—
Acquisition of additional interest in subsidiaries	—	(19,699)	—	—	—	(19,699)
Balance at 31 December 2008	(5,458)	(79,820)	160,677	—	1,187,358	1,262,757
Profit for the period	—	—	—	—	382,938	382,938
Balance at 30 June 2009	(5,458)	(79,820)	160,677	—	1,570,296	1,645,695
(Unaudited)						
Balance at 31 December 2007	(5,458)	(60,121)	108,773	—	1,054,795	1,097,989
Profit for the period	—	—	—	—	25,429	25,429
Balance at 30 June 2008	(5,458)	(60,121)	108,773	—	1,080,224	1,123,418

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Company

	Year ended 31 December		Six months
	<i>2007</i>	<i>2008</i>	ended 30 June
	<i>RMB’000</i>	<i>RMB’000</i>	<i>2009</i>
			<i>RMB’000</i>
Retained earnings:			
Beginning of the year/period	—	(66)	(175)
Loss for the year/period	<u>(66)</u>	<u>(109)</u>	<u>—</u>
 End of the year/period	 <u><u>(66)</u></u>	 <u><u>(175)</u></u>	 <u><u>(175)</u></u>

Notes:

(a) Merger reserve

The merger reserve of the Group represents the difference between par value of share capital of the Company issued and the share capital of Excellence Hong Kong transferred pursuant to the Reorganisation.

(b) Statutory reserve

Pursuant to the Articles of Association of the Company’s subsidiaries in the PRC, appropriations to the general statutory reserves were made at a certain percentage of profit after taxation determined in accordance with the accounting rules and regulations of the PRC before profit distributions are made to investors. The percentage for this appropriation was decided by the directors of the PRC subsidiaries. This reserve fund can be utilised in setting off accumulated losses or increasing capital of the subsidiaries and is non-distributable other than in liquidation.

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20 Borrowings

	As at 31 December			As at
	2006	2007	2008	30 June
	RMB’000	RMB’000	RMB’000	2009
				RMB’000
Borrowings included in non-current liabilities:				
Bank borrowings - secured	—	—	—	588,842
Bank borrowings - unsecured	1,963,000	4,405,000	4,645,500	4,984,000
Less: current portion of non-current borrowings	<u>(230,000)</u>	<u>(1,240,000)</u>	<u>(1,061,000)</u>	<u>(1,587,000)</u>
	<u>1,733,000</u>	<u>3,165,000</u>	<u>3,584,500</u>	<u>3,985,842</u>
Borrowings included in current liabilities:				
Bank borrowings - secured	—	—	334,895	273,276
Bank borrowings - unsecured	660,000	737,892	740,000	430,000
Current portion of non-current borrowings	<u>230,000</u>	<u>1,240,000</u>	<u>1,061,000</u>	<u>1,587,000</u>
	<u>890,000</u>	<u>1,977,892</u>	<u>2,135,895</u>	<u>2,290,276</u>

The details of the bank borrowings at the end of each of the Relevant Periods are as follows:

As at	Borrowing amount RMB’000	Guarantee details
31 December 2006	120,000	Guaranteed by Shenzhen Excellence, Shenzhen Pengyue, Shenzhen Yonggao, Mr. Li Wa and Mr. Li Xiaoping
	40,000	Guaranteed by Shenzhen Excellence Development and Shenzhen Pengyue
	1,155,000	Guaranteed by Excellence China
	350,000	Guaranteed by Shenzhen Excellence
	100,000	Guaranteed by Shenzhen Pengyue
	160,000	Guaranteed by Bank of China (<i>note (a)</i>)
	498,000	Guaranteed by Excellence China and Shenzhen Yonggao
	<u>200,000</u>	Guaranteed by Excellence China, Mr. Li Wa and Mr. Li Xiaoping
	<u>2,623,000</u>	
31 December 2007	2,383,000	Guaranteed by Excellence China
	300,000	Guaranteed by Excellence China and Mr. Li Wa
	200,000	Guaranteed by Excellence Weigang, Shenzhen Qi’nian, Mr. Li Wa and Mr. Li Xiaoping
	357,892	Guaranteed by China Construction bank (<i>note (c)</i>)
	80,000	Guaranteed by Shenzhen Qi’nian
	100,000	Guaranteed by Shenzhen Yonggao and Mr. Li Wa
	160,000	Guaranteed by Bank of China (<i>note (a)</i>)

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As at	Borrowing amount <i>RMB'000</i>	Guarantee details
	114,000	Guaranteed by Guangzhou Guixin, Mr. Li Wa and Mr. Li Xiaoping
	800,000	Guaranteed by Excellence Century City, Shenzhen Qi’nian and Mr. Li Wa
	180,000	Guaranteed by Bank of China and Shenzhen Excellence (<i>note (b)</i>)
	348,000	Guaranteed by Excellence China and Shenzhen Yonggao
	<u>120,000</u>	Guaranteed by Excellence China, Mr. Li Wa and Mr. Li Xiaoping
	<u>5,142,892</u>	
31 December 2008	334,895	Pledged by a bank deposit with the amount of RMB350,000,000 and guaranteed by China Construction bank (Shenzhen Branch)
	102,000	Guaranteed by Guangzhou Guixin, Mr. Li Wa and Mr. Li Xiaoping
	200,000	Guaranteed by Excellence Weigang, Shenzhen Qi’nian, Mr. Li Wa and Mr. Li Xiaoping
	1,400,000	Guaranteed by Excellence Century City, Shenzhen Qi’nian and Mr. Li Wa
	360,000	Guaranteed by Bank of China
	180,000	Guaranteed by Bank of China and Shenzhen Excellence (<i>Note(b)</i>)
	<u>3,143,500</u>	Guaranteed by Excellence China
	<u>5,720,395</u>	
30 June 2009	588,842	Secured by the equity interest of Excellence China and Excellence Century City, and guaranteed by the Company, Mr. Li Wa and Mr. Li Xiaoping
	273,276	Pledged by a bank deposit with the amount of RMB350,000,000 and guaranteed by China Construction bank (Shenzhen Branch)
	96,000	Guaranteed by Guangzhou Guixin, Mr. Li Wa and Mr. Li Xiaoping
	200,000	Guaranteed by Excellence Weigang, Shenzhen Qi’nian, Mr. Li Wa and Mr. Li Xiaoping
	1,550,000	Guaranteed by Excellence Century City, Shenzhen Qi’nian and Mr. Li Wa
	180,000	Guaranteed by Bank of China and Shenzhen Excellence (<i>note (b)</i>)
	50,000	Guaranteed by Excellence Century City and Mr. Li Wa
	3,008,000	Guaranteed by Excellence China
	<u>330,000</u>	Guaranteed by Excellence China and Mr. Li Wa
	<u>6,276,118</u>	

Notes:

- (a) Shenzhen Excellence, a subsidiary of the Company, also provided a counter-indemnity to Bank of China for its guarantee related to the bank borrowing of RMB160,000,000.
- (b) Shenzhen Excellence, a subsidiary of the Company, also provided a counter-indemnity to Bank of China for its guarantee related to the bank borrowing of RMB 180,000,000.
- (c) Shenzhen Excellence and Shenzhen Qi’nian, subsidiaries of the Company, also provided a counter-indemnity to China Construction Bank for its guarantee related to the bank borrowing of USD49,000,000 as at 31 December 2007 and 2008, and the bank borrowing of USD40,000,000 as at 30 June 2009.

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The exposure of the Group’s borrowings to interest-rate changes and the contractual repricing dates or maturity date whichever is earlier are in 6 months or less.

The borrowings are repayable as follows:

	As at 31 December			As at 30 June
	2006	2007	2008	2009
	RMB’000	RMB’000	RMB’000	RMB’000
Within 1 year	890,000	1,977,892	2,135,895	2,290,276
Between 1 and 2 years	1,008,000	896,000	2,356,500	3,183,842
Between 2 and 5 years	725,000	2,215,000	1,186,000	802,000
Over 5 years	—	54,000	42,000	—
	<u>2,623,000</u>	<u>5,142,892</u>	<u>5,720,395</u>	<u>6,276,118</u>

All borrowings bear interest at floating rates. The effective interest rates at each of the balance sheet dates of the Relevant Periods were as follows:

	As at 31 December			As at 30 June
	2006	2007	2008	2009
Bank borrowings	<u>5.09%</u>	<u>6.30%</u>	<u>7.09%</u>	<u>5.61%</u>

The carrying amounts of the borrowings are denominated in the following currencies:

	As at 31 December			As at 30 June
	2006	2007	2008	2009
	RMB’000	RMB’000	RMB’000	RMB’000
RMB	2,623,000	4,785,000	5,385,500	5,414,000
U.S. dollar	—	357,892	334,895	273,276
H.K. dollar	—	—	—	588,842
	<u>2,623,000</u>	<u>5,142,892</u>	<u>5,720,395</u>	<u>6,276,118</u>

The fair values of borrowings approximate their carrying amounts as they are interest bearing at market interest rates.

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21 Deferred income tax

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current liabilities and when the deferred income taxes relate to the same tax authority. The offset amounts are as follows:

	As at 31 December			As at 30 June
	2006	2007	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000
Deferred income tax assets:				
- to be recovered after more than 12 months	23,225	38,035	9,613	4,185
- to be recovered within 12 months	<u>10,807</u>	<u>16,434</u>	<u>72,916</u>	<u>75,552</u>
	<u>34,032</u>	<u>54,469</u>	<u>82,529</u>	<u>79,737</u>
Deferred income tax liabilities				
- to be settled after more than 12 months	(214,841)	(196,674)	(144,452)	(173,202)
- to be settled within 12 months	<u>(623)</u>	<u>(43,810)</u>	<u>(116,588)</u>	<u>(115,111)</u>
	<u>(215,464)</u>	<u>(240,484)</u>	<u>(261,040)</u>	<u>(288,313)</u>

The net movement on the deferred taxation is as follows:

	Year ended 31 December			Six months ended 30 June
	2006	2007	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000
Beginning of the year/period	(93,270)	(181,432)	(186,015)	(178,511)
Acquisition of subsidiaries (<i>note 37</i>)	(102,300)	(65,000)	—	—
Charged directly to equity (<i>note 19</i>)	(20,886)	(1,093)	—	—
Recognised in the income statements (<i>note 29</i>)	<u>35,024</u>	<u>61,510</u>	<u>7,504</u>	<u>(30,065)</u>
End of the year/period	<u>(181,432)</u>	<u>(186,015)</u>	<u>(178,511)</u>	<u>(208,576)</u>

Pursuant to the PRC enterprise income tax law passed by the Tenth National People’s Congress on 16 March 2007, the new enterprise income tax for domestic and foreign enterprises are unified at 25%, which will be effective from 1 January 2008 (*note 29*). The change in the carrying amount of the deferred tax assets and liabilities, as a result of change in tax rate, has been reflected in the financial information for the year ended 31 December 2007.

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Movement in deferred tax assets and liabilities during the Relevant Periods, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

Deferred income tax assets:

	Recognition of sales and related cost of sales RMB'000	Recognition of expenses of expenses RMB'000	Tax losses RMB'000	Total RMB'000
At 1 January 2006	3,562	312	5,146	9,020
Credited to the income statements	<u>12,779</u>	<u>2,068</u>	<u>10,165</u>	<u>25,012</u>
At 31 December 2006	16,341	2,380	15,311	34,032
Credited to the income statements	<u>4,875</u>	<u>2,361</u>	<u>13,201</u>	<u>20,437</u>
At 31 December 2007	21,216	4,741	28,512	54,469
Credited/(charged) to the income statements	<u>34,171</u>	<u>(4,639)</u>	<u>(1,472)</u>	<u>28,060</u>
At 31 December 2008	55,387	102	27,040	82,529
Credited/(charged) to the income statements	<u>3,038</u>	<u>639</u>	<u>(6,469)</u>	<u>(2,792)</u>
At 30 June 2009	<u>58,425</u>	<u>741</u>	<u>20,571</u>	<u>79,737</u>

Deferred income tax assets are recognised for tax losses carried forward to the extent that the realisation of the related benefit through the future taxable profits is probable. The Group did not recognise deferred income tax assets of RMB14,482,000, RMB19,275,000, RMB53,466,000 and RMB73,745,000 as at 31 December 2006, 2007 and 2008 and 30 June 2009 in respect of accumulated losses amounting to RMB51,448,000, RMB66,122,000, RMB213,867,000 and RMB294,980,000 as at 31 December 2006, 2007 and 2008 and 30 June 2009, respectively. These tax losses will expire at various dates up to and including 2011, 2012, 2013 and 2014 respectively.

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Deferred income tax liabilities:

	Fair value adjustment arising from acquisition of subsidiaries <i>RMB'000</i>	Revaluation of investment properties <i>RMB'000</i>	Revaluation of available-for- sale financial assets <i>RMB'000</i>	Withholding tax <i>RMB'000</i> <i>(note (a))</i>	Total <i>RMB'000</i>
At 1 January 2006	(77,617)	(12,152)	(12,521)	—	(102,290)
Acquisition of subsidiaries	(16,500)	(85,800)	—	—	(102,300)
Charged directly to equity <i>(note 19)</i>	—	—	(20,886)	—	(20,886)
Credited/(charged) to the income statements	<u>25,764</u>	<u>(15,752)</u>	<u>—</u>	<u>—</u>	<u>10,012</u>
At 31 December 2006	(68,353)	(113,704)	(33,407)	—	(215,464)
Acquisition of subsidiaries	(65,000)	—	—	—	(65,000)
Charged directly to equity <i>(note 19)</i>	—	—	(1,093)	—	(1,093)
Credited/(charged) to the income statements	<u>16,080</u>	<u>(9,507)</u>	<u>34,500</u>	<u>—</u>	<u>41,073</u>
At 31 December 2007	(117,273)	(123,211)	—	—	(240,484)
Credited/(charged) to the income statements	<u>685</u>	<u>(11,241)</u>	<u>—</u>	<u>(10,000)</u>	<u>(20,556)</u>
At 31 December 2008	(116,588)	(134,452)	—	(10,000)	(261,040)
Credited/(charged) to the income statements	<u>1,477</u>	<u>(8,750)</u>	<u>—</u>	<u>(20,000)</u>	<u>(27,273)</u>
At 30 June 2009	<u>(115,111)</u>	<u>(143,202)</u>	<u>—</u>	<u>(30,000)</u>	<u>(288,313)</u>

Note:

- (a) Pursuant to Detailed Implementation Regulations (“DIR”) for implementation of the new Corporate Income Tax Law issued on 6 December 2007, a 10% withholding tax will be levied on the dividends declared by the companies established in the PRC to their direct foreign investors starting from 1 January 2008. All these dividends shall come from the profits generated by the companies after 1 January 2008. A lower withholding tax rate of 5% is applied to the PRC subsidiaries, whose direct foreign investors are incorporated in Hong Kong because of the treaty arrangement between the PRC and Hong Kong.

As at 31 Dec 2008 and 30 June 2009, the aggregate amount of temporary differences associated with investments in subsidiaries for which deferred tax liabilities have not been recognised totalled approximately RMB62,425,000 and RMB77,732,000, as the directors consider that the timing of reversal of the related temporary differences can be controlled and the temporary differences will not be reversed in the foreseeable future.

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22 Trade and other payables

	As at 31 December			As at 30 June
	2006	2007	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000
Trade payables				
Third parties (<i>note (a)</i>)	370,967	313,763	1,066,976	914,049
Notes payable	—	—	—	59,726
Other payables				
Related parties (<i>note 38(d)</i>)	412,265	75,203	100,211	110,920
Third parties	282,446	319,013	514,941	586,691
Accrued expenses	435	1,944	279	253
Other taxes payable	71,355	1,474	92,938	92,367
	<u>1,137,468</u>	<u>711,397</u>	<u>1,775,345</u>	<u>1,764,006</u>

Notes:

(a) The ageing analysis of trade payables at each of the balance sheet dates of the Relevant Periods is as follows:

	As at 31 December			As at 30 June
	2006	2007	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000
Within 90 days	307,333	149,649	882,993	61,957
Over 90 days and within 180 days	1,727	2,118	1,546	127,744
Over 180 days and within 365 days	333	22,697	83,860	592,513
Over 365 days	61,574	139,299	98,577	131,835
	<u>370,967</u>	<u>313,763</u>	<u>1,066,976</u>	<u>914,049</u>

(b) All trade and other payables are denominated in RMB, except for certain other payables which are denominated in H.K. dollar with balances of RMB43,898,000, RMB51,889,000, RMB6,368,000 and RMB46,707,000 as at 31 December 2006, 2007, 2008 and 30 June 2009, respectively.

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23 Other income

	Year ended 31 December			Six months ended 30 June	
	2006	2007	2008	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)	
Refund of enterprise income tax expenses arising from reinvestment	19,356	—	—	—	—
Forfeited non-refundable customer deposits	349	1,371	3,639	967	1,239
	<u>19,705</u>	<u>1,371</u>	<u>3,639</u>	<u>967</u>	<u>1,239</u>

24 Other gains - net

	Year ended 31 December			Six months ended 30 June	
	2006	2007	2008	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)	
Excess of fair value of net assets acquired over the cost of acquisition of a subsidiary	2,127	—	—	—	—
Fair value gain on investment properties (note 7)	69,207	82,618	41,000	41,000	35,000
Gain on disposal of available-for-sale financial assets	—	230,000	—	—	—
Reimbursement of cost incurred for ancillary facilities (note (a))	—	—	15,812	15,812	—
Fair value gain on financial assets at fair value through profit or loss	1,320	—	—	—	—
Others	99	4,851	4,086	2,548	529
	<u>72,753</u>	<u>317,469</u>	<u>60,898</u>	<u>59,360</u>	<u>35,529</u>

Note:

- (a) During the year ended 31 December 2008, the Group was reimbursed by the government for the cost incurred for the ancillary facilities located in a real estate development previously undertaken by the Group.

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25 Expenses by nature

Expenses included in cost of sales, selling and marketing costs, and administration expenses are analysed as follows:

	Year ended 31 December			Six months ended 30 June	
	2006	2007	2008	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)	
Staff costs — including directors’ emoluments (<i>note 27</i>)	48,358	68,460	115,503	61,698	64,469
Business tax and other levies (<i>note (a)</i>)	68,734	52,108	110,494	37,533	105,896
Auditors’ remuneration	812	580	776	376	313
Advertising costs	49,242	43,200	93,103	30,811	25,606
Depreciation (<i>note 6</i>)	5,008	7,002	9,720	5,215	4,153
Amortisation of land use right (<i>note 8</i>)	4,143	11,548	20,733	9,857	10,688
Cost of properties sold	789,028	501,700	934,362	316,284	1,047,864
Donation	2,115	7,250	9,560	6,601	544
Operating lease rental	500	1,106	2,134	725	575
Others	44,698	68,348	103,420	64,295	71,599
	<u>1,012,638</u>	<u>761,302</u>	<u>1,399,805</u>	<u>533,395</u>	<u>1,331,707</u>

Note:

(a) Business tax

The PRC subsidiaries of the Group are subject to business taxes on their revenues at the following rates:

Category	Rate
Sale of properties	5%
Property management	3%
Property rental	5%

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26 Finance income and cost

	Year ended 31 December			Six months ended 30 June	
	2006	2007	2008	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)	
Interest expenses on bank borrowings					
Wholly repayable within five years	114,762	181,316	443,562	232,376	187,847
Not wholly repayable within five years	—	5,129	3,062	1,735	—
Less: Interest capitalised in properties under development	(36,430)	(55,908)	(217,226)	(108,206)	(80,811)
Exchange gain	—	(6,310)	(2,393)	(569)	(280)
Finance costs	78,332	124,227	227,005	125,336	106,756
Less: Bank interest income from bank deposits	(9,231)	(9,197)	(9,027)	(5,634)	(5,170)
Other interest income (note 14(b),(c))	(8,791)	(733)	—	—	(3,545)
	<u>60,310</u>	<u>114,297</u>	<u>217,978</u>	<u>119,702</u>	<u>98,041</u>

Capitalisation rates of borrowings are 5.09%, 6.30%, 7.09%, 6.92% and 5.61% per annum for the year ended 31 December 2006, 2007 and 2008, and for the six months ended 30 June 2008 and 2009 respectively.

27 Staff costs - including directors’ emoluments

	Year ended 31 December			Six months ended 30 June	
	2006	2007	2008	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)	
Wages and salaries	41,737	59,368	97,374	52,847	55,787
Retirement scheme contribution (note (a))	1,097	3,438	3,456	2,400	3,005
Staff welfare	4,387	5,008	13,307	5,376	4,793
Medical benefits	340	256	1,013	831	658
Other allowances and benefits	797	390	353	244	226
	<u>48,358</u>	<u>68,460</u>	<u>115,503</u>	<u>61,698</u>	<u>64,469</u>

Note (a):

Employees in the Group’s PRC subsidiaries are required to participate in a defined contribution retirement scheme administrated and operated by the local municipal government. The Group’s PRC subsidiaries contribute fund which are calculated on certain percentage of the average employee salary as agreed by local municipal government to the scheme to fund the retirement benefits of the employees.

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The Group also participates in a pension scheme under the rules and regulations of the MPF Scheme for all employees in Hong Kong. The contributions to the MPF Scheme are based on minimum statutory contribution requirement of 5% of eligible employees’ relevant aggregate income.

28 Emoluments for directors and five highest paid individuals

(a) Directors’ emoluments

The remuneration of each Director of the Company for the year ended 31 December 2006 is set out below:

	Fees	Salaries, bonuses and allowances	Retirement scheme contribution	Total
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Name of Director:				
Mr. Li Wa	—	763	19	782
Mr. Li Xiaoping	—	511	19	530
Mr. Wang Dou	—	331	19	350
Mr. Xie Limin	—	293	19	312
Mr. Duan Shijun	—	256	16	272
Ms. Deng Jingqiu	—	213	16	229
Mr. Zhang Yuan	—	—	—	—
Mr. Tam Lai Ling	—	—	—	—
*Mr. Ho Chi Ping Patrick	—	—	—	—
*Mr. Kenny Tam King Ching	—	—	—	—
*Mr. Shek Lai Him Abraham	—	—	—	—
	<u>—</u>	<u>2,367</u>	<u>108</u>	<u>2,475</u>

The remuneration of each Director of the Company for the year ended 31 December 2007 is set out below:

	Fees	Salaries, bonuses and allowances	Retirement scheme contribution	Total
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Name of Director:				
Mr. Li Wa	—	452	21	473
Mr. Li Xiaoping	—	477	21	498
Mr. Wang Dou	—	370	21	391
Mr. Xie Limin	—	319	21	340
Mr. Duan Shijun	—	279	18	297
Ms. Deng Jingqiu	—	317	18	335
Mr. Zhang Yuan	—	—	—	—
Mr. Tam Lai Ling	—	—	—	—
*Mr. Ho Chi Ping Patrick	—	—	—	—
*Mr. Kenny Tam King Ching	—	—	—	—
*Mr. Shek Lai Him Abraham	—	—	—	—
	<u>—</u>	<u>2,214</u>	<u>120</u>	<u>2,334</u>

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The remuneration of each Director of the Company for the year ended 31 December 2008 is set out below:

Name of Director:	Fees <i>RMB’000</i>	Salaries, bonuses and allowances <i>RMB’000</i>	Retirement scheme contribution <i>RMB’000</i>	Total <i>RMB’000</i>
Mr. Li Wa	—	739	31	770
Mr. Li Xiaoping	—	2,150	23	2,173
Mr. Wang Dou	—	1,749	21	1,770
Mr. Xie Limin	—	1,910	21	1,931
Mr. Duan Shijun	—	1,556	17	1,573
Ms. Deng Jingqiu	—	1,250	17	1,267
Mr. Zhang Yuan	—	629	17	646
Mr. Tam Lai Ling	—	—	—	—
*Mr. Ho Chi Ping Patrick	—	—	—	—
*Mr. Kenny Tam King Ching	—	—	—	—
*Mr. Shek Lai Him Abraham	—	—	—	—
	<u>—</u>	<u>9,983</u>	<u>147</u>	<u>10,130</u>

The remuneration of each Director of the Company for the six months ended 30 June 2008 (unaudited) is set out below:

Name of Director:	Fees <i>RMB’000</i>	Salaries, bonuses and allowances <i>RMB’000</i>	Retirement scheme contribution <i>RMB’000</i>	Total <i>RMB’000</i>
Mr. Li Wa	—	385	16	401
Mr. Li Xiaoping	—	330	12	342
Mr. Wang Dou	—	253	11	264
Mr. Xie Limin	—	275	11	286
Mr. Duan Shijun	—	267	9	276
Ms. Deng Jingqiu	—	211	9	220
Mr. Zhang Yuan	—	270	9	279
Mr. Tam Lai Ling	—	—	—	—
*Mr. Ho Chi Ping Patrick	—	—	—	—
*Mr. Kenny Tam King Ching	—	—	—	—
*Mr. Shek Lai Him Abraham	—	—	—	—
	<u>—</u>	<u>1,991</u>	<u>77</u>	<u>2,068</u>

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The remuneration of each Director of the Company for the six months ended 30 June 2009 is set out below:

Name of Director:	Fees RMB’000	Salaries, bonuses and allowances RMB’000	Retirement scheme contribution RMB’000	Total RMB’000
Mr. Li Wa	—	385	15	400
Mr. Li Xiaoping	—	386	12	398
Mr. Wang Dou	—	276	10	286
Mr. Xie Limin	—	253	10	263
Mr. Duan Shijun	—	282	8	290
Ms. Deng Jingqiu	—	35	3	38
Mr. Zhang Yuan	—	180	8	188
Mr. Tam Lai Ling	—	—	—	—
*Mr. Ho Chi Ping Patrick	—	—	—	—
*Mr. Kenny Tam King Ching	—	—	—	—
*Mr. Shek Lai Him Abraham	—	—	—	—
	—	1,797	66	1,863

‘*’ represent the independent non-executive directors.

The above directors were appointed by the Company on 10 December 2007. During the Relevant Periods, no director received any emolument from the Group as an inducement to join or leave the Group or compensation for loss of office, no director waived or has agreed to waive any emoluments.

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group in each of the three years ended 31 December 2006, 2007 and 2008, and for the six months ended 30 June 2008 and 2009 are directors and their emoluments are also reflected in the analysis presented above.

29 Income tax expenses

	Year ended 31 December			Six months ended 30 June	
	2006	2007	2008	2008	2009
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
				(unaudited)	
Current income tax					
- Hong Kong profits tax (note (a))	13	—	—	—	—
- PRC enterprise income tax (note (b))	74,017	93,746	134,380	17,640	153,238
- PRC land appreciation tax (note (c))	149,256	79,678	284,123	97,606	217,252
Deferred income tax income relating to the origination and reversal of temporary differences	(35,024)	(40,831)	(7,504)	12,182	30,065
Deferred income tax income resulting from change in tax rate	—	(20,679)	—	—	—
	188,262	111,914	410,999	127,428	400,555

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The income tax on the Group’s profit before taxation differs from the theoretical amount that would arise using the tax rates applicable to the PRC subsidiaries of the Group. In 2006 and 2007, the tax rate of 15% enacted in Shenzhen, where the principal activities of the Group are conducted, has been used; in 2008 and 2009, the tax rate of 25% unified by the new PRC Enterprise Income Tax Law has been used. The difference is analysed as follows:

	Year ended 31 December			Six months ended 30 June	
	2006	2007	2008	2008	2009
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
				(unaudited)	
Profit before income tax	389,448	434,000	596,342	152,274	782,998
Add: share of loss of an associate	10	—	—	—	—
share of loss of jointly controlled entities	—	—	—	—	2,687
	389,458	434,000	596,342	152,274	785,685
Calculated at PRC enterprise income tax rates (2006 and 2007: 15%, 2008 and 2009: 25%)	58,419	65,100	149,086	38,069	196,421
Effect of different tax rates	2,984	2,772	(6,887)	(5,454)	(1,635)
Effect of change in tax rates	—	(20,679)	—	—	—
Income not subject to tax	(2,905)	—	—	—	—
Tax losses not recognised	2,654	860	48,066	22,842	21,553
Utilisation of previously unrecognised tax losses	(358)	(4,476)	(2,866)	(2,533)	(40)
Expenses not deductible for income tax purposes	600	611	508	—	1,317
Withholding tax on the earnings expected to be remitted by subsidiaries	—	—	10,000	1,300	20,000
PRC land appreciation tax deductible for PRC enterprise income tax purpose	(22,388)	(11,952)	(71,031)	(24,402)	(54,313)
	39,006	32,236	126,876	29,822	183,303
PRC land appreciation tax	149,256	79,678	284,123	97,606	217,252
	188,262	111,914	410,999	127,428	400,555

Notes:

(a) Hong Kong profits tax

Hong Kong profits tax is to be provided at 17.5% on the estimated assessable profit arising in Hong Kong after setting off available tax losses brought forward. No Hong Kong profits tax has been provided as the Group has no assessable profit arising in Hong Kong during the Relevant Periods.

(b) PRC enterprise income tax (the “PRC EIT”)

PRC enterprise income tax is provided on the assessable income of the companies now comprising the Group in the PRC, adjusted for those items, which are not assessable or deductible for the PRC EIT purpose.

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The companies established in the Shenzhen Special Economic Zone, the PRC are subject to PRC EIT at a rate of 15% before 2008. The other companies established outside the above zone are subject to PRC EIT at a rate of 33% before 2008.

Pursuant to the PRC Enterprise Income Tax Law passed by the Tenth National People’s Congress on 16 March 2007, the new enterprise income tax for domestic and foreign enterprises are unified at 25%, was effective from 1 January 2008.

The PRC Enterprise Income Tax 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. On 26 December 2007, the State Council issued the “Circular to Implement of the Transitional Preferential Policies for the Enterprise Income Tax”. Pursuant to this Circular, the transitional income tax rates of the PRC subsidiaries within the Group established in Shenzhen Special Economic Zone before 31 March 2007 should be 18%, 20%, 22%, 24% and 25% respectively in the year 2008, 2009, 2010, 2011 and 2012.

The change in the carrying amount of the deferred tax assets and liabilities, as a result of above change in tax rate, has been reflected in the consolidated financial information for the year ended 31 December 2007.

(c) PRC land appreciation tax

PRC land appreciation tax is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds of sales of properties less deductible expenditures including lease charges of land use right, borrowing costs and property development expenditures.

30 Dividends

No dividend has been paid or declared by the Company during the Relevant Periods. On 17 October 2009, the Company declared a special dividend of RMB400,000,000 to the shareholders as of that date.

31 Earnings per share

Basic and dilute earnings per share is the same as there were no potential dilutive shares during the Relevant Periods.

Basic and diluted earnings per share is calculated for the Relevant Periods, as if the Reorganisation as mentioned in note 1 above had been completed as at 1 January 2006, based on the following:

	Year ended 31 December			Six months ended 30 June	
	2006	2007	2008	2008	2009
				(unaudited)	
Profit attributable to equity owners of the Company (RMB’000)	205,778	323,714	184,467	25,429	382,938
Weighted average number of shares in issue during the year/period	<u>950,000</u>	<u>978,904</u>	<u>1,000,000</u>	<u>1,000,000</u>	<u>1,000,000</u>
Earnings per share (RMB)	<u>217</u>	<u>331</u>	<u>184</u>	<u>25</u>	<u>383</u>

When computing the weighted average number of shares in issue, the 950,000 shares of the Company issued in relation to the Reorganisation are deemed to have been in issue throughout the Relevant Periods.

The earnings per share as presented above has not taken into account the proposed [●] as described in note 18(e).

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32 Cash generated from/(used in) operations

	Year ended 31 December			Six months ended 30 June	
	2006	2007	2008	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)	
Profit for the year/period	201,186	322,086	185,343	24,846	382,443
Adjustments for:					
Income tax expenses (note 29)	188,262	111,914	410,999	127,428	400,555
Depreciation (note 6)	5,008	7,002	9,720	5,215	4,153
Amortisation of land use rights (note 8)	4,143	11,548	20,733	9,857	10,688
Finance income (note 26)	(18,022)	(9,930)	(9,027)	(5,634)	(8,715)
Finance costs (note 26)	78,332	124,227	227,005	125,336	106,756
Loss on disposal of property, plant and equipment (note (a))	—	137	1,915	—	962
Gain on disposal of available-for-sale financial assets	—	(230,000)	—	—	—
Fair value gain on investment properties	(69,207)	(82,618)	(41,000)	(41,000)	(35,000)
Excess of fair value of net assets acquired over the cost of acquisition of a subsidiary	(2,127)	—	—	—	—
Share of loss of an associate/jointly controlled entities	10	—	—	—	2,687
Changes in working capital (excluding the effects of acquisition and disposal of subsidiaries):					
Land use rights	(47,632)	(860,817)	(825,968)	(913,757)	124,548
Property under development and completed properties held for sale	(324,531)	(516,098)	(2,118,829)	(765,071)	328,940
Trade and other receivables	324,301	(505,376)	329,952	370,499	(1,032,022)
Prepaid tax	(41,648)	21,551	(38,631)	38,133	(47,403)
Financial assets at fair value through profit or loss	67	2,323	—	—	—
Restricted cash	(26,589)	21,842	(9,597)	(2,785)	(12,926)
Advance proceeds from customers	351,296	(40,370)	659,581	(60,173)	507,413
Trade and other payables	(170,652)	(429,255)	938,055	1,006	(10,797)
	<u>452,197</u>	<u>(2,051,834)</u>	<u>(259,749)</u>	<u>(1,086,100)</u>	<u>722,282</u>

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Note (a):

Loss on disposals of property, plant and equipment of each of the Relevant Periods are as follows:

	Year ended 31 December			Six months ended 30 June	
	2006	2007	2008	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)	
Proceeds received	—	—	—	—	—
Net book amount disposed	—	(137)	(1,915)	—	(962)
	—	(137)	(1,915)	—	(962)

33 Investments in subsidiaries

Company

	31 December		30 June
	2007	2008	2009
	RMB'000	RMB'000	RMB'000
Unlisted investments, at cost	344	7,567	7,567

Refer to Note 1 for the particulars of subsidiaries of the Company.

34 Guarantees

The Group provided the following guarantees at each of the balance sheet dates during the Relevant Periods:

	As at 31 December			As at 30 June
	2006	2007	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000
Guarantees in respect of mortgage facilities for certain purchasers	908,171	606,509	533,425	1,287,653

The Group has arranged bank financing for certain purchasers of the Group’s property unit and provided guarantees to secure obligations of such purchasers for repayments. Such guarantees terminate upon the earlier of (i) issuance of real estate ownership certificates which will generally be available within a certain period after the purchasers take possession of the relevant properties; or (ii) the satisfaction of mortgaged loan by the purchasers of properties.

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Pursuant to the terms of the guarantees, upon default in mortgage payments by these purchasers, the Group is responsible to repay the outstanding mortgage principals together with accrued interest and penalty owed by the defaulted purchasers to the banks and the Group is entitled to take over the legal title and possession of the related properties. The Group’s guarantee period starts from the date of grant of the relevant mortgage loans.

In addition, during the year ended 31 December 2007, the Group also provided guarantee to Mr. Li Xiaoping and Ms. Xiao Xingping for their acquisition of 100% equity interest in an company at a total consideration of RMB30,000,000. Such guarantee has not been released as at 31 December 2007, 2008 and 30 June 2009.

35 Pending litigation

The Group currently has the following four material lawsuits pending against it.

(a) The first lawsuit arose out of an agreement entered in May 2007 for acquisition of the 100% equity interest in Fangzhou Industrial Co., Ltd. (“Fangzhou Industrial”) from the previous owners of Fangzhou Industrial by Li Xiaoping and Xiao Xingping (肖興萍) with Excellence China as Guarantor. The total consideration for the acquisition is RMB30 million, guaranteed by Excellence China. The purpose of the agreement was to carry out an reorganisation of Wanghai Yikang Company, in which Fangzhou Industrial held a 67% equity interest by Li Xiaoping, Xiao Xingping and Excellence China. As contemplated by the agreement, Li Xiaoping and Xiao Xingping have made the initial payment of RMB5 million to the previous owners, and the previous owners have completed the transfer of their equity interest to Li Xiaoping and Xiao Xingping. Subsequently, however, the reorganisation of Wanghai Yikang Company was carried out by a third party in accordance with an order issued by Shenzhen Intermediate People’s Court. Pursuant to the agreement, if Li Xiaoping, Xiao Xingping and Excellence China are unable to complete the reorganisation of Wanghai Yikang Company, the previous owners, on the one side, and Li Xiaoping and Xiao Xingping, on the other, should return the RMB5 million and the equity interest in Wanghai Yikang Company, respectively, to each other. The previous owners of Fangzhou Industrial have sued Li Xiaoping, Xiao Xingping and Excellence China for the balance of RMB25 million. In the event the court rules in favor of the previous owners of Fangzhou Industrial, Li Xiaoping and Xiao Xingping may be required to pay such previous owners the balance of RMB25 million and certain liquidated damages, with Excellence China liable as guarantor. But Excellence China may seek reimbursement from Li Xiaoping and Xiao Xingping for any loss incurred as such guarantor. The directors consider that this lawsuit will not have material adverse impact on the financial position of the Group.

(b) The second lawsuit is an action that could impact a 20-year lease agreement (renewable for another 20 years) for Guangzhou Diwang, which Guangzhou Guixin, as lessee, entered into in April 2002 with Guangdong People’s Stadium (as authorized by Guangdong Sports Bureau) (廣東省人民體育場(經廣東省體育局授權)), as lessor. Guangzhou Diwang was initially developed by Hong Kong Yashi Enterprise (Group) Co., Ltd. (香港雅仕企業(集團)有限公司) (“Hong Kong Yashi”), Guangzhou Yashi Investment Development Co., Ltd. (廣州雅仕投資發展有限公司) (“Guangzhou Yashi”) and Guangzhou Yuguan Industrial Development Co., Ltd. (廣州宇冠實業發展有限公司) (“Guangzhou Yuguan”) in cooperation with Guangdong Sports Bureau, who provided the underlying land for the project. In 2002, Guangdong Sports Bureau terminated its cooperation agreements with Guangzhou Yashi, Guangzhou Yuguan and Hong Kong Yashi as the latter’s inability to continue the project development. In April 2002, Guangdong Sports Bureau and other relevant parties entered into an agreement with Guangzhou Guixin, pursuant to which Guangzhou Guixin acquired the right to continue to develop the project and the long-term lease for Guangzhou Diwang. As consideration, Guangzhou Guixin made a direct payment of RMB38.85 million to Guangzhou Yuguan and a payment of RMB20 million to Guangzhou Yashi by assuming a debt of the same amount owing by Guangzhou Yashi.

Prior to Guangdong Sports Bureau’s termination of its cooperation agreements with Guangzhou Yashi, Guangzhou Yashi owed RMB3.9 million in debt to Guangzhou Dongmo Economic Development Co., Ltd. (廣東東摩經濟發展有限公司) (“Guangzhou Dongmo”), for which Guangzhou Dongmo had obtained a court order from Guangzhou Dongshan District People’s Court for enforcement. As Guangzhou Yashi failed to repay the RMB3.9 million, Guangzhou Dongmo has sued Hong Kong Yashi, Guangzhou Yashi, Guangzhou Yuguan and Guangdong Sports Bureau, requesting the court to invalidate Guangdong

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Sports Bureau’s termination of its cooperation agreements with Hong Kong Yashi, Guangzhou Yashi and Guangzhou Yuguan. Guangzhou Guixin joined the proceeding as a third party. Guangzhou Dongmo alleges that Guangzhou Yashi and Guangzhou Yuguan transferred their interests in the Guangzhou Diwang project to Guangdong Sports Bureau without consideration, which impaired Guangzhou Dongmo’s right as creditor to recover the RMB3.9 million from Guangzhou Yashi. The PRC court of first instance has issued a judgment denying Guangzhou Dongmo’s claim. This lawsuit is currently pending before the appellate court upon Guangzhou Dongmo’s appeal of the trial court’s decision. In the event the decision of the appellate court is unfavorable to the Group, the relevant parties may be required to revert to a position prior to the termination of the cooperation agreements among Guangzhou Yashi, Guangzhou Yuguan and Guangdong Sports Bureau. As a result, the Group may forfeit its leasehold interest in Guangzhou Diwang and be required to return the profits the Group derived from Guangzhou Diwang to a party as directed by the court. In such case, the Group will be entitled to claim back the consideration Guangzhou Guixin previously paid in acquiring the interest in Guangzhou Diwang from the relevant parties.

The directors believe that they have a strong defense against the appeal. In addition, Guangdong People’s Stadium has further agreed to enter into new agreements with Guangzhou Guixin to keep the Group’s interest in Guangzhou Diwang intact in case Guangzhou Guixin’s interest in Guangzhou Diwang is invalidated by the court, while the Group will not need to pay any additional consideration. Mr. Li Wa and Mr. Li Xiaoping, the controlling shareholder, has agreed to indemnify the Group against any losses or damages as a result of this lawsuit. Accordingly, the directors consider that this lawsuit will not have material adverse impact on the financial position of the Group.

(c) The third lawsuit arose out of an agreement between Shanghai Detian Real Estate Company Limited (“Shanghai Detian”), a subsidiary acquired by the Group subsequent to 30 June 2009 (note (i) in Section III), and Shanghai Ceyuan Real Estate Agency Co., Ltd. (上海策源房地產經紀有限公司) (“Shanghai Ceyuan”), in November 2006.

Pursuant to the agreement, Shanghai Detian appointed Shanghai Ceyuan as its sales agent for certain properties of the Shanghai Chengbang Villa project. After a dispute ensued between the parties in connection with the agency sales under the agreement, Shanghai Ceyuan sued Shanghai Detian for breach of contract, claiming for liquidated damages in the amount of Rmb 1.5 million, agency fees in the amount of Rmb 21.2 million and other loss in the amount of Rmb 21.8 million. The PRC court of first instance has issued a judgment granting Shanghai Ceyuan liquidated damages in a total amount of Rmb 1.5 million but denying all its other claims for damages. Both Shanghai Detian and Shanghai Ceyuan have appealed to the appellate court. On appeal, while Shanghai Ceyuan insisted on its original claims, Shanghai Detian asked the court to overrule the lower court’s decision granting the liquidated damages. The case is currently pending before the appellate court. Since Shanghai Ceyuan has asked the court for property preservation during the proceedings, 5 villa of Shanghai Detian’s properties under development have been attached in aid of execution by the court. In the event the court rules in favor of Shanghai Ceyuan, Shanghai Detian may be required to pay Shanghai Ceyuan the liquidated damages, agency fees and other losses. The liquidated damages in the amount of Rmb 1.5 million granted to Shanghai Ceyuan by the court have been factored into the total consideration the Group paid for the acquisition of the 100% equity interest in Shanghai Detian. The Group also has a contractual right to seek reimbursement from the previous shareholders of Shanghai Detian for any other damages the Group may incur as a result of an unfavorable court ruling against Shanghai Detian.

The directors consider that this lawsuit will not have material adverse impact on the financial position of the Group.

(d) The fourth lawsuit is related to Shenzhen Excellence Times Plaza (Phase 1). According to a complaint the Group received on September 23, 2009, this lawsuit was initiated in January 2005. In this lawsuit, Ridong Tiancheng Real Estate Development (Shenzhen) Co., Ltd. (日東天成房地產開發(深圳)有限責任公司) (“Ridong Tiancheng”), was initially named as one of the six defendants. Ridong Tiancheng was the predecessor of Shenzhen Excellence. In March 2005, the Group acquired the 100% equity interest in Ridong Tiancheng and changed its name to Shenzhen Excellence Real Estate Development Co., Ltd. (深圳卓越房地產開發有限公司), the current name of Shenzhen Excellence. The Group had fully paid the consideration for the equity acquisition in 2005. This is the first time the Group has received the complaint, which now names Shenzhen Excellence as one of the six defendants.

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In the complaint, the plaintiffs allege to be the initial owner of Ridong Tiancheng’s parent company and the property project which the Group has since developed as Shenzhen Excellence Time Plaza (Phase 1). According to the plaintiffs, they transferred their equity interest in Ridong Tiancheng’s parent company and the property project in accordance with agreements to certain other defendants named in the complaint. The plaintiffs allege that they are entitled to retain certain property interests in the property project under such agreements. According to the plaintiffs, these defendants fraudulently arranged for several successive transfers of this property project in violation of the agreements, which impaired the plaintiffs’ retained interest in the property project. As a result, the plaintiffs sued for invalidation of certain agreement for the initial transfer of Ridong Tiancheng’s parent company and the property project. The plaintiffs initially sought (i) enforcement of their allegedly retained interest in this project, i.e., ownership right to two floors of office spaces and 15 carparks, the right to name the project, and the right to manage the completed project, or (ii) damages in the total amount of RMB96.0 million. As most of the properties at Shenzhen Excellence Time Plaza (Phase 1) have been sold to third parties, the plaintiffs have subsequently amended their complaint to seek only monetary damages in the total amount of RMB96.0 million, without the other claims.

While the lawsuit was initiated in 2005, the court has not yet ruled on the merit of the case because the parties have been arguing on jurisdictional issues in the previous years. Although the Group is still in the process of evaluating this lawsuit, the Group intends to vigorously defend its rights and interests in court.

Pursuant to the relevant agreements for the acquisition of Ridong Tiancheng, the Group may seek full indemnification from the seller of the equity interest in Ridong Tiancheng, who is an independent third party, and certain other independent third parties against any damages that may incur in connection with this lawsuit. Mr. Li Wa and Mr. Li Xiaoping, the controlling shareholders also have agreed to fully indemnify the Group and hold the Group harmless with respect to any losses that may incur in connection with this lawsuit.

The directors consider that this lawsuit will not have material adverse impact on the financial position of the Group.

36 Commitments

(a) Capital commitments

The Group has no significant capital commitments as at 31 December 2006, 2007 and 2008, and 30 June 2009.

(b) Operating leases commitments

The future aggregate minimum lease payments under non-cancellable operating leases in respect of properties are as follows:

	As at 31 December			As at
	2006	2007	2008	30 June
	RMB’000	RMB’000	RMB’000	2009
				RMB’000
Not later than one year	1,041	653	1,661	1,412
Later than one year and not later than five years	40	173	2,982	2,400
	<u>1,081</u>	<u>826</u>	<u>4,643</u>	<u>3,812</u>

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37 Business combinations

During the year ended 31 December 2006, the Group had the following business combinations:

Acquirees’ name	Acquisition date	Total consideration <i>RMB’000</i>	Percentage of equity interest acquired
Guangzhou Guixin Industrial Co., Ltd. (<i>note (a)</i>)	29 August 2006	253,000	90%
Hunan Lushan Villas Investment Co., Ltd. (<i>note (b)</i>)	22 December 2006	136,848	60%
Shenzhen Excellence Century City Real Estate Development Co., Ltd. (<i>note (c)</i>)	15 December 2006	<u>27,747</u>	60%
Total		<u><u>417,595</u></u>	

(a) Acquisition of 90% equity interest in Guangzhou Guixin

This acquired company is engaged in property rental in Guangzhou City. The acquired company contributed to the Group revenue of RMB11,494,000 and a net profit of RMB172,314,000 for the period from the date of acquisition to 31 December 2006. If the above acquisition had occurred on 1 January 2006, the consolidated revenue would have been increased by RMB20,118,000 and net profit would have been increased by RMB14,448,000.

Details of net assets acquired and goodwill are as follows:

	<i>RMB’000</i>
Purchase consideration - cash paid for equity interest	5,700
Fair value of net assets acquired - shown as below	<u>(5,400)</u>
Goodwill	<u><u>300</u></u>

Goodwill can be attributed to the anticipated profitability of the acquired business.

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The acquired net assets comprised the following assets and liabilities:

	Fair value	Acquirees’ carrying amount
	<i>RMB’000</i>	<i>RMB’000</i>
Cash and cash equivalents	428	428
Property, plant and equipment	175	175
Investment properties	330,162	330,162
Other receivables	15,875	15,875
Bank borrowings	(167,000)	(167,000)
Other payables	(87,840)	(87,840)
Deferred tax liabilities	<u>(85,800)</u>	<u>(85,800)</u>
Net assets	6,000	<u>6,000</u>
Minority interests (10%)	<u>(600)</u>	
Net assets acquired	<u><u>5,400</u></u>	
Total amount settled in cash		5,700
Cash and cash equivalents acquired		<u>(428)</u>
		5,272
Added: Cash paid for assignment of liabilities from this acquisition		<u>247,300</u>
Cash outflow on acquisition		<u><u>252,572</u></u>

During the year ended 31 December 2008, the Group further acquired the remaining 10% equity interest in Guangzhou Guixin. After the acquisitions, Guangzhou Guixin is 100% owned by the Group.

(b) Acquisition of 60% equity interest in Hunan Lushan

The acquired company is engaged in property development in Changsha city in Hunan province. For the year ended 31 December 2006 and since the date of acquisition, this company did not generate any revenue as the development of the properties has not commenced. The losses incurred are also immaterial.

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Details of net assets acquired and excess of fair value of net assets acquired over the cost of acquisition of a subsidiary are as follows:

	<i>RMB’000</i>
Purchase consideration	
- Cash paid	136,848
Fair value of net assets acquired - shown as below	<u>(138,975)</u>
Excess of fair value of net assets acquired over the cost of acquisition of a subsidiary	<u><u>(2,127)</u></u>

The excess of fair value of net assets acquired over the cost of acquisition of the subsidiary is due to a slight discount over the market value of the relevant land use rights.

The acquired net assets comprised the following assets and liabilities:

	Fair value <i>RMB’000</i>	Acquirees’ carrying amount <i>RMB’000</i>
Cash and cash equivalents	3,000	3,000
Land use rights	245,126	195,126
Deferred tax liabilities	<u>(16,500)</u>	<u>—</u>
Net assets	231,626	<u>198,126</u>
Minority interests (40%)	<u>(92,650)</u>	
Net assets acquired	<u><u>138,976</u></u>	
Total amount settled in cash		136,848
Cash and cash equivalents acquired		<u>(3,000)</u>
Cash outflow on acquisition		<u><u>133,848</u></u>

During the year ended 31 December 2007 and 2008, the Group further acquired an additional 30% and 10% equity interest in Hunan Lushan, respectively. After the acquisitions, Hunan Lushan is 100% owned by the Group.

(c) Acquisition of additional 60% equity interest in a 40% owned associate, Excellence Century City.

This acquired company is engaged in property development in Shenzhen. For the year ended 31 December 2006 and since the date of acquisition, this company did not contribute any revenue to the Group and the losses incurred are also immaterial. If the above acquisitions had occurred on 1 January 2006, the consolidated revenue would have been increased by RMB446,000 and the net profit would have been decreased by RMB422,000.

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Details of net assets acquired and goodwill are as follows:

	<i>RMB’000</i>
Purchase consideration	
- Cash paid	27,747
Fair value of net assets acquired - shown as below	<u>(11,641)</u>
Goodwill	<u><u>16,106</u></u>

Goodwill can be attributed to the anticipated profitability of the acquired business.

The acquired net assets comprised the following assets and liabilities:

	Fair value <i>RMB’000</i>	Acquirees’ carrying amount <i>RMB’000</i>
Cash and cash equivalents	14,089	14,089
Property, plant and equipment	309	309
Completed properties held for sale	45,266	45,266
Other receivables	710,423	710,423
Other payables	<u>(750,680)</u>	<u>(750,680)</u>
Net assets	19,407	<u>19,407</u>
40% equity interest previously held by the Group	<u>(7,766)</u>	
Net assets acquired	<u><u>11,641</u></u>	
Total amount settled in cash		27,747
Cash and cash equivalents acquired		<u>(14,089)</u>
Cash outflow on acquisition		<u><u>13,658</u></u>

During the year ended 31 December 2007, the Group has the following business combinations:

Acquirees’ name	Acquisition date	Total consideration <i>RMB’000</i>	Percentage of equity interest acquired
Dongguan Zhongtian Plaza Development Co., Ltd. (note (d))	29 May 2007	<u><u>172,775</u></u>	<u><u>80%</u></u>

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- (d) Acquisition of 80% equity interest in Dongguan Zhongtian Plaza Development Co., Ltd.

The acquired company is engaged in property development in Dongguan. For the year ended 31 December 2007 and since the date of acquisition, this company did not generate any revenue as the development of the properties has not commenced. The losses incurred are also immaterial.

Details of aggregated net assets acquired and goodwill are as follows:

	<i>RMB’000</i>
Purchase consideration	
- Cash paid	172,775
Fair value of net assets acquired - shown as below	<u>(172,000)</u>
Goodwill	<u><u>775</u></u>

Goodwill can be attributed to the anticipated profitability of the acquired business.

The acquired net assets comprised the following assets and liabilities:

	Fair value	Acquirees’ carrying amount
	<i>RMB’000</i>	<i>RMB’000</i>
Cash and cash equivalents	1,095	1,095
Property, plant and equipment	550	550
Land use rights	397,225	137,225
Other receivables	8,913	8,913
Other payables	(558)	(558)
Borrowings	(127,225)	(127,225)
Deferred tax liabilities	<u>(65,000)</u>	<u>—</u>
Net assets acquired	215,000	<u>20,000</u>
Minority interest (20%)	<u>(43,000)</u>	
Net assets acquired	<u><u>172,000</u></u>	
Total amount settled in cash		172,775
Cash and cash equivalents acquired		<u>(1,095)</u>
Cash outflow on acquisition		<u><u>171,680</u></u>

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During the year ended 31 December 2008, the Group had the following business combinations:

Acquirees’ name	Acquisition date	Total consideration <i>RMB’000</i>	Percentage of equity interest acquired
Hangzhou Hengxing (<i>note (e)</i>)	30 January 2008	14,000	70%
Shenzhen Dabaihui (<i>note (f)</i>)	31 December 2008	<u>5,100</u>	51%
Total		<u><u>19,100</u></u>	

- (e) Acquisition of additional 70% equity interest in Hangzhou Hengxing Property Co., Ltd.

The acquired company is engaged in property development in Hangzhou. For the year ended 31 December 2008 and since the date of acquisition, this company did not generate any revenue as the development of the properties has not commenced. The losses incurred are also immaterial.

Details of aggregated net assets acquired and goodwill are as follows:

	<i>RMB’000</i>
Purchase consideration	
- Cash paid	14,000
Fair value of net assets acquired - shown as below	<u>(6,100)</u>
Goodwill	<u><u>7,900</u></u>

Goodwill can be attributed to the anticipated profitability of the acquired business.

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The acquired net assets comprised the following assets and liabilities:

	Fair value	Acquirees’ carrying amount
	<i>RMB’000</i>	<i>RMB’000</i>
Cash and cash equivalents	652	652
Property, plant and equipment	1,111	1,111
Other receivables	112,424	112,424
Other payables	<u>(105,473)</u>	<u>(105,473)</u>
Net assets acquired	8,714	<u>8,714</u>
Minority interests (30%)	<u>(2,614)</u>	
Net assets acquired	<u><u>6,100</u></u>	
Total amount settled in cash		14,000
Cash and cash equivalents acquired		<u>(652)</u>
Cash outflow on acquisition		<u><u>13,348</u></u>

- (f) Acquisition of 51% equity interest in Shenzhen Dabaihui Property Co., Ltd.

The acquired company, through its jointly controlled entity, is engaged in property development in Shenzhen.

For the year ended 31 December 2008 and since the date of acquisition, this company did not generate any revenue or incur any losses.

Details of net assets acquired and goodwill are as follows:

	<i>RMB’000</i>
Purchase consideration - cash paid for equity interest	5,100
Fair value of net assets acquired - shown as below	<u>(5,100)</u>
Goodwill	<u><u>—</u></u>

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The acquired net assets comprised the following assets and liabilities:

	Fair value <i>RMB’000</i>	Acquirees’ carrying amount <i>RMB’000</i>
Investment in a jointly controlled entity	65,000	65,000
Other payables	<u>(55,000)</u>	<u>(55,000)</u>
Net assets	10,000	<u>10,000</u>
Minority interest (49%)	<u>(4,900)</u>	
Net assets acquired	<u>5,100</u>	
Total amount settled in cash		5,100
Cash and cash equivalents acquired		<u>—</u>
		<u>5,100</u>
Added: Cash paid by way of shareholder’s loan for this acquisition		<u>28,050</u>
Cash outflow on acquisition		<u>33,150</u>

38 Related party transactions

(a) *Name and relationship with related parties*

Name	Relationship
Mr. Li Wa and Mr. Li Xiaoping, the Original Shareholders,	The Original Shareholder and Directors of the Company
Mr. Wang Dou	A director of the Company
Mr. Xie Limin	A director of the Company
Ms. Deng Jingqiu	A director of the Company
Excellence Century City	A former associate, which was changed to a subsidiary of the Group during the year ended 31 December 2006
深圳市勝策投資有限公司 Shenzhen Shengce Investment Co., Ltd.	This company is controlled by an uncle and an aunt of the Original Shareholders, who are close family members of the Original Shareholders

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Name	Relationship
深圳市恒達實業有限公司 Shenzhen Hengda Realty Co., Ltd.	This company is controlled by an uncle and an aunt of the Original Shareholders, who are close family members of the Original Shareholders
先怡投資有限公司 Xianyi Investment Co., Ltd.	This company is controlled by an uncle and an aunt of the Original Shareholders, who are close family members of the Original Shareholders
海南中銀實業有限公司 Hainan Zhongyin Realty Co., Ltd.	This company is controlled by an uncle and an aunt of the Original Shareholders, who are close family members of the Original Shareholders
深圳永高實業有限公司 Shenzhen Yonggao Realty Co., Ltd.	This company is controlled by an uncle and an aunt of the Original Shareholders, who are close family members of the Original Shareholders
卓越機械設備有限公司 Excellence Engine Equipment Co., Ltd.	This company is an associate of Mr. Li Wa
卓越機電有限公司 Excellence Engine Co., Ltd.	This company is controlled by an uncle and an aunt of the Original Shareholders, who are close family members of the Original Shareholders.
深圳市北師卓越教育科技發展公司 Shenzhen Beijing Normal College Excellence Education Technology Development Co., Ltd.	Mr. Li Xiaoping is the chairman of the board of this Company
深圳市地產顧問有限公司 Shenzhen Real Estate Consulting Co., Ltd.	This company is controlled by Mr. Li Wa.
Pine Full Investment Group Ltd.	This company is controlled by Mr. Li Wa.
深圳卓越百盛顧問管理有限公司 Shenzhen Excellence Baisheng Management Co., Ltd.	This company is controlled by Mr. Li Wa.
深圳市勝策商業經營管理 Shenzhen Shengce Commerce Operation Co., Ltd.	This company is controlled by a cousin of the Original Shareholders, being close family members of Original Shareholders.
深圳市方洲實業發展有限公司 Shenzhen Fangzhou Realty Co., Ltd	This company is controlled by Mr. Li Xiaoping
李小紅 Ms. Li Xiaohong	The sister of Mr. Li Wa and Mr. Li Xiaoping
肖興萍 Ms. Xiao Xingping	The wife of Mr. Li Xiaoping

Certain names of the companies referred to above in this note represent management’s translation of the Chinese names of these companies as no English names have been registered or available for these companies.

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(b) *Transactions with related parties*

Save as disclosed elsewhere in the Financial Information, the Group also had following significant transactions with related parties during the Relevant Periods.

	Year ended 31 December			Six months ended 30 June	
	2006	2007	2008	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)	
Sales of properties:					
Ms. Li Xiaohong	—	1,021	—	—	—
Ms. Xiao Xingping	—	1,994	—	—	—
Mr. Wang Dou	—	—	—	—	—
Mr. Xie Limin	—	—	—	—	—
Ms. Deng Jingqiu	—	—	—	—	—
	<u>—</u>	<u>3,015</u>	<u>—</u>	<u>—</u>	<u>—</u>

(c) *Key management compensation*

	Year ended 31 December			Six months ended 30 June	
	2006	2007	2008	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)	
Salaries and other short-term employee benefits	2,377	3,928	11,133	3,328	3,319
Retirement scheme contributions	<u>301</u>	<u>230</u>	<u>362</u>	<u>181</u>	<u>157</u>
	<u>2,678</u>	<u>4,158</u>	<u>11,495</u>	<u>3,509</u>	<u>3,476</u>

Key management includes directors, regional management of the Group.

(d) *Balances with related parties*

As at 31 December 2006, 2007 and 2008 and 30 June 2009, the Group had the following balances with related parties:

	As at 31 December			As at
	2006	2007	2008	30 June
	RMB'000	RMB'000	RMB'000	2009
				RMB'000
Included in trade receivables				
Mr. Wang Dou	994	—	—	—
Ms. Deng Jingqiu	<u>305</u>	<u>—</u>	<u>—</u>	<u>—</u>
	<u>1,299</u>	<u>—</u>	<u>—</u>	<u>—</u>

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	As at 31 December			As at
	2006	2007	2008	30 June
	RMB’000	RMB’000	RMB’000	2009
				RMB’000
Included in other receivables:				
Mr. Li Wa	25,000	—	—	—
深圳市勝策投資有限公司				
Shenzhen Shengce Investment Co., Ltd.	84,316	—	—	—
先怡投資有限公司				
Xianyi Investment Co., Ltd.	—	—	11,920	11,914
深圳市北師卓越教育科技發展公司				
Shenzhen Beijing Normal College Excellence				
Education Technology Development Co., Ltd.	9,542	—	43	43
卓越機械設備有限公司				
Excellence Engine Equipment Co., Ltd.	114,379	—	—	—
深圳永高實業有限公司				
Shenzhen Yonggao Realty Co., Ltd.	—	153,236	196,944	291,635
深圳市地產顧問有限公司				
Shenzhen Real Estate Consulting Co., Ltd.	—	728	6,708	6,708
深圳卓越柏盛顧問管理有限公司				
Shenzhen Excellence Bosheng Management Co., Ltd.	—	31,000	—	—
深圳市金地大百匯房地產開發有限公司				
Shenzhen Jindi Dabaihui Property Development Co., Ltd.	—	—	—	535,050
	<u>233,237</u>	<u>184,964</u>	<u>215,615</u>	<u>845,350</u>
Included in other payables:				
Mr. Li Wa	(42,945)	(51,305)	(80,069)	(85,945)
Mr. Li Xiaoping	(10,034)	(11,898)	(16,142)	(20,975)
深圳市勝策投資有限公司				
Shenzhen Shengce Investment Co., Ltd.	—	(12,000)	—	—
先怡投資有限公司				
Xianyi Investment Co., Ltd.	(29,630)	—	—	—
海南中銀實業有限公司				
Hainan Zhongyin Realty Co., Ltd.	(10,000)	—	—	—
深圳永高實業有限公司				
Shenzhen Yonggao Realty Co., Ltd.	(216,946)	—	—	—
深圳市恒達實業有限公司				
Shenzhen Hengda Realty Co., Ltd.	(85,751)	—	—	—
卓越機電有限公司				
Excellence Engine Co., Ltd.	(16,959)	—	—	—
深圳卓越柏盛顧問管理有限公司				
Shenzhen Excellence Bosheng Management Co., Ltd.	—	—	(4,000)	(4,000)
	<u>(412,265)</u>	<u>(75,203)</u>	<u>(100,211)</u>	<u>(110,920)</u>

Non-trading balances due from/to related parties are unsecured, interest-free and repayable on demand.

(e) **Guarantee provided by/to related parties**

Certain borrowings of the Group are guaranteed by related parties, details of which are disclosed in note 20.

APPENDIX IA ACCOUNTANT’S REPORT OF EXCELLENCE REAL ESTATE GROUP LIMITED

As disclosed in note 35(a), Excellence China provided guarantee to Mr. Li Xiaoping and Ms. Xiao Xingping in favour of a third party.

III SUBSEQUENT EVENTS

Subsequent to 30 June 2009 and up to the date of this report, the Group has the following significant subsequent event:

(i) Business combination — acquisition of 100% equity interest in Shanghai Detian Real Estate Company Limited

On 17 August 2009, the Group entered into an equity transfer agreement with Shanghai Justthink Investment & Management Ltd. (“Shanghai Justthink”) and Shanghai Huiheng Investment Ltd. (“Shanghai Huiheng”), independent third parties, to acquire their 100% equity interest in Shanghai Detian Real Estate Company Limited (“Shanghai Detian”) for a consideration of RMB100,000,000. In addition, the Group made an interest-free loan of RMB290,000,000 to the initial shareholders for two years through entrusted bank loans in Shanghai Detian.

Shanghai Detian is engaged in property development in Shanghai City.

In September 2009, the above acquisition was completed and thus Shanghai Detian became a subsidiary of the Group.

Details of net assets acquired and goodwill are as follows:

	<i>RMB’000</i>
Cash paid for equity interest	100,000
Transaction cost	<u>33,856</u>
Purchase consideration	<u><u>133,856</u></u>
	<i>RMB’000</i>
Purchase consideration	133,856
Fair value of net assets acquired — shown as below	<u>133,856</u>
Goodwill	<u><u>—</u></u>

APPENDIX IA ACCOUNTANT’S REPORT OF EXCELLENCE REAL ESTATE GROUP LIMITED

The acquired net assets comprised the following assets and liabilities:

	Fair value	Acquirees’ carrying amount
	<i>RMB’000</i>	<i>RMB’000</i>
Cash and cash equivalents	3,928	3,928
Property, plant and equipment	4,344	4,344
Available-for-sale financial assets	2,225	2,225
Deferred income tax assets	15,644	15,644
Land use rights	224,869	117,970
Properties under development	656,131	656,131
Other receivables	10,918	10,918
Bank borrowings	(342,000)	(342,000)
Advance proceeds received from customers	(208,640)	(208,640)
Other payables	(206,838)	(206,838)
Deferred tax liabilities	<u>(26,725)</u>	<u>—</u>
Net assets acquired	<u>133,856</u>	<u>53,682</u>

Shanghai Detian currently has a lawsuit pending against it, see note 35(c) for details.

IV SUBSEQUENT FINANCIAL STATEMENT

No audited financial statements have been prepared for the Company and its subsidiaries in respect of any period subsequent to 30 June 2009. Save as disclosed in note 30 of Section II, no dividend or distribution has been declared, made or paid by the Company or its subsidiaries in respect of any period subsequent to 30 June 2009.

Yours faithfully
PricewaterhouseCoopers
Certified Public Accountants
Hong Kong

APPENDIX IB

**ACCOUNTANT’S REPORT OF SHANGHAI DETIAN
REAL ESTATE COMPANY LIMITED**

The following is the text of a report, prepared for the sole purpose of incorporation in this document, received from our reporting accountant, PricewaterhouseCoopers, Certified Public Accountants, Hong Kong.

Draft



羅兵咸永道會計師事務所

PricewaterhouseCoopers
22/F, Prince's Building
Central, Hong Kong

[●]

The Directors

Excellence Real Estate Group Limited

Dear Sirs,

We set out below our report on the financial information (the “Financial Information”) of Shanghai Detian Real Estate Company Limited (“Shanghai Detian”) for inclusion in [●]. The Financial Information comprises the balance sheets as at 31 December 2006, 2007 and 2008 and 30 June 2009, the statements of comprehensive income, the statement of changes in equity and the cash flow statements for each of the years ended 31 December 2006, 2007 and 2008 and the six months ended 30 June 2008 and 2009 (the “Relevant Periods”), and a summary of significant accounting policies and other explanatory notes.

Shanghai Detian was incorporated in the People’s Republic of China (the “PRC”) on 23 January 2003. The principal activity of Shanghai Detian is the property development of Shanghai Chengbang Villa project.

The statutory financial statements of Shanghai Detian for the three years ended 31 December 2006, 2007 and 2008 were prepared in accordance with the Accounting Standards for Business Enterprises promulgated before 15 February 2006 and the “Accounting System for Business Enterprises”. The statutory financial statements of Shanghai Detian for the year ended 31 December 2006 were audited by Shanghai Shangshen Certified Public Accountants Co., Ltd., a firm of certified public accountants registered in the PRC. The statutory financial statements of Shanghai Detian for the year ended 31 December 2007 and 2008 were audited by Shanghai Xinning Certified Public Accountants, another firm of certified public accountants registered in the PRC.

APPENDIX IB**ACCOUNTANT’S REPORT OF SHANGHAI DETIAN
REAL ESTATE COMPANY LIMITED**

For the purpose of this report, the directors of Shanghai Detian have prepared financial statements of Shanghai Detian 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 “Underlying Financial Statements”). We have audited the Underlying Financial Statements for each of the years ended 31 December 2006, 2007 and 2008 and the six months ended 30 June 2009 in accordance with the Hong Kong Standards on Auditing.

The Financial Information has been prepared based on the Underlying Financial Statements, with no adjustment made thereon.

Directors’ responsibility

The directors of Shanghai Detian are responsible for the preparation and the true and fair presentation of the Underlying Financial Statements in accordance with HKFRSs.

For the financial information for each of the years ended 31 December 2006, 2007 and 2008 and the six months ended 30 June 2009, the directors of the Company are responsible for the preparation and the true and fair presentation of the financial information in accordance with HKFRSs. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of the financial information that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

For the financial information for the six months ended 30 June 2008, the directors of the Company are responsible for the preparation and the presentation of the financial information in accordance with the accounting policies set out in Note 2 of Section II below which are in conformity with HKFRSs.

Reporting accountant’s responsibility

For the financial information for each of the years ended 31 December 2006, 2007 and 2008 and the six months ended 30 June 2009, our responsibility is to express an opinion on the financial information based on our examination and to report our opinion to you. We examined the Underlying Financial Statements used in preparing the financial information, and carried out such additional procedures as we considered necessary in accordance with the Auditing Guideline 3.340 “Prospectuses and the Reporting Accountant” issued by the HKICPA.

For the financial information for the six months ended 30 June 2008, our responsibility is to express a conclusion on the financial information based on our review and to report our conclusion to you. We conducted our review in accordance with the Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity”. A review of the financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review

APPENDIX IB**ACCOUNTANT'S REPORT OF SHANGHAI DETIAN
REAL ESTATE COMPANY LIMITED**

is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Opinion and review conclusion

In our opinion, the financial information for each of the years ended 31 December 2006, 2007 and 2008 and the six months ended 30 June 2009, for the purpose of this report, gives a true and fair view of the state of affairs of Shanghai Detian as at 31 December 2006, 2007 and 2008 and 30 June 2009, and of Shanghai Detian's results and cash flows for the respective years and period then ended.

Based on our review, which does not constitute an audit, nothing has come to our attention that causes us to believe that the financial information for the six months ended 30 June 2008, for the purpose of this report, is not prepared, in all material respects, in accordance with the accounting policies set out in Note 2 of Section II below which are in conformity with HKFRSs.

APPENDIX IB ACCOUNTANT’S REPORT OF SHANGHAI DETIAN REAL ESTATE COMPANY LIMITED

I FINANCIAL INFORMATION

Balance sheets

		As at 31 December		As at 30 June	
	Note	2006	2007	2008	2009
		RMB'000	RMB'000	RMB'000	RMB'000
ASSETS					
Non-current assets					
Property, plant and equipment	5	5,187	6,725	5,057	4,504
Land use rights	6	72,701	—	—	—
Available-for-sale financial assets	7	—	4,000	1,542	2,225
Deferred income tax assets	14	6,590	7,417	13,243	15,183
		<u>84,478</u>	<u>18,142</u>	<u>19,842</u>	<u>21,912</u>
Current assets					
Land use rights	6	47,749	120,915	119,030	118,088
Properties under development	8	120,591	434,599	568,566	635,587
Other receivables	9	86,774	171,683	39,839	27,348
Prepaid taxation		—	—	—	5,855
Cash and cash equivalents	10	769	14,845	947	56,650
		<u>255,883</u>	<u>742,042</u>	<u>728,382</u>	<u>843,528</u>
Total assets		<u>340,361</u>	<u>760,184</u>	<u>748,224</u>	<u>865,440</u>
EQUITY					
Capital and reserves attributable to equity owners of Shanghai Detian					
Paid-in capital	11	50,000	100,000	100,000	100,000
Capital reserve	12	30,000	165,000	165,000	—
Other reserve	12	—	—	—	512
Accumulated losses	12	(13,380)	(22,251)	(39,730)	(45,549)
Total equity		<u>66,620</u>	<u>242,749</u>	<u>225,270</u>	<u>54,963</u>
LIABILITIES					
Non-current liabilities					
Borrowings	13	130,000	410,000	280,000	405,000
Deferred income tax liabilities	14	—	—	—	171
		<u>130,000</u>	<u>410,000</u>	<u>280,000</u>	<u>405,171</u>
Current liabilities					
Advance proceeds received from customers		—	—	—	148,389
Trade and other payables	15	143,741	107,435	112,954	256,917
Borrowings	13	—	—	130,000	—
		<u>143,741</u>	<u>107,435</u>	<u>242,954</u>	<u>405,306</u>
Total liabilities		<u>273,741</u>	<u>517,435</u>	<u>522,954</u>	<u>810,477</u>
Total equity and liabilities		<u>340,361</u>	<u>760,184</u>	<u>748,224</u>	<u>865,440</u>
Net current assets					
		<u>112,142</u>	<u>634,607</u>	<u>485,428</u>	<u>438,222</u>
Total assets less current liabilities		<u>196,620</u>	<u>652,749</u>	<u>505,270</u>	<u>460,134</u>

APPENDIX IB **ACCOUNTANT’S REPORT OF SHANGHAI DETIAN
REAL ESTATE COMPANY LIMITED**

Statements of comprehensive income

		Year ended 31 December			Six months ended
	Note	2006	2007	2008	30 June
		RMB'000	RMB'000	RMB'000	2008 RMB'000 (unaudited)
Revenue		—	—	—	—
Cost of sales		—	—	—	—
Gross profit		—	—	—	—
Other losses - net	16	—	—	(3,958)	(873)
Selling and marketing costs	17	(623)	(300)	(1,421)	(300)
Administrative expenses	17	(3,713)	(4,491)	(8,113)	(3,254)
Operating loss		(4,336)	(4,791)	(13,492)	(4,427)
Finance costs - net	18	—	(4,907)	(9,813)	(4,907)
Loss before income tax		(4,336)	(9,698)	(23,305)	(9,334)
Income tax credit	21	1,431	827	5,826	2,334
Loss for the year/period		(2,905)	(8,871)	(17,479)	(7,000)
Other comprehensive income:					
Gains/(losses) recognised directly in equity:					
Fair value gains on available-for-sale financial assets		—	—	—	—
Tax effect of fair value gains on available-for-sale financial assets		—	—	—	—
Other comprehensive income for the year/period, net of tax		—	—	—	—
Total comprehensive income for the year/period		(2,905)	(8,871)	(17,479)	(7,000)

APPENDIX IB **ACCOUNTANT’S REPORT OF SHANGHAI DETIAN**
REAL ESTATE COMPANY LIMITED

Statements of changes in equity

	Paid-in capital	Capital reserve	Other reserve	Accumulated losses	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Balance at 1 January 2006	50,000	30,000	—	(10,475)	69,525
Loss for the year/total comprehensive income for the year	—	—	—	(2,905)	(2,905)
Balance at 31 December 2006	50,000	30,000	—	(13,380)	66,620
Loss for the year/total comprehensive income for the year	—	—	—	(8,871)	(8,871)
Increase in paid-in capital	50,000	—	—	—	50,000
Contribution made by the equity owners of Shanghai Detian	—	135,000	—	—	135,000
Balance at 31 December 2007	100,000	165,000	—	(22,251)	242,749
Loss for the year/ total comprehensive income for the year	—	—	—	(17,479)	(17,479)
Balance at 31 December 2008	100,000	165,000	—	(39,730)	225,270
Loss for the period	—	—	—	(5,819)	(5,819)
Other comprehensive income:					
Fair value gains on available-for-sale financial assets, net of tax	—	—	512	—	512
Total comprehensive income for the period	—	—	512	(5,819)	(5,307)
Distribution made to the equity owners of Shanghai Detian	—	(165,000)	—	—	(165,000)
Balance at 30 June 2009	<u>100,000</u>	<u>—</u>	<u>512</u>	<u>(45,549)</u>	<u>54,963</u>
Unaudited					
Balance at 1 January 2008	100,000	165,000	—	(22,251)	242,749
Loss for the period/total comprehensive income for the period	—	—	—	(7,000)	(7,000)
Balance at 30 June 2008	<u>100,000</u>	<u>165,000</u>	<u>—</u>	<u>(29,251)</u>	<u>235,749</u>

APPENDIX IB ACCOUNTANT’S REPORT OF SHANGHAI DETIAN REAL ESTATE COMPANY LIMITED

Cash flow statements

		Years ended 31 December			Six months ended 30 June	
	Note	2006	2007	2008	2008	2009
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
					(unaudited)	
Cash flows from operating activities						
Cash (used in)/generated from operations	22	(120,873)	(290,060)	19,472	2,331	94,807
PRC land appreciation tax paid		—	—	—	—	(512)
Net cash (used in)/generated from operating activities		(120,873)	(290,060)	19,472	2,331	94,295
Cash flows from investing activities						
Purchases of property, plant and equipment		(2,572)	(3,085)	(253)	(63)	(412)
Purchase of available-for-sale financial assets	7	—	(4,000)	—	—	—
Interest received		44	405	33	21	55
Net cash used in investing activities		(2,528)	(6,680)	(220)	(42)	(357)
Cash flows from financing activities						
Contribution from the equity owners of Shanghai Detian		—	50,000	—	—	—
Distribution made to the equity owners of Shanghai Detian		—	—	—	—	(20,080)
Proceeds from borrowings		130,000	280,000	—	—	—
Repayments of borrowings		—	—	—	—	(5,000)
Interest paid		(5,975)	(19,184)	(33,150)	(16,725)	(13,155)
Net cash generated from/(used in) financing activities		124,025	310,816	(33,150)	(16,725)	(38,235)
Net increase/(decrease) in cash and cash equivalents		624	14,076	(13,898)	(14,436)	55,703
Cash and cash equivalents at the beginning of the year/period		145	769	14,845	14,845	947
Cash and cash equivalents at the end of the year/period		769	14,845	947	409	56,650

APPENDIX IB ACCOUNTANT’S REPORT OF SHANGHAI DETIAN REAL ESTATE COMPANY LIMITED

II NOTES TO THE FINANCIAL INFORMATION

1 General information

Shanghai Detian was incorporated in Shanghai on 23 January 2003. The address of its registered office is No.45 Fangxi Village, Zhaoxiang Town, Qipu District, Shanghai, the PRC. The address of its principal place of business is 5th Floor, Hongqiao Commercial Mansion, No. 2272 Hongqiao Road, Changning District, Shanghai, the PRC. During the Relevant Periods, Shanghai Detian is principally engaged in the property development business.

On 23 January 2003 (date of incorporation), the paid-in capital of Shanghai Detian was RMB5,000,000 and was contributed by the owners in the following proportion:

	Amount (RMB’000)	Percentage
上海嘉誠投資管理有限公司 Shanghai Justhink Investment & management Ltd. (“Shanghai Justhink”)	2,000	40%
上海中祥房地產經營有限公司 Shanghai Zhongxiang Real Estate Company Limited (“Shanghai Zhongxiang”)	1,500	30%
上海惠恒投資有限公司 Shanghai Huiheng Investment Ltd. (“Shanghai Huiheng”)	500	10%
王永明 Wang Yongming	1,000	20%
	5,000	100%

On 17 October 2005, Shanghai Detian increased its paid-in capital from RMB5,000,000 to RMB50,000,000. The increased paid-in capital was contributed by Shanghai Justhink. As a result, the paid-in capital of Shanghai Detian was contributed by the owners in the following proportion:

	Amount (RMB’000)	Percentage
Shanghai Justhink	47,000	94%
Shanghai Zhongxiang	1,500	3%
Shanghai Huiheng	500	1%
Wang Yongming	1,000	2%
	50,000	100%

On 16 March 2007, Shanghai Zhongxiang transferred all its equity interest in Shanghai Detian to another existing owner, Wang Yongming. On 28 March 2007, Shanghai Detian further increased its paid-in capital from RMB50,000,000 to RMB100,000,000. In addition, on 30 May 2007, Wang Yongming transferred all his equity interest in Shanghai Detian to Shanghai Justhink.

APPENDIX IB ACCOUNTANT’S REPORT OF SHANGHAI DETIAN REAL ESTATE COMPANY LIMITED

After the above transactions, Shanghai Detian was held by the owners in the following proportions:

	Amount (RMB’000)	Percentage
Shanghai Justthink	52,000	52%
Shanghai Huiheng	48,000	48%
	<u>100,000</u>	<u>100%</u>

On 17 August 2009, the Company, through its subsidiary, entered into an equity transfer agreement with Shanghai Justthink and Shanghai Huiheng to acquire the 100% equity interest in Shanghai Detian. The above transaction was completed in September 2009 and as a result, Shanghai Detian became a wholly-owned subsidiary of the Company.

2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of the Financial Information are set out below. These policies have been consistently applied to the Relevant Periods.

2.1 Basis of preparation

The Financial Information has been prepared in accordance with HKFRS under the historical cost convention as modified by the revaluation of available-for-sale financial assets, which are carried at fair value, throughout the Relevant Periods.

The preparation of Financial Information in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying Shanghai Detian’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Financial Information, are disclosed in Note 4.

For the purpose of preparing and presenting Financial Information of the Relevant Periods, Shanghai Detian has adopted the HKFRSs which are effective for the accounting period beginning on 1 January 2009 consistently throughout the Relevant Periods.

The following new standards, amendments to standards and interpretations have been issued but are not effective and have not been early adopted by Shanghai Detian.

- Amendment to HKAS 39, ‘Financial instruments: Recognition and measurement’ on eligible hedged items, effective for annual periods beginning on or after 1 July 2009. This is not currently applicable to Shanghai Detian, as it does not have any hedged items.
- HKFRS 3 (revised), ‘Business combinations’ and consequential amendments to HKAS 27, ‘and separate financial statements’, HKAS 28, ‘Investments in associates’ and HKAS 31, ‘Interests in joint ventures’, effective prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009. This is not currently applicable to Shanghai Detian, as Shanghai Detian has no business combination.
- HK(IFRIC)-Int 17, ‘Distributions of non-cash assets to owners’, effective for annual periods beginning on or after 1 July 2009. This is not currently applicable to Shanghai Detian, as it has not made any non-cash distributions.
- HK(IFRIC)-Int 18, ‘Transfers of assets from customers’, effective for transfer of assets received on or after 1 July 2009. This is not relevant to Shanghai Detian, as it has not received any assets from customers.

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ACCOUNTANT’S REPORT OF SHANGHAI DETIAN REAL ESTATE COMPANY LIMITED

- HKICPA’s improvements to HKFRS published in May 2009:

Improvements to HKFRS issued in May 2009 contain 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 amendment to HKFRS 2, HKAS 38, HK(IFRIC)-Int 9 and HK(IFRIC)-Int 16 which are effective for annual periods beginning on or after 1 July 2009 and no transitional provisions for amendment to Appendix to HKAS 18 has been specified, other amendments are effective for annual periods beginning on or after 1 January 2010 although there are separate transitional provisions for each standard.

- Amendment to HKFRS 2, ‘Share-based payment - Group Cash-settled Share-based payment Transactions’, effective for annual periods beginning on or after 1 January 2010, subject to the transitional requirements in HKFRS 2. This is not currently relevant to Shanghai Detian, as it does not have any share-based payments.
- Amendments to HKFRS 1 ‘Additional Exemptions for First-time Adopters’, effective for annual periods beginning on or after 1 January 2010. This is not relevant to Shanghai Detian.

Shanghai Detian is in the process of making an assessment of the impact of these new and revised HKFRS upon initial application. So far, it has concluded that the new and revised HKFRSs are unlikely to have a significant impact on Shanghai Detian’s results of operations and financial position.

2.2 *Functional and presentation currency*

Items included in the Financial Information are measured using the currency of the primary economic environment in which Shanghai Detian operates (the “functional currency”). For the purpose of this report, the Financial Information is presented in Renminbi (“RMB”), which is the functional and presentation currency of Shanghai Detian.

2.3 *Property, plant and equipment*

Property, plant and equipment are stated at historical cost less depreciation and any impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset’s carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to Shanghai Detian and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are expensed in the income statements during the Relevant Periods in which they are incurred.

Depreciation on property, plant and equipment is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

Motor vehicles	5 years
Furniture, fitting and equipment	3 years

The assets’ residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset’s carrying amount is written down immediately to its recoverable amount if the asset’s carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the income statement.

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ACCOUNTANT’S REPORT OF SHANGHAI DETIAN REAL ESTATE COMPANY LIMITED

2.4 *Impairment of non-financial assets*

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset’s carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset’s fair value less costs to sell and value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating unit). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2.5 *Financial assets*

Shanghai Detian classifies its financial assets in the following categories: loans and receivables and available-for-sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(a) *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the balance sheet date which are classified as non-current assets. Loans and receivables are classified as “other receivables” and “cash and cash equivalents” in the balance sheet.

(b) *Available-for-sale financial assets*

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date.

Regular purchases and sales of investments are recognised on trade-date - the date on which Shanghai Detian commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and Shanghai Detian has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets are subsequently carried at fair value. Loans and receivables are carried at amortised cost using the effective interest method.

When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the income statement as “other losses - net”.

Interest on available-for-sale securities calculated using the effective interest method is recognised in the income statement as part of other income. Dividends on available-for-sale equity instruments are recognised in the income statement as part of other income when Shanghai Detian’s right to receive payments is established.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), Shanghai Detian establishes fair value by using valuation techniques. These include the use of recent arm’s length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models, making maximum use of market inputs and relying as little as possible on entity-specific inputs.

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Shanghai Detian assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered an indicator that the securities are impaired. In case of debt instruments, objective evidence of impairment includes significant financial difficulty of the issuer or counterparty; default or delinquency in interest or principal payments; or it becoming probable that the borrower will enter bankruptcy or financial reorganisation.

If any such evidence exists for available-for-sale financial assets, the cumulative loss, measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the income statement, is removed from equity and recognised in the income statement. Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement.

2.6 *Properties under development*

Properties under development are stated at the lower of cost and net realisable value. Net realisable value is determined by reference to the estimated selling price in the ordinary course of business, less applicable estimated selling expenses.

Development cost of property comprises construction costs, amortisation of land use rights, borrowing costs capitalised and professional fees incurred during the development period. On completion, the properties are transferred to completed properties held for sale, plant and equipments or investment properties, as appropriate.

When properties under development are transferred to investment properties upon completion, any difference between the fair values of the properties at that date and their previous carrying amounts is recognised in the income statement. Properties under development are transferred to completed properties held for sale and property, plant and equipment at their carrying amounts upon completion.

2.7 *Completed properties held for sale*

Completed properties remaining unsold at the end of each of the Relevant Periods are stated at the lower of cost and net realisable value.

Cost comprises development costs attributable to the unsold properties.

Net realisable value is determined by reference to the estimated selling price in the ordinary course of business, less applicable estimated selling expenses.

During the Relevant Periods, Shanghai Detian has no completed properties held for sale.

2.8 *Other receivables*

Other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of other receivables is established when there is objective evidence that Shanghai Detian will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganization, and default or delinquency in payments are considered indicators that the receivable is impaired. The amount of the provision is the difference between the asset’s carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the income statements.

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2.9 Cash and cash equivalents

Cash and cash equivalents include cash in hand and at banks, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

2.10 Trade payables

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.11 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statements over the period of the borrowings using the effective interest method, or capitalised on the basis set out in note 2.12, where appropriate.

Borrowings are classified as current liabilities unless there is an unconditional right to defer settlement of the liability for at least 12 months after the respective balance sheet date.

2.12 Borrowing costs

Borrowing costs incurred for the construction of any qualifying assets are capitalised during the period of time that is required to complete and prepare the asset for its intended use. Other borrowing costs are recognised as an expense in the period in which they are incurred.

2.13 Current and deferred income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where Shanghai Detian operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the Financial Information. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using the tax rates that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

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2.14 *Employee benefits*

(a) *Employee leave entitlements*

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the balance sheet date.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(b) *Pension obligations*

In accordance with the rules and regulations in the PRC, the PRC based employees of Shanghai Detian participate in various defined contribution retirement benefit plans organised by the relevant municipal and provincial governments in the PRC under which Shanghai Detian and the PRC based employees are required to make monthly contributions to these plans calculated as a percentage of the employees’ salaries.

The municipal and provincial governments undertake to assume the retirement benefit obligations of all existing and future retired PRC based employees payable under the plans described above. Other than the monthly contributions, Shanghai Detian has no further obligation for the payment of retirement and other post retirement benefits of its employees. The assets of these plans are held separately from those of Shanghai Detian in independently administrated funds managed by the PRC government.

Shanghai Detian’s contributions to the defined contribution retirement schemes are expensed as incurred.

2.15 *Provisions and contingent liabilities*

Provisions are recognised when: Shanghai Detian has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense.

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of Shanghai Detian. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the Financial Information. When a change in the probability of an outflow occurs so that outflow is probable, it will then be recognised as a provision.

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2.16 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sales of properties and services in the ordinary course of Shanghai Detian’s activities. Revenue is shown, net of discount.

Shanghai Detian recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and when specific criteria have been met for each of Shanghai Detian’s activities as described below.

(a) Sales of properties

Revenue from sales of properties is recognised when the risks and rewards of properties are transferred to the purchasers, which is when the construction of relevant properties has been completed and the properties have been delivered to the purchasers and the collectibility of related receivables is reasonably assured. Deposits and instalments received on properties sold prior to the date of revenue recognition are included in the balance sheets as advance proceeds received from customers under current liabilities.

During the Relevant Periods, Shanghai Detian has no revenue from sales of properties.

(b) Interest income

Interest income is recognised on a time-proportion basis using the effective interest method. When a receivable is impaired, Shanghai Detian reduces the carrying amount to its recoverable amount, being the estimated future cashflow discounted at original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans is recognised using the original effective interest rate.

2.17 Leases

Leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases.

(a) Shanghai Detian is the lessee of operating leases, other than land use rights

Payments made under operating leases (net of any incentives received from the lessor), are charged to the income statements on a straight-line basis over the period of the leases.

(b) Shanghai Detian is the lessee of operating leases of land use rights

The upfront prepayments made for the land use rights are expensed in the income statement on a straight-line basis over the period of the lease, except in the course of property development when the amortisation of land use right is included as part of the costs of the property under development.

The upfront prepayment of land use rights included in the current assets are expected to be realised in, or is intended for sale and consumption in Shanghai Detian’s normal operating cycle.

2.18 Dividend distribution

Dividend distribution to owners of Shanghai Detian during the Relevant Periods is recognised in the period in which the dividends are approved by the owners of Shanghai Detian.

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2.19 *Insurance contracts*

Shanghai Detian regards its financial guarantee contracts in respect of mortgage facilities provided to certain property purchasers as insurance contracts.

Shanghai Detian assesses at each balance sheet date the liabilities under its insurance contracts using current estimates of future cash flows. Changes in carrying amount of these insurance liabilities are recognised in the income statement.

3 **Financial risk management**

Shanghai Detian’s activities expose it to a variety of financial risks: interest rate risk, credit risk, and liquidity risk. Shanghai Detian’s overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on Shanghai Detian’s financial performance.

3.1 *Financial risk factor*

(a) *Interest rate risk*

Shanghai Detian’s income and operating cash flows are substantially independent of changes in market interest rates. Shanghai Detian has no significant interest-bearing assets. Shanghai Detian’s exposure to changes in interest rates is mainly attributable to its borrowings. Borrowings at variable rates expose Shanghai Detian to cash flow interest-rate risk.

Shanghai Detian currently does not use any interest rate swaps to hedge its exposure to interest rate risk. However, Shanghai Detian will consider hedging significant interest rate exposure should the need arise.

As at 31 December 2006, 2007, 2008 and 30 June 2009, if interest rates on borrowings had been 1% higher/lower with all other variables held constant, loss before income tax for the year/period would have been nil, RMB668,000, RMB1,213,000 and RMB642,000, higher/lower respectively, mainly as a result of higher/lower interest expense on floating rate borrowings.

(b) *Price risk*

Shanghai Detian is exposed to price risk of the securities fund because of such investment held by Shanghai Detian is stated at fair value and classified as available-for-sale financial assets. Gains and losses arising from changes in the fair value of available-for-sale financial assets are dealt with in equity. The performance of Shanghai Detian’s security fund is monitored regularly, together with an assessment of Shanghai Detian’s relationship with the fund administrator. Shanghai Detian is not exposed to commodity price risk.

As at 31 December 2007, 2008 and 30 June 2009, if the price of the securities fund classified as available-for-sale financial assets had been 10% higher/lower with all other variables held constant, Shanghai Detian’s equity would have been RMB300,000, RMB116,000 and RMB167,000 higher/lower, respectively.

(c) *Credit risk*

Shanghai Detian is exposed to credit risk in relation to its other receivables and cash deposits with banks.

The carrying amounts of other receivables and cash and cash equivalents represent Shanghai Detian’s maximum exposure to credit risk in relation to financial assets.

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To manage this exposure, Shanghai Detian has adopted some policies including credit approval procedures. It also has other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, Shanghai Detian reviews regularly the recoverable amount of each individual receivable to ensure that adequate impairment losses are made for irrecoverable amounts.

For properties that are still under construction, Shanghai Detian typically provides guarantees to banks in connection with the customers’ borrowing of mortgage loans to finance their purchase of the properties for an amount up to 70% of the total purchase price of the property. If a purchaser defaults on the payment of its mortgage during the term of the guarantee, the bank holding the mortgage may demand Shanghai Detian to repay the outstanding amount under the loan and any accrued interest thereon. Under such circumstances, Shanghai Detian is able to retain the customer’s deposit and sell the property to recover any amounts paid by Shanghai Detian to the bank. In this regard, the directors of Shanghai Detian consider that Shanghai Detian’s credit risk is significantly reduced. Nevertheless, the net realisable values of the relevant properties are subject to the fluctuation of the property market in general, Shanghai Detian assesses at each balance sheet date the liabilities based on the current estimates of future cashflows. As at 30 June 2009, no provision has been made in the financial statements.

(d) *Liquidity risk*

Shanghai Detian aims to maintain sufficient cash and cash equivalents and ensure the availability of funding through an adequate amount of available financing, including bank loans and equity owner’s loans to meet its construction commitments. Due to the dynamic nature of the underlying businesses, Shanghai Detian’s finance department maintains flexibility in funding by maintaining adequate amount of cash and cash equivalents and flexibility in funding through having available sources of financing. It is the policy of Shanghai Detian to regularly monitor current and expected liquidity requirements and to ensure that adequate funding is available for operating, investing and financing activities.

Shanghai Detian has some alternative plans to mitigate the potential impacts on anticipated cash flows should there be significant adverse changes in economic environment. These include adjusting and further slowing down the construction progress as appropriate to ensure available resources for the development of properties for sale, accelerating sales with more flexible pricing. Shanghai Detian, will base on its assessment of the relevant future costs and benefits, pursue such options as appropriate. In addition, with more favourable policies being implemented by the Central Government, management is confident Shanghai Detian will be able to achieve its business plan.

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The table below analyses Shanghai Detian’s non-derivative financial liabilities into relevant maturity grouping based on the remaining period at the balance sheet to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

	Less than 1 years <i>RMB’000</i>	Between 1 and 2 years <i>RMB’000</i>	Between 2 and 5 years <i>RMB’000</i>	Total <i>RMB’000</i>
At 31 December 2006				
Borrowings	—	—	130,000	130,000
Interest	9,009	9,009	3,184	21,202
Trade and other payables	143,741	—	—	143,741
Total	<u>152,750</u>	<u>9,009</u>	<u>133,184</u>	<u>294,943</u>
At 31 December 2007				
Borrowings	—	130,000	280,000	410,000
Interest	34,096	27,106	12,312	73,514
Trade and other payables	107,435	—	—	107,435
Total	<u>141,531</u>	<u>157,106</u>	<u>292,312</u>	<u>590,949</u>
At 31 December 2008				
Borrowings	130,000	280,000	—	410,000
Interest	19,361	8,794	—	28,155
Trade and other payables	112,954	—	—	112,954
Total	<u>262,315</u>	<u>288,794</u>	<u>—</u>	<u>551,109</u>
At 30 June 2009				
Borrowings	—	405,000	—	405,000
Interest	24,354	2,789	—	27,143
Trade and other payables	256,917	—	—	256,917
Total	<u>281,271</u>	<u>407,789</u>	<u>—</u>	<u>689,060</u>

3.2 Capital risk management

Shanghai Detian’s objectives when managing capital are to safeguard Shanghai Detian’s ability to continue as a going concern in order to provide returns for equity owners and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. Shanghai Detian’s strategy remains consistent throughout the Relevant Periods.

In order to maintain or adjust the capital structure, Shanghai Detian may adjust the amount of dividends paid to equity owners, receive the contribution from equity owners or sell assets to reduce debt.

Consistent with others in the industry, Shanghai Detian monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowing (including current and non-current borrowings, as shown in the balance sheet) less cash and bank balance. Total capital is calculated as total equity, as shown in the balance sheet, plus net debt.

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The gearing ratios at 31 December 2006, 2007, 2008 and 30 June 2009 were as follows:

	As at 31 December		As at 30 June	
	2006	2007	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000
Total borrowings (<i>note 13</i>)	130,000	410,000	410,000	405,000
Less: cash and bank balances (<i>note 10</i>)	(769)	(14,845)	(947)	(56,650)
Net debt	129,231	395,155	409,053	348,350
Total equity	66,620	242,749	225,270	54,963
Total capital	195,851	637,904	634,323	403,313
Gearing ratio	66%	62%	64%	86%

The increase in gearing ratio as at 30 June 2009 was mainly because Shanghai Detian distributed capital reserve with an amount of RMB165,000,000 to its owners.

3.3 Fair value estimation

The fair value of financial instruments traded in active markets (such as trading and available-for-sale securities) is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by Shanghai Detian is the current bid price.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. Shanghai Detian uses a variety of methods and makes assumptions that are based on market conditions existing at each balance sheet date. Techniques, such as estimated discounted cash flows, are used to determine fair value for financial instruments.

The carrying values less impairment provisions of other receivables and the carrying values of trade and other payables approximate their fair values due to their short maturities. The fair values of financial liabilities for disclosure purposes are estimated by discounting the future contractual cash flows at the current market interest rate that is available to Shanghai Detian for similar financial instruments.

4 Critical accounting estimates and assumptions

Estimates and judgements used in preparing the Financial Information are evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Shanghai Detian makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that may have a significant effect on the carrying amounts of assets and liabilities within the next financial year are discussed below.

4.1 Income taxes and deferred taxation

Significant judgement 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. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such difference will impact the income tax and deferred tax provision in the period in which such determination is made.

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Deferred tax assets relating to certain temporary differences and tax losses are recognised when management considers to be probable that future taxable profit will be available against which the temporary differences or tax losses can be utilised. The outcome of their actual utilization may be different.

4.2 *Impairment of available-for-sales financial assets*

Shanghai Detian assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. Regarding to the securities fund classified as available-for-sale, a significant or prolonged decline in the fair value of the securities fund below its cost is considered an indicator that the securities fund is impaired. In such case, Shanghai Detian uses its judgement to provide the impairment provision for the investment of securities fund.

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5 Property, plant and equipment

	Motor vehicles	Furniture, fitting and equipment	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At 1 January 2006			
Cost	4,051	238	4,289
Accumulated depreciation	(592)	(74)	(666)
Net book amount	<u>3,459</u>	<u>164</u>	<u>3,623</u>
Year ended 31 December 2006			
Opening net book amount	3,459	164	3,623
Additions	2,473	99	2,572
Depreciation	(935)	(73)	(1,008)
Closing net book amount	<u>4,997</u>	<u>190</u>	<u>5,187</u>
At 31 December 2006			
Cost	6,524	337	6,861
Accumulated depreciation	(1,527)	(147)	(1,674)
Net book amount	<u>4,997</u>	<u>190</u>	<u>5,187</u>
Year ended 31 December 2007			
Opening net book amount	4,997	190	5,187
Additions	2,613	472	3,085
Depreciation	(1,376)	(171)	(1,547)
Closing net book amount	<u>6,234</u>	<u>491</u>	<u>6,725</u>
At 31 December 2007			
Cost	9,137	809	9,946
Accumulated depreciation	(2,903)	(318)	(3,221)
Net book amount	<u>6,234</u>	<u>491</u>	<u>6,725</u>
Year ended 31 December 2008			
Opening net book amount	6,234	491	6,725
Additions	—	253	253
Depreciation	(1,711)	(210)	(1,921)
Closing net book amount	<u>4,523</u>	<u>534</u>	<u>5,057</u>
At 31 December 2008			
Cost	9,137	1,062	10,199
Accumulated depreciation	(4,614)	(528)	(5,142)
Net book amount	<u>4,523</u>	<u>534</u>	<u>5,057</u>
Six months ended 30 June 2009			
Opening net book amount	4,523	534	5,057
Additions	—	412	412
Depreciation	(835)	(130)	(965)
Closing net book amount	<u>3,688</u>	<u>816</u>	<u>4,504</u>
At 30 June 2009			
Cost	9,137	1,474	10,611
Accumulated depreciation	(5,449)	(658)	(6,107)
Net book amount	<u>3,688</u>	<u>816</u>	<u>4,504</u>

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6 Land use rights

	Year ended 31 December			Six months ended 30 June
	2006	2007	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000
Opening net book amount	120,438	120,450	120,915	119,030
Additions	1,863	2,350	—	—
Amortisation:				
- expensed in administrative expenses (<i>note 17</i>)	(1,117)	(367)	(735)	(367)
- capitalised in properties under development	(734)	(1,518)	(1,150)	(575)
Closing net book amount	<u>120,450</u>	<u>120,915</u>	<u>119,030</u>	<u>118,088</u>
Included in current assets	47,749	120,915	119,030	118,088
Included in non-current assets	<u>72,701</u>	<u>—</u>	<u>—</u>	<u>—</u>
	<u>120,450</u>	<u>120,915</u>	<u>119,030</u>	<u>118,088</u>
Outside Hong Kong, held on leases of:				
Between 50 to 70 years	<u>120,450</u>	<u>120,915</u>	<u>119,030</u>	<u>118,088</u>

Land use rights comprise cost of acquiring rights to use certain land which are all located in the PRC for property development over fixed periods. Land use rights are recognised as an expense on a straight-line basis over the unexpired period of the rights, except during the course of property development when the amortisation of land use rights is included as part of the cost of the property under development. When the relevant properties are sold, the remaining carrying amount is derecognised and included in cost of sales.

All land use rights as at each period end of the Relevant Periods were pledged as collaterals for Shanghai Detian’s borrowings (note 13).

7 Available-for-sale financial assets

	Year ended 31 December			Six months ended 30 June
	2006	2007	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000
Beginning of the year/period	—	—	4,000	1,542
Additions	—	4,000	—	—
Impairment (<i>note 16</i>)	—	—	(2,458)	—
Net gains transfer to equity	<u>—</u>	<u>—</u>	<u>—</u>	<u>683</u>
End of the year/period	<u>—</u>	<u>4,000</u>	<u>1,542</u>	<u>2,225</u>

The available-for-sale financial assets represented an investment in a securities fund managed by Agriculture Bank of China. The security fund is redeemable after one year of the issuance date. The fair value of this security fund investment is determined by its quoted redemption market price.

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8 Properties under development

	As at 31 December		As at 30 June	
	2006	2007	2008	2009
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Amount comprises:				
Construction costs and capital expenditure	107,325	407,461	518,124	576,165
Interest capitalised	<u>13,266</u>	<u>27,138</u>	<u>50,442</u>	<u>59,422</u>
	<u>120,591</u>	<u>434,599</u>	<u>568,566</u>	<u>635,587</u>

The properties under development are located in Shanghai, the PRC.

All properties under development as at each period end of the Relevant Periods were pledged as collaterals for Shanghai Detian’s borrowings (note 13). In addition, as at 31 December 2008 and 30 June 2009, 5 villas with carrying amount of approximately RMB39,688,000 of Shanghai Detian’s properties under development were preserved by court for a pending litigation (note 23).

9 Other receivables

	As at 31 December		As at 30 June	
	2006	2007	2008	2009
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Other receivables:				
Related parties (<i>note 26(c)</i>)	—	49,840	26,681	15,257
Third parties	<u>3,001</u>	<u>3,804</u>	<u>4,125</u>	<u>3,057</u>
	3,001	53,644	30,806	18,314
Prepayments:				
Related parties (<i>note 26(c)</i>)	62,080	105,656	1,150	1,150
Third parties	<u>21,693</u>	<u>12,383</u>	<u>7,883</u>	<u>7,884</u>
	<u>83,773</u>	<u>118,039</u>	<u>9,033</u>	<u>9,034</u>
	<u>86,774</u>	<u>171,683</u>	<u>39,839</u>	<u>27,348</u>

As at 31 December 2006, 2007 and 2008 and 30 June 2009, the fair value of other receivables of Shanghai Detian approximated their carrying amounts.

The other receivables relate to a number of counterparties for whom there is no history of default.

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All other receivables are denominated in RMB. They are neither past due nor impaired.

10 Cash and cash equivalents

	As at 31 December			As at 30 June
	2006	2007	2008	2009
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Cash at bank and in hand	<u>769</u>	<u>14,845</u>	<u>947</u>	<u>56,650</u>

As at 31 December 2006, 2007 and 2008 and 30 June 2009, no cash at bank and in hand was denominated in foreign currency, and approximately 4%, 44%, 85% and 92% of bank balances are placed in the state-owned banks in the PRC, respectively.

11 Paid-in capital

	Year ended 31 December			Six months ended 30 June
	2006	2007	2008	2009
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Opening balance	50,000	50,000	100,000	100,000
Additions (<i>note 1</i>)	<u>—</u>	<u>50,000</u>	<u>—</u>	<u>—</u>
Closing balance	<u>50,000</u>	<u>100,000</u>	<u>100,000</u>	<u>100,000</u>

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12 **Reserves**

	Capital reserve	Other reserve	Accumulated losses	Total
	RMB’000	RMB’000	RMB’000	RMB’000
Balance at 1 January 2006	30,000	—	(10,475)	19,525
Loss for the year	—	—	(2,905)	(2,905)
Balance at 31 December 2006	30,000	—	(13,380)	16,620
Loss for the year	—	—	(8,871)	(8,871)
Contribution made by the equity owners of Shanghai Detian (<i>note (a)</i>)	135,000	—	—	135,000
Balance at 31 December 2007	165,000	—	(22,251)	142,749
Loss for the year	—	—	(17,479)	(17,479)
Balance at 31 December 2008	165,000	—	(39,730)	125,270
Loss for the period	—	—	(5,819)	(5,819)
Fair value gains on available-for-sale financial assets, net of tax	—	512	—	512
Distribution made to the equity owners of Shanghai Detian (<i>note (b)</i>)	(165,000)	—	—	(165,000)
Balance at 30 June 2009	<u>—</u>	<u>512</u>	<u>(45,549)</u>	<u>(45,037)</u>
(Unaudited)				
Balance at 31 December 2007	165,000	—	(22,251)	142,749
Loss for the period	—	—	(7,000)	(7,000)
Balance at 30 June 2008	<u>165,000</u>	<u>—</u>	<u>(29,251)</u>	<u>135,749</u>

Note:

- (a) Pursuant to a resolution passed by the equity owners of Shanghai Detian on 30 March 2007, Shanghai Detian transferred the amount due to equity owners of Shanghai Detian of RMB135,000,000 to the capital reserve, which was accounted for as contribution made by the owners.
- (b) Pursuant to a resolution passed by the equity owners of Shanghai Detian on 30 June 2009, Shanghai Detian transferred capital reserve of a total amount of RMB165,000,000 out to amount due to equity owners of Shanghai Detian, which was accounted for as distribution made to owners.

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13 Borrowings

	As at 31 December		As at 30 June	
	2006	2007	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000
Borrowings included in non-current liabilities:				
Bank borrowings - secured (note (a))	130,000	410,000	410,000	275,000
Bank borrowings - secured and with guarantee (note (b))	—	—	—	130,000
Less: current portion of non-current borrowings (note (a))	—	—	(130,000)	—
	<u>130,000</u>	<u>410,000</u>	<u>280,000</u>	<u>405,000</u>
Borrowings included in current liabilities:				
Current portion of non-current borrowings (note (a))	—	—	130,000	—
	<u>—</u>	<u>—</u>	<u>130,000</u>	<u>—</u>

(a) As at 31 December 2006, 2007 and 2008 and 30 June 2009 the secured bank borrowings were secured by the properties under development of Shanghai Detian with net book value amounting to RMB120,591,000, RMB434,599,000, RMB568,566,000 and RMB635,587,000, respectively (note 8) and by land use rights of Shanghai Detian with net book value amounting to RMB120,450,000, RMB120,915,000, RMB119,030,000 and RMB118,088,000, respectively (note 6).

(b) During the six months ended 30 June 2009, the matured bank borrowing of RMB130,000,000 has been renewed for an additional period of one and a half year, then the maturity date is 14 October 2010. Other than the security mentioned in note (a) above, such bank borrowing is also jointly guaranteed by Shanghai Detian, Shanghai Justthink and Shanghai Huiheng.

(c) For the bank borrowing of RMB275,000,000 as at 30 June 2009, its maturity date is 12 July 2010.

The exposure of Shanghai Detian's borrowings to interest-rate change and the contractual repricing dates or maturity date which is earlier are in 6 months or less.

The borrowings are repayable as follows:

	As at 31 December		As at 30 June	
	2006	2007	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000
Within 1 year	—	—	130,000	—
Between 1 and 2 years	—	130,000	280,000	405,000
Between 2 and 5 years	<u>130,000</u>	<u>280,000</u>	<u>—</u>	<u>—</u>
	<u>130,000</u>	<u>410,000</u>	<u>410,000</u>	<u>405,000</u>

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All borrowings bear interest at floating rates. The weighted average effective interest rates at each of the balance sheet dates of the Relevant Periods were as follows:

	As at 31 December		As at 30 June	
	2006	2007	2008	2009
	RMB’000	RMB’000	RMB’000	RMB’000
Bank borrowings	<u>7.14%</u>	<u>7.35%</u>	<u>8.09%</u>	<u>6.42%</u>

All borrowings are denominated in RMB.

The fair values of borrowings approximate their carrying amounts as they are interest bearing at market interest rates.

14 Deferred income tax

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current liabilities and when the deferred income taxes relate to the same tax authority. The offset amounts are as follows:

	As at 31 December		As at 30 June	
	2006	2007	2008	2009
	RMB’000	RMB’000	RMB’000	RMB’000
Deferred income tax assets:				
- to be recovered after more than 12 months	6,590	7,417	13,243	—
- to be recovered within 12 months	<u>—</u>	<u>—</u>	<u>—</u>	<u>15,183</u>
	<u>6,590</u>	<u>7,417</u>	<u>13,243</u>	<u>15,183</u>
Deferred income tax liabilities:				
- to be settled after more than 12 months	—	—	—	—
- to be settled within 12 months	<u>—</u>	<u>—</u>	<u>—</u>	<u>(171)</u>
	<u>—</u>	<u>—</u>	<u>—</u>	<u>(171)</u>

The net movement on the deferred taxation is as follows:

	Year ended 31 December		Six months ended 30 June	
	2006	2007	2008	2009
	RMB’000	RMB’000	RMB’000	RMB’000
Beginning of the year/period	5,159	6,590	7,417	13,243
Recognised in the income statements (<i>note 21</i>)	1,431	827	5,826	1,940
Charged directly to equity	<u>—</u>	<u>—</u>	<u>—</u>	<u>(171)</u>
End of the year/period	<u>6,590</u>	<u>7,417</u>	<u>13,243</u>	<u>15,012</u>

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The movement in deferred income tax assets and liabilities during the Relevant Periods, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

Deferred income tax assets:

	Impairment losses	Tax losses	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At 1 January 2006	—	5,159	5,159
Credited to the income statements	—	1,431	1,431
At 31 December 2006	—	6,590	6,590
Credited to the income statements	—	827	827
At 31 December 2007	—	7,417	7,417
Credited to the income statements	615	5,211	5,826
At 31 December 2008	615	12,628	13,243
Credited to the income statements	—	1,940	1,940
At 30 June 2009	<u>615</u>	<u>14,568</u>	<u>15,183</u>

Deferred income tax assets are recognised for tax losses carried forward to the extent that the realization of the related benefit through the future taxable profits is probable. Shanghai Detian recognised deferred tax assets for tax losses of RMB6,590,000, RMB7,417,000, RMB12,628,000 and RMB14,568,000 as at 31 December 2006, 2007, 2008 and 30 June 2009 because Shanghai Detian has started its pre-sales of properties in the first six months ended 30 June 2009 and expected to generate enough taxable profit to utilise the relevant tax losses in the coming year.

Deferred income tax liabilities:

	Revaluation of available-for-sale financial assets
	<i>RMB'000</i>
At 1 January 2006, 2007, 2008 and 2009	—
Charged directly to equity	(171)
At 30 June 2009	<u>(171)</u>

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15 Trade and other payables

	As at 31 December			As at 30 June
	2006	2007	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000
Trade payables:				
Third parties	7,335	50,579	31,307	37,108
Other payables:				
Related parties (<i>note 26(c)</i>)	120,669	3,701	3,151	153,219
Third parties	15,737	53,155	78,496	66,590
	136,406	56,856	81,647	219,809
	143,741	107,435	112,954	256,917

The ageing analysis of trade payables at each of the balance sheet dates of the Relevant Periods is as follows:

	As at 31 December			As at 30 June
	2006	2007	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000
Within 90 days	7,335	50,579	31,207	35,673
Over 90 days and within 180 days	—	—	—	730
Over 180 days and within 365 days	—	—	100	705
Over 365 days	—	—	—	—
	7,335	50,579	31,307	37,108

All trade and other payables are denominated in RMB.

16 Other losses - net

	Year ended 31 December			Six months ended 30 June	
	2006	2007	2008	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Impairment of available-for-sale financial assets (<i>note 7</i>)	—	—	2,458	873	—
Penalty fee (<i>note 23</i>)	—	—	1,500	—	—
	—	—	3,958	873	—

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17 Expenses by nature

Expenses included in selling and marketing costs and administration expenses are analyzed as follows:

	Year ended 31 December			Six months ended 30 June	
	2006	2007	2008	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)	
Staff costs (<i>note 19</i>)	—	373	950	686	926
Stamp duty and other levies	202	175	375	—	30
Auditors’ remuneration	8	45	10	—	—
Advertising costs	623	300	1,421	300	327
Depreciation (<i>note 5</i>)	1,008	1,547	1,921	843	965
Amortisation of land use right (<i>note 6</i>)	1,117	367	735	367	367
Operating lease rental	625	808	750	357	251
Consulting expenses	5	358	1,500	367	54
Others	748	818	1,872	634	719
	<u>4,336</u>	<u>4,791</u>	<u>9,534</u>	<u>3,554</u>	<u>3,639</u>

18 Finance costs - net

	Year ended 31 December			Six months ended 30 June	
	2006	2007	2008	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)	
Interest expenses on bank borrowings					
Wholly repayable within five years	5,975	19,184	33,150	16,725	13,155
Other interest expenses (<i>note 26(b)</i>)	7,335	—	—	—	—
Less: Interest income	(44)	(405)	(33)	(21)	(55)
Interest capitalised in properties under development	<u>(13,266)</u>	<u>(13,872)</u>	<u>(23,304)</u>	<u>(11,797)</u>	<u>(8,980)</u>
Finance costs - net	<u>—</u>	<u>4,907</u>	<u>9,813</u>	<u>4,907</u>	<u>4,120</u>

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19 **Staff costs**

	Year ended 31 December			Six months ended 30 June	
	2006	2007	2008	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)	
Wages and salaries	—	114	466	270	645
Retirement scheme contribution (<i>note (a)</i>)	—	25	103	59	142
Staff welfare	—	224	339	332	81
Medical benefits	—	9	38	22	52
Other allowances and benefits	—	1	4	3	6
	<u>—</u>	<u>373</u>	<u>950</u>	<u>686</u>	<u>926</u>

Note (a):

Employees in Shanghai Detian are required to participate in a defined contribution retirement scheme administrated and operated by the local municipal government. Shanghai Detian contributes fund which are calculated on certain percentage of the average employee salary as agreed by local municipal government to the scheme to fund the retirement benefits of the employees.

20 **Emoluments for directors and five highest paid individuals**

(a) *Director’s emoluments*

During the Relevant Periods, no emolument was paid to the executive director of Shanghai Detian, Ms Qiao Xiaohui (喬曉輝).

(b) *Five highest paid individuals*

The emoluments payable to the five highest paid individuals during the Relevant Periods are as follows

	Year ended 31 December			Six months ended 30 June	
	2006	2007	2008	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)	
Basis salaries, housing allowances, other allowances and benefits in kind	<u>—</u>	<u>93</u>	<u>192</u>	<u>96</u>	<u>96</u>

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21 Income tax credit

	Year ended 31 December			Six months ended 30 June	
	2006	2007	2008	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)	
Current income tax expenses	—	—	—	—	—
Deferred income tax income relating to the origination and reversal of temporary differences	1,431	3,200	5,826	2,334	1,940
Deferred income tax resulting from change in tax rate	—	(2,373)	—	—	—
	<u>1,431</u>	<u>827</u>	<u>5,826</u>	<u>2,334</u>	<u>1,940</u>

The income tax on Shanghai Detian’s loss before taxation differs from the theoretical amount that would arise using the tax rates applicable to Shanghai Detian. In 2006 and 2007, the tax rate of 33% enacted in Shanghai, where the principal activities of Shanghai Detian are conducted, has been used; in 2008 and 2009, the tax rate of 25% unified by the new PRC Enterprise Income Tax Law has been used. The difference is analysed as follows:

	Year ended 31 December			Six months ended 30 June	
	2006	2007	2008	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)	
Loss before income tax	<u>(4,336)</u>	<u>(9,698)</u>	<u>(23,305)</u>	<u>(9,334)</u>	<u>(7,759)</u>
Calculated at PRC enterprise income tax rates (2006 and 2007: 33%, 2008 and 2009: 25%)	1,431	3,200	5,826	2,334	1,940
Effect of change in tax rate	—	(2,373)	—	—	—
Income tax credit	<u>1,431</u>	<u>827</u>	<u>5,826</u>	<u>2,334</u>	<u>1,940</u>

PRC enterprise income tax (the “PRC EIT”) is provided on the assessable income of Shanghai Detian, adjusted for those items, which are not assessable or deductible for the PRC EIT purpose.

Shanghai Detian established in Shanghai, the PRC is subject to PRC EIT at a rate of 33% before 2008.

Pursuant to the PRC EIT Law passed by the Tenth National People’s Congress on 16 March 2007, the new enterprise income tax for domestic enterprises is unified at 25%, was be effective from 1 January 2008, and accordingly, Shanghai Detian is subject to PRC EIT at a rate of 25% from 1 January 2008 onwards.

The change in the carrying amount of the deferred tax assets, as a result of above change in tax rate, has been reflected in the financial information for the year ended 31 December 2007.

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22 Cash (used in)/generated from operations

	Year ended 31 December			Six months ended 30 June	
	2006	2007	2008	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)	
Loss for the year/period	(2,905)	(8,871)	(17,479)	(7,000)	(5,819)
Adjustments for:					
Income tax credit	(1,431)	(827)	(5,826)	(2,334)	(1,940)
Depreciation (note 5)	1,008	1,547	1,921	843	965
Amortisation of land use rights (note 6)	1,117	367	735	367	367
Impairment of available-for-sale financial assets (note 7)	—	—	2,458	873	—
Financial costs - net (note 18)	—	4,907	9,813	4,907	4,120
Change in working capital					
Land use rights	(1,129)	(832)	1,150	575	575
Properties under development	(90,080)	(300,136)	(110,663)	(56,984)	(58,041)
Other receivables	(73,746)	(84,909)	131,844	72,747	12,491
Prepaid taxation	—	—	—	—	(5,343)
Advance proceeds received from customers	—	—	—	—	148,389
Trade and other payables	46,293	98,694	5,519	(11,663)	(957)
	<u>(120,873)</u>	<u>(290,060)</u>	<u>19,472</u>	<u>2,331</u>	<u>94,807</u>

Save as disclosed in note 12(a), Shanghai Detian has other material non-cash transactions during the Relevant Period.

23 Pending litigation

Shanghai Detian currently has the following material lawsuit pending against it.

The lawsuit arose out of an agreement between Shanghai Detian and Shanghai Ceyuan Real Estate Agency Co., Ltd. (上海策源房地產經紀有限公司) (“Shanghai Ceyuan”), in November 2006.

Pursuant to the agreement, Shanghai Detian appointed Shanghai Ceyuan as its sales agent for certain properties of the Shanghai Chengbang Villa project. After a dispute ensued between the parties in connection with the agency sales under the agreement, Shanghai Ceyuan sued Shanghai Detian for breach of contract, claiming for liquidated damages in the amount of RMB1,500,000, agency fees in the amount of RMB21,200,000 and other loss in the amount of RMB21,800,000. The PRC court of first instance has issued a judgment granting Shanghai Ceyuan liquidated damages in a total amount of RMB1,500,000 but denying all its other claims for damages. Both Shanghai Detian and Shanghai Ceyuan have appealed to the appellate court. On appeal, while Shanghai Ceyuan insisted on its original claims, Shanghai Detian asked the court to overrule the lower court’s decision granting the liquidated damages. The case is currently pending before the appellate court. Since Shanghai Ceyuan has asked the court for property preservation during the proceedings, 5 villa of Shanghai Detian’s properties under development have been attached in aid of execution by the court. In the event the court rules in favor of Shanghai Ceyuan, Shanghai Detian may be required to pay Shanghai Ceyuan the liquidated damages, agency fees and other losses.

The directors believe that Shanghai Detian has a strong defense against the appeal and accordingly, provision of RMB1,500,000 only has been made for the year ended 31 December 2008 for this litigation according to the judgment made by the PRC court of the first instance.

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24 Guarantee

Shanghai Detian provided the following guarantees at each of the balance sheet dates during the Relevant Periods:

	As at 31 December			As at 30 June
	2006	2007	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000
Guarantees in respect of mortgage facilities for certain purchasers	<u>—</u>	<u>—</u>	<u>—</u>	<u>62,950</u>

Shanghai Detian has arranged bank financing for certain purchasers of Shanghai Detian’s property unit and provided guarantees to secure obligations of such purchasers for repayments. Such guarantees terminate upon the earlier of (i) issuance of real estate ownership certificates which will generally be available within a certain period after the purchasers take possession of the relevant properties; or (ii) the satisfaction of mortgaged loan by the purchasers of properties.

Pursuant to the terms of the guarantees, upon default in mortgage payments by these purchasers, Shanghai Detian is responsible to repay the outstanding mortgage principals together with accrued interest and penalty owed by the defaulted purchasers to the banks and Shanghai Detian is entitled to take over the legal title and possession of the related properties. Shanghai Detian’s guarantee period starts from the date of grant of the relevant mortgage loans.

25 Commitments

(a) *Capital commitments*

Shanghai Detian has no significant capital commitments as at 31 December 2006, 2007 and 2008, and 30 June 2009.

(b) *Operating leases commitments*

The future aggregate minimum lease payments under non-cancellable operating leases in respect of properties are as follows:

	As at 31 December			As at 30 June
	2006	2007	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000
Not later than one year	682	750	571	242
Later than one year and not later than five years	<u>1,194</u>	<u>589</u>	<u>18</u>	<u>—</u>
	<u>1,876</u>	<u>1,339</u>	<u>589</u>	<u>242</u>

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26 Related party transactions

(a) Name and relationship with related parties

During the Relevant Periods, Shanghai Detian is ultimately controlled by Ms. Qiao Xiaohui.

Name	Relationship
喬曉輝 Qiao Xiaohui	The ultimate controlling shareholder of Shanghai Detian
Shanghai Justthink	The owner of Shanghai Detian
Shanghai Huiheng	The owner of Shanghai Detian
寧波寶恒汽車有限公司 Ningbo Baoheng Vehicle Sales Company Limited (“Ningbo Baoheng”)	Under the common control of the ultimate party
上海新迎園(集團)股份有限公司 Shanghai Xinyingyuan (Group) Co., Ltd. (“Shanghai Xinyingyuan”)	Under the common control of the ultimate party
上海毅德股份有限公司 Shanghai Yide Co., Ltd (“Shanghai Yide”)	Under the common control of the ultimate party
上海興逸建築安裝有限公司 Shanghai Xingyi Construction & Installation Engineer Company (“Shanghai Xingyi”)	Under the common control of the ultimate party

Certain names of the companies referred to above in this note represent management’s translation of the Chinese names of these companies as no English names have been registered or available for these companies.

(b) Transactions with related parties

Save for the related parties transaction disclosed in note 13(b), Shanghai Detian also had following significant transactions with related parties during the Relevant Periods:

	Year ended 31 December			Six months ended 30 June	
	2006	2007	2008	2008	2009
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
				<i>(unaudited)</i>	
Purchase of the construction service:					
Shanghai Xingyi	22,920	118,790	—	—	—
Interest expenses:					
Shanghai Xinyingyuan	7,335	—	—	—	—

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(c) *Balances with related parties*

As at 31 December 2006, 2007 and 2008 and 30 June 2009, Shanghai Detian had the following balances with related parties:

	As at 31 December			As at 30 June
	2006	2007	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000
Included in other receivables:				
Qiao Xiaohui	—	—	—	15,257
Shanghai Justthink	—	49,840	26,681	—
	<u>—</u>	<u>49,840</u>	<u>26,681</u>	<u>15,257</u>
Included in prepayments:				
Shanghai Xingyi	<u>62,080</u>	<u>105,656</u>	<u>1,150</u>	<u>1,150</u>
Included in other payables:				
Qiao Xiaohui	4,900	—	—	5,148
Shanghai Justthink	41,104	—	—	71,919
Shanghai Huiheng	—	—	—	73,000
Ningbo Baoheng	—	1,851	1,851	1,852
Shanghai Xinyingyuan (note)	72,000	—	—	—
Shanghai Xingyi	2,000	—	—	—
Shanghai Yide	<u>665</u>	<u>1,850</u>	<u>1,300</u>	<u>1,300</u>
	<u>120,669</u>	<u>3,701</u>	<u>3,151</u>	<u>153,219</u>

Note: The amount represented the advance made by Shanghai Xinyingyuan to Shanghai Detian, which is at an interest rate of around 10% per annum. Such advance, together with the total interest expense of RMB7,335,000, were repaid to Shanghai Xinyingyuan by Shanghai Detian during the year ended 31 December 2007.

Other non-trading balances due from/to related parties are unsecured, interest-free and repayable on demand.

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III SUBSEQUENT EVENTS

Saved as disclosed in Note 1, there were no other significant subsequent events.

IV SUBSEQUENT FINANCIAL STATEMENT

No audited financial statements have been prepared for Shanghai Detian in respect of any period subsequent to 30 June 2009. In addition, no dividend or distribution has been declared, made or paid by Shanghai Detian in respect of any period subsequent to 30 June 2009.

Yours faithfully
PricewaterhouseCoopers
Certified Public Accountants
Hong Kong

APPENDIX IV

PROPERTY VALUATION

The following is the text of a letter, summary of valuation and valuation certificates prepared for the purpose of incorporation of this document received from DTZ Debenham Tie Leung Limited, independent property valuer, in connection with its opinion of market value of the properties in the PRC as at 31 August 2009.



16th Floor
Jardine House
1 Connaught Place
Central
Hong Kong

21 October 2009 |

The Directors
Excellence Real Estate Group Limited
22nd Floor, Excellence Mansion
No. 98 Fuhua First Road
Futian Central District
Shenzhen
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 held by Excellence Real Estate Group Limited (the “Company”) and its subsidiaries (hereinafter together referred to as the “Group”) in the People's Republic of China (the “PRC”) as listed in the attached summary of valuations, we confirm that we have carried out inspection, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing the Group with our opinion of the market values of such properties as at 31 August 2009 (the “date of valuation”). |

Definition of Market Value

Our valuation of each property represents its Market Value which in accordance with the 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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In valuing the properties, we have complied with the requirements set out in Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and The HKIS Valuation Standards on Properties (First Edition 2005) issued by the Hong Kong Institute of Surveyors.

In the course of our valuation of the properties in the PRC, we have assumed that, unless stated otherwise, the transferable land use rights of the properties for their respective specific terms at nominal annual land use fees have been granted and that any land grant premium payable has already been fully paid. We have relied on the information regarding the title to each of the properties and the interests of the Group in the properties. In valuing the properties, we have assumed that the Group has an enforceable title to each of the properties and has free and uninterrupted right to use, occupy or assign the properties for the whole of the respective unexpired terms as granted.

In respect of the properties situated in the PRC, the status of the titles and grant of major certificates, approvals and licences, in accordance with the information provided by the Group are set out in the notes in the respective valuation certificates.

Method of Valuation

In valuing those properties in Group I and Group III which are held for sale and owner-occupation respectively in the PRC, we have adopted the direct comparison approach assuming sale of each of those properties in its existing state by making reference to comparable sales transactions as available in the relevant market. We have also valued the properties by the investment approach where appropriate.

In valuing those properties in Group II which are held for investment in the PRC and the property No. 37 in Group VII, which is leased to the Group in the PRC with long term lease and a portion of the property has been subleased to various independent third parties, we have adopted the investment approach by capitalising the net rental income derived from the existing tenancies with due allowance for reversionary income potential of the property. The direct comparison approach was also used to cross check the market values of the investment properties.

The properties in Groups IV and V are held under development and for future development respectively in the PRC. 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 (if any). 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.

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For the properties in Group VI, which are contracted to be acquired by the Group, the Group has entered into agreements with relevant owner of the properties or the relevant government authorities. Since the Group has not yet obtained the State-owned Land Use Rights Certificates and/or the payment of the land premium has not yet been fully settled as at the date of valuation, we have attributed no commercial value to the properties.

Unless stated otherwise, the properties in Groups VII (except property No. 37) and VIII leased to the Group in the PRC and Hong Kong respectively have no commercial value mainly due to the prohibitions against 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.

In the course of our valuation, we have relied to a considerable extent on the information given by the Group in respect of the properties in the PRC and have accepted advice given by its PRC legal advisor, Commerce & Finance Law Offices, 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.

Dimension, measurements and areas included in the attached valuation certificates are based on the information provided to us and are therefore only approximations. We have had no reasons 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 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 defect. We are not, however, able to report whether the properties are free of rot, infestation or any other structural defect. No test was carried out on 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 stated otherwise, it is assumed that the properties are free from encumbrances, restrictions and outgoings of any onerous nature which could affect their values.

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PROPERTY VALUATION

Currency

Unless stated otherwise, all sums stated in our valuations are in Renminbi (RMB), 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 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 the PRC and Hong Kong. **I**

APPENDIX IV

PROPERTY VALUATION

SUMMARY OF VALUATIONS

Properties	Capital value in existing state as at 31 August 2009 RMB	Interest attributable to the Group %	Capital value in existing state as at 31 August 2009 <u>attributable</u> <u>to the Group</u> RMB
Group I — Properties held by the Group for sale in the PRC			
1. The unsold portion of Shenzhen Excellence Times Plaza Phase 1 (深圳卓越時代廣場一期), Futian Central District, Shenzhen, The PRC	748,000,000	100	748,000,000
2. The unsold portion of Shenzhen Repulse Bay (深圳淺水灣花園), North of Binhai Road, Nanshan District, Shenzhen, The PRC	73,000,000	100	73,000,000
3. 56 units in You Pin Apartments (優品藝墅雅居), North-west side of Inner Ring Road, Da Mei Sha, Yantian District, Shenzhen, The PRC	88,000,000	100	88,000,000
4. The unsold portion of Shenzhen Cote d’Azur (深圳蔚藍海岸), Houhai Road East, Nanshan District, Shenzhen, The PRC	462,000,000	100	462,000,000
5. Chongqing Excellence Mart Phase 1 (重慶光彩大市場一期), Wanzhou District, Chongqing, The PRC	208,000,000	100	208,000,000

APPENDIX IV

PROPERTY VALUATION

Properties	Capital value in existing state as at 31 August 2009 RMB	Interest attributable to the Group %	Capital value in existing state as at 31 August 2009 <u>attributable</u> <u>to the Group</u> RMB
6. Various commercial units and 3 residential units of Shenzhen City Central Garden (深圳城市中心花園), Henggang, Longgang District, Shenzhen, The PRC	102,000,000	100	102,000,000
7. Unsold portion of Changsha Cote d’Azur (Phases 1A and 1B) (長沙蔚藍海岸一期A及B), Yuelu District, Changsha, The PRC	187,000,000	100	187,000,000
8. Unsold portion of Wuhan Cote d’Azur Phase 1 (武漢蔚藍海岸一期), Yedian Village, Panlongcheng Economic Development Zone, Wuhan, The PRC	293,000,000	100	293,000,000
9. Shenzhen Victoria Harbour (深圳維港名苑), Houhai Reclamation Zone, Nanshan District, Shenzhen, The PRC	2,019,000,000	99.25	2,003,857,500
10. <u>Unsold Portion of Dongguan Azure Polis Phase 1</u> (東莞蔚藍城邦一期), Maiyuan Village, Changping Town, Dongguan, Guangdong Province, The PRC	473,000,000	80	378,400,000

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PROPERTY VALUATION

Properties	Capital value in existing state as at 31 August 2009 RMB	Interest attributable to the Group %	Capital value in existing state as at 31 August 2009 <u>attributable to the Group</u> RMB
11. Various units of Qingdao Azure Archipelagoes Phases 1A and 1B (青島蔚藍群島一期A及B) North of the Baisha River, the east of the Moshui River, Chengyang District, Qingdao, Shandong Province, The PRC	297,000,000	100	297,000,000
Sub-total:			<u>4,840,257,500</u>
Group II — Properties held by the Group for investment in the PRC			
12. 250 car parking spaces of Shenzhen Excellence Times Plaza Phase 1 (深圳卓越時代廣場一期), Futian Central District, Shenzhen, The PRC	63,000,000	100	63,000,000
13. 150 car parking spaces of Shenzhen Repulse Bay (深圳淺水灣花園), North of Binhai Road, Nanshan District, Shenzhen, The PRC	23,000,000	100	23,000,000
14. 1,000 car parking spaces of Shenzhen Cote d’Azur (深圳蔚藍海岸), Houhai Road East, Nanshan District, Shenzhen, The PRC	150,000,000	100	150,000,000
Sub-total:			<u>236,000,000</u>

APPENDIX IV

PROPERTY VALUATION

Properties	Capital value in existing state as at 31 August 2009 RMB	Interest attributable to the Group %	Capital value in existing state as at 31 August 2009 <u>attributable</u> <u>to the Group</u> RMB

Group III — Property held by the Group for owner-occupation in the PRC

15. Levels 21 and 22 of Excellence Mansion (卓越大廈), Shenzhen, The PRC	100,000,000	100	100,000,000
Sub-total:			<u>100,000,000</u>

Group IV — Properties held by the Group under development in the PRC

16. Shenzhen Excellence Century Centre (深圳卓越世紀中心), Futian District Center, Shenzhen, The PRC	7,878,000,000	100	7,878,000,000
17. Shenzhen Excellence Times Plaza Phase 2 (深圳卓越時代廣場二期), Futian District Center, Shenzhen, The PRC	3,131,000,000	100	3,131,000,000
18. Changsha Cote d’Azur Phase 2A (長沙蔚藍海岸2A期), Yuelu District, Changsha, The PRC	80,000,000	100	80,000,000
19. Qingdao Azure Archipelagoes Phases 1C, 1D, 2E and 2F (青島蔚藍群島一期-CD及二期EF), north of the Baisha River, the east of the Moshui River, Chengyang District, Qingdao, Shandong Province, The PRC	1,219,000,000	100	1,219,000,000

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Properties	Capital value in existing state as at 31 August 2009 RMB	Interest attributable to the Group %	Capital value in existing state as at 31 August 2009 <u>attributable to the Group</u> RMB
20. Changsha Valley Villa (長沙麓山別墅), Changsha, Hunan Province, The PRC	1,054,000,000	100	1,054,000,000
Sub-total:			<u>13,362,000,000</u>

Group V — Properties held by the Group for future development in the PRC

21. Changsha Cote d’Azur Phases <u>2B</u> , <u>2C</u> , <u>2D</u> and <u>3</u> (長沙蔚藍海岸 <u>二-B</u> , <u>C</u> , <u>D</u> 期及 <u>三期</u>), Yuelu District, Changsha, Hunan Province, The PRC	687,000,000	100	687,000,000
22. Qingdao Azure Archipelagos Phases 2 (portion) and 3-5 (青島蔚藍群島二(部份)及三至五期), situated on the north of the Baisha River, the east of the Moshui River, Chengyang District, Qingdao, Shandong Province, The PRC	3,339,000,000	100	3,339,000,000
23. Dongguan Azure Polis Phases <u>2-4</u> (東莞蔚藍城邦二至四期), Maiyuan Village, Changping Town, Dongguan, Guangdong Province, The PRC	2,067,000,000	80	1,653,600,000

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Properties	Capital value in existing state as at 31 August 2009 RMB	Interest attributable to the Group %	Capital value in existing state as at 31 August 2009
			<u>attributable to the Group</u> RMB
24. Lianyungang Cote d’Azur Phase 1 (連雲港蔚藍海岸一期), West side of Huaguoshan Road North, Lianyungang, Jiangsu Province, The PRC	3,912,000,000	100	3,912,000,000
25. Chongqing Excellence Mart Phase 2 (重慶光彩大市場二期), Wanzhou District, Chongqing, The PRC	132,000,000	100	132,000,000
26. Lianyungang Cote d’Azur Phase 2 East of Huaguoshan Road, Lianyungang, Jiangsu Province, The PRC (連雲港項目)	5,538,000,000	100	5,538,000,000
27. Six parcels of land, Lanshi Village, Changning Town, Boluo County, Huizhou City, Guangdong Province, The PRC (羅浮山項目)	4,429,000,000	70	3,100,300,000
28. <u>A parcel of land,</u> <u>Houhu Village,</u> Panlongcheng Economic Development Zone, Wuhan, The PRC (后湖村項目)	564,000,000	100	564,000,000

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PROPERTY VALUATION

Properties	Capital value in existing state as at 31 August 2009 RMB	Interest attributable to the Group %	Capital value in existing state as at 31 August 2009
			<u>attributable to the Group</u> RMB
29. 5 parcels of land, Xi Qu Shang Tian, Huiyang District, Huizhou City, Guangdong Province, The PRC (惠州大亞灣)	6,680,000,000	100	6,680,000,000
Sub-total:			<u>25,605,900,000</u>

Group VI — Properties contracted to be acquired by the Group in the PRC

30. A parcel of land, Northwest side of the junction of Shidai Avenue and Binkang Road (previously Nanxin Road), Binjiang District, Hangzhou, Zhejiang Province, The PRC (杭州項目)	No commercial value
31. Project Nanxin, South of Nanxin Road, South and North sides of Taiyuan Road Tianxia Village, Nanshan District Guangdong Province, The PRC (南新項目)	No commercial value

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PROPERTY VALUATION

Properties	Capital value in existing state as at 31 August 2009 RMB	Interest attributable to the Group %	Capital value in existing state as at 31 August 2009
			<u>attributable to the Group</u> RMB
32. Project Gangxia, South of Shennan Road, North of Fuhua Three Road, West of Caitian Road, East of Jintian Road Futian District, Shenzhen, Guangdong Province, The PRC (崗廈項目)			No commercial value
33. Project Jinliju, Longhu Tuo ^{zhan} Area Shenzhen, Guangdong Province, The PRC (金利居項目)			No commercial value
34. <u>Project Zhenbao</u> , Site code 2710, Meilin Zhong Kang Pian Area and site code 1401 Tianhai Area, East of Shekou, Shenzhen, Guangdong Province, The PRC			No commercial value
35. A parcel of land, 128 Yanji Road, Shibei District, Qingdao, Shandong Province, The PRC			No commercial value
36. Chengbang Villa, Zhaogang County, Qingpu District, Shanghai, The PRC			No commercial value
Sub-total:			No commercial value

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Properties	Capital value in existing state as at 31 August 2009 RMB	Interest attributable to the Group %	Capital value in existing state as at 31 August 2009 <u>attributable to the Group</u> RMB
Group VII — Properties leased to the Group in the PRC			
37. The Group’s attributable interest in the operation rights pursuant to the Agreement in respect of Basements 1 to 3, Guangzhou Diwang Shopping Arcade (廣州地王商業廣場), No. 18 Jiaochang West Road, Yuexiu District, Guangzhou, The PRC	505,000,000	100	505,000,000
38. Unit 9, North of 2nd Floor, New Energy Building (新能源大廈), Nanyou Avenue, Nanshan District, Shenzhen, The PRC			No commercial value
39. North of 2nd Floor, New Energy Building (新能源大廈), Nanyou Avenue, Nanshan District, Shenzhen, The PRC			No commercial value
40. Unit 12, North of 2nd Floor, New Energy Building (新能源大廈), Nanyou Avenue, Nanshan District, Shenzhen, The PRC			No commercial value
41. Unit Nos. 9, 10 and 11, New World Trade Building (新世紀國貿大廈), No.568 Jianshe Avenue, Hankou Wuhan, The PRC			No commercial value
		Sub-total:	<u>505,000,000</u>
Group VIII — Property leased to the Group in Hong Kong			
42. Suite 3603, 36th floor, Citibank Tower, No. 3 Garden Road, Hong Kong			No commercial value
		Grand-Total:	<u><u>44,649,157,500</u></u>

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PROPERTY VALUATION

VALUATION CERTIFICATE

Group I — Properties held by the Group for sale in the PRC

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 August 2009								
1. The unsold portion of Shenzhen Excellence Times Plaza Phase 1 (深圳卓越時代廣場一期), Futian Central District, Shenzhen, The PRC	The property comprises <u>unsold</u> 22 office unites, 31 commercial units and 144 car parking spaces in Shenzhen Excellence Times Plaza, <u>Phase 1</u>, completed in 2006. The property comprises the following gross floor area: <table><tr><th>Unsold Portion</th><th>Gross Floor Area (sq.m.)</th></tr><tr><td>Commercial</td><td>6,520.16</td></tr><tr><td>Office</td><td><u>4,843.96</u></td></tr><tr><td>Total:</td><td><u>11,364.12</u></td></tr></table> The land use rights of the property have been granted for a term of 50 years due to expire on 17 March 2052 for commercial office use.	Unsold Portion	Gross Floor Area (sq.m.)	Commercial	6,520.16	Office	<u>4,843.96</u>	Total:	<u>11,364.12</u>	The property is currently vacant.	RMB748,000,000
Unsold Portion	Gross Floor Area (sq.m.)										
Commercial	6,520.16										
Office	<u>4,843.96</u>										
Total:	<u>11,364.12</u>										

Notes:

- (1) According to Real Estate Title Certificate No. 3000362401 issued by Shenzhen Municipal Bureau of Land Resources and Housing Management, the land use rights of Shenzhen Excellence Times Plaza, comprising a total site area of 7,295.03 sq.m., have been granted to Shenzhen Excellence Real Estate Development Co., Ltd. (深圳卓越房地產開發有限公司) for a term due to expire on 17 March 2052 for commercial office use.
- (2) According to Land Use Rights Grant Contract No. (2002) 9003 and its Supplemental Contact IV, the land use rights of Shenzhen Excellence Times Plaza, comprising a site area of 7,295 sq.m. have been granted to Shenzhen Excellence Real Estate Development Co., Ltd. with a total consideration of RMB230,222,092.
- (3) According to 53 Real Estate Title Certificates, Shenzhen Excellence Real Estate Development Co., Ltd. (深圳卓越房地產開發有限公司) has obtained the building ownership of the property comprising a total floor area of 11,364.12 sq.m..

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PROPERTY VALUATION

- (4) According to Certificate of Completion No.2006124 dated 19 October 2006, the construction works of Shenzhen Excellence Times Plaza have been completed.
- (5) According to Business Licence No.110952 dated 8 March 2005, Shenzhen Excellence Real Estate Development Co., Ltd. (深圳卓越房地產開發有限公司) was established on 27 March 2003 with a registered capital of HK\$128,000,000 for a valid operation period from 27 March 2003 to 27 March 2023.
- (6) We have been provided with the legal opinion on the property prepared by the Group’s legal advisor, which contains, inter alia, the following information:
- (i) Shenzhen Excellence Real Estate Development Co., Ltd. (深圳卓越房地產開發有限公司) has obtained the land use rights of the property.
- (ii) Portions of the property are subject to mortgage in favour of Agricultural Bank of China-Guo Mao Branch (國貿支行) and Industrial and Commercial Bank of China-Bao’an Branch (寶安支行).
- (iii) Shenzhen Excellence Real Estate Development Co., Ltd. (深圳卓越房地產開發有限公司) is the sole land user of the property and has the rights to occupy, use, lease, mortgage, transfer or otherwise dispose of the property within the land use term subject to the written consent from the mortgagees.
- (iv) The entire land premium stated in the Land Use Rights Grant Contract has been fully paid and settled.
- (7) The status of the title and grant of major approvals and licences in accordance with the information provided by the Group are as follows:

Real Estate Title Certificate	Yes
Land Use Rights Grant Contract	Yes
Construction Land Planning Permit	Yes
Construction Works Planning Permit	Yes
<u>Certificate of Completion</u>	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 31 August 2009
2. The unsold portion of Shenzhen Repulse Bay (深圳淺水灣花園), North of Binhai Road, Nanshan District, Shenzhen, The PRC	The property comprises 5 unsold residential units and 259 car parking spaces in <u>Shenzhen Repulse Bay</u> completed in April 2007. The property has a total gross floor area of approximately 1,211.23 sq.m. and 259 car parking spaces. The land use rights of the property have been granted for a term of 70 years due to expire on 8 March 2073 for composite residential use.	The property is currently vacant.	RMB73,000,000

Notes:

- (1) According to Real Estate Title Certificate No. 4000195583 dated on 31 January 2005, the land use rights of Shenzhen Repulse Bay, comprising a total site area of 19,505.5 sq.m., have been granted to Shenzhen Pengyue Investment Co., Ltd. (深圳鵬躍投資發展有限公司) for a term due to expire on 8 March 2073 for residential use.
- (2) According to Land Use Right Grant Contract No. (2003) 3086 and its supplemental agreements dated on 9 March 2003, 8 May 2005 and 6 August 2007 respectively, the land use rights of Shenzhen Repulse Bay, comprising a site area of 19,505.5 sq.m. have been granted to Shenzhen Pengyue Investment Co., Ltd. (深圳市鵬躍投資發展有限公司) for a term of 70 years expiring on 8 March 2073 for residential use.
- (3) Pursuant to Construction Land Planning Permit No. 01-2005-0242 issued by Shenzhen Town Planning Bureau on 26 July 2005, the particulars are as follows:

Plot Ratio	3.1
Permitted Gross Floor Area	60,400 sq.m.
Building Density	25%
Building Height Restriction	22-30 storeys
- (4) Pursuant to Construction Works Planning Permit No. (2005) 097 issued by Shenzhen Town Planning Bureau, the construction works of Shenzhen Repulse Bay, with a total gross floor area of 80,104 sq.m. are in compliance with the urban construction requirement and have been approved.
- (5) Pursuant to Construction Works Commencement Permit Nos. 44030020050150001, 44030020050150002 and 44030020050150003 issued by Shenzhen Construction Bureau, the construction works of Shenzhen Repulse Bay with a total floor area of 80,104 sq.m. are in compliance with commencement requirements and have been approved.
- (6) According to the Certificate of Completion dated on 18 April 2007, the construction works of Shenzhen Repulse Bay with a total floor area of 80,104 sq.m. are in compliance with completion standards.
- (7) According to 5 copies of Real Estate Title Certificate dated 3 January 2008, the building ownership of the property comprising a total floor area of 1,211.23 sq.m. is held by Shenzhen Pengyue Investment Co., Ltd..

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- (8) According to Business Licence No.4403011143185 dated 14 May 2007, Shenzhen Pengyue Investment Co., Ltd. (深圳鹏躍投資發展有限公司) was established on 26 May 2004 with a registered capital of RMB20,000,000 for a valid operation period from 26 May 2004 to 26 May 2014.
- (9) We have been provided with the legal opinion on the property prepared by the Group’s legal advisor, which contains, inter alia, the following information:
- (i) Shenzhen Pengyue Investment Co., Ltd. (深圳市鹏躍投資發展有限公司) has obtained the land use rights of the property.
 - (ii) The property is free from seizure, mortgage and other encumbrances,
 - (iii) Shenzhen Pengyue Investment Co., Ltd. (深圳市鹏躍投資發展有限公司) is the sole land user of the property and has the rights to occupy, use, lease, mortgage, transfer or otherwise dispose of the property within the land use term.
 - (iv) The entire land premium stated in the Land Use Rights Grant Contract has been fully paid and settled.
- (10) The status of the title and grant of major approvals and licences in accordance with the information provided by the Group are as follows:

Real Estate Title Certificate	Yes
Land Use Rights Grant Contract	Yes
Construction Land Planning Permit	Yes
Construction Works Planning Permit	Yes
Construction Works Commencement Permit	Yes
<u>Certificate of Completion</u>	<u>Yes</u>
Business Licence	Yes

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VALUATION CERTIFICATE

	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 August 2009
3.	56 units in You Pin Apartments (優品藝墅雅居), North-west side of Inner Ring Road, Da Mei Sha, Yantian District, Shenzhen, The PRC	The property comprises 51 residential units and 5 commercial units in a composite residential development completed in May 2007. The property has a total gross floor area of approximately 5,281.83 sq.m.. The land use rights of the property have been granted for a term of 70 years due to expire on 25 March 2073 for residential use.	The property is currently vacant.	RMB88,000,000

Notes:

- (1) According to 56 Real Estate Title Certificates issued by Shenzhen Municipal Bureau of Land Resources and Housing Management on 13 December 2007, the land use rights and building ownership of the property comprising a total gross floor area 5,281.83 sq.m. are held by Excellence Real Estate Holdings Co., Ltd. for a term of 70 years from 26 March 2003 to 25 March 2073.
- (2) According to Business Licence No.440301503272421 dated 14 December 2007, Excellence Real Estate Holdings Co., Ltd. (卓越置業集團有限公司) was established on 21 June 1996 with a registered capital of HK\$750,000,000 for a valid operation period from 21 June 1996 to 21 June 2014.
- (3) We have been provided with the legal opinion on the property prepared by the Group’s legal advisor, which contains, inter alia, the following information:
 - (i) Excellence Real Estate Holdings Co., Ltd. has obtained the ownership of the property.
 - (ii) Excellence Real Estate Holdings Co., Ltd. is the sole owner of the property and has the rights to occupy, use, lease, mortgage, transfer or otherwise dispose of the property.
- (4) The status of the title and grant of major approvals and licenses in accordance with the information provided by the Company are as follows:

Real Estate Title Certificate	Yes
Business License	Yes

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PROPERTY VALUATION

VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 August 2009
4. The unsold portion of Shenzhen Cote d’Azur (深圳蔚藍海岸), Houhai Road East, Nanshan District, Shenzhen, The PRC	The property comprises unsold clubhouse and 34 commercial units with a total gross floor area of 8,591.24 sq.m. in Shenzhen Cote d’Azur which is a residential development completed between 2000 and 2004. In addition, the property comprises 597 car parking spaces. The land use rights of the property have been granted for terms of 70 years due to expire on 17 June 2068 (for Phases 1, 2 and 3) and 20 February 2073 (for Phase 4) respectively for <u>commercial/residential</u> use.	The property is currently vacant.	RMB462,000,000

Notes:

- (1) According to the following Real Estate Title Certificates, the land use rights of Shenzhen Cote d’Azur, comprising a total site area of 199,530.7 sq.m., have been granted to Excellence Real Estate Holdings Co., Ltd. (卓越置業集團有限公司). The details are summarized as follows:

Certificate No	Location	Site Area (sq.m.)	Expiry Date of Land Use Term	Land Use
4000048200	Houhai Road East, Nanshan	29,172.2	17 June 2068	Residential
4000106562	Houhai Road East, Nanshan	69,467.8	17 June 2068	Commercial & Residential
4000134287	Houhai Road East, Nanshan	6,802.9	20 February 2073	Residential
4000076185	Houhai Road East, Nanshan	51,960.5	17 June 2068	Residential
4000027835	Houhai Road East, Nanshan	42,127.3	17 June 2068	Residential

- (2) According to 12 copies of Real Estate Title Certificate, the ownership of a portion of the property, with a total gross floor area of 8,154.06 sq. m., has been vested in Excellence Real Estate Holdings Co., Ltd. (卓越置業集團有限公司).

- (3) According to 26 copies of Real Estate Title Certificate, the ownership of the remaining portion of the property, with a total gross floor area of 437.18 sq.m. was join-owned by Excellence Real Estate Holdings Co., Ltd. and Shenzhen Shekou Real Estate Co., Ltd..

According to Confirmation Letter dated on 17 December 2007, Shenzhen Shekou Real Estate Co., Ltd. had agreed to transfer its interest on the join-owned part to Excellence Real Estate Holdings Co., Ltd..

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PROPERTY VALUATION

- (4) According to Business Licence No.440301503272421 dated 14 December 2007, Excellence Real Estate Holdings Co., Ltd (卓越置業集團有限公司) was established on 21 June 1996 with a registered capital of HK\$750,000,000 for a valid operation period from 21 June 1996 to 21 June 2014.
- (5) We have been provided with the legal opinion on the property prepared by the Group’s legal advisor, which contains, inter alia, the following information:
- (i) Excellence Real Estate Holdings Co., Ltd. (卓越置業集團有限公司) has obtained the land use rights of the property.
- (ii) Excellence Real Estate Holdings Co., Ltd. (卓越置業集團有限公司) is the sole land user of the property and is entitled to use the property within the land use term.
- (iii) The property is free from any seizure, mortgage and other encumbrances.
- (iv) The entire land premium stated in the Land Use Rights Grant Contract has been fully paid and settled.
- (6) The status of the title and grant of major approvals and licences in accordance with the information provided by the Group are as follows:

Real Estate Title Certificate	Yes
Land Use Rights Grant Contract	Yes
Construction Land Planning Permit	Yes
Construction Works Planning Permit	Yes
Construction Works Commencement Permit	Yes
Business Licence	Yes

APPENDIX IV

PROPERTY VALUATION

VALUATION CERTIFICATE

	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 August 2009
5.	Chongqing Excellence Mart Phase 1 (重慶光彩大市場一期), Wanzhou District, Chongqing, The PRC	The property comprises a total site area of approximately 45,829 sq.m.. The property comprises twenty-two 2 to 3 storey retail buildings with a total saleable floor area of approximately 54,458 sq.m., excluding the area of the temporary structures, completed in 2006. The land use rights of the property have been granted for a term of 50 years due to expire on 12 May 2055 for composite commercial, financial and warehousing uses.	A portion of the property having a total gross floor area of 5,825.16 sq.m. is currently leased to various tenants at annual rental of approximately RMB505,000. The remaining portion is vacant.	RMB208,000,000

Notes:

- (1) According to State-owned Land Use Rights Certificate No. (2007) 00018 issued by Chongqing Land Resources Bureau, the land use rights of the property, comprising a total site area of 45,829 sq.m., have been granted to Chongqing Wanshang Real Estate Co., Ltd. (重慶市萬商置業有限公司). The details are summarised as follows:

Certificate No	Location	Site Area (sq.m.)	Expiry Date of	
			Land Use Term	Land Use
(2007) 00018	3rd Section, Shalong Road, Wanzhou District, Chongqing	45,829	12 May 2055	Commercial, financial and warehousing

- (2) According to Land Use Rights Grant Contract No. (2005) 32 entered into between Chongqing Wanzhou District Land Resources Bureau (the Grantor) and Chongqing Wanshang Real Estate Co., Ltd. (重慶市萬商置業有限公司) (the Grantee) on 12 May 2005, the land use rights of a site, in which the property is located therein, have been granted to the Grantee.

Contract No	Location	Site Area (sq.m.)	Land		Land Use
			Premium (RMB)	Term	
(2005) No.32	Society Nos.2 to 4, Qinglong Village, Pailou Street Office, Wanzhou District	100,000	25,500,000	50 years	Commercial, financial and warehousing

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The development conditions stated in the above Land Use Rights Grant Contract are as follows:

Plot Ratio	:	≤1.6
Permitted Gross Floor Area	:	≤160,000 sq.m.
Building Density	:	≤50%
Greenery Ratio	:	≥30%

- (3) Pursuant to Construction Land Planning Permit No. (2005) 0038 issued by Chongqing Wanzhou District Construction Committee on 20 May 2005, the construction site of Chongqing Excellence Mart with a site area of 103,600 sq.m. is in compliance with urban planning requirements.

- (4) Pursuant to the following Construction Works Planning Permits issued by Chongqing Wanzhou District Construction Committee, the construction works of Chengqing Excellence Mart (Phase 1) have been permitted:

Permit No	Date of Permit	Building Numbers	Gross Floor Area (sq.m.)
(2005) 0068	27 July 2005	Wanzhou Guangcai Jiaju City Buildings B1, B2, B3, C1, C2, C3, D1, D2 and D3	19,305.32
(2005) 0087	20 September 2005	Wanzhou Guangcai Jiaju City Buildings A, E1, E3, F3, G3, F1, G1, H1, F2, G2, H2, H3 and E2	38,548.67
Total:			57,853.99

- (5) Pursuant to the following Construction Works Commencement Permits issued by Chongqing Wanzhou District Construction Committee, the construction works of Chengqing Excellence Mart (Phase I) have been permitted commence:

Permit No	Date of Permit	Building Numbers	Gross Floor Area (sq.m.)
512201200512050101	29 December 2005	Wanzhou Guangcai Jiaju City Building A	9,121.05
512201200507060101	5 September 2005	Wanzhou Guangcai Jiaju City Buildings B1, B2, B3, C1, C2, C3, D1, D2 and D3	19,305.32
512201200509200101	9 October 2005	Wanzhou Guangcai Jiaju City Section No.2	28,247
Total:			56,673.37

- (6) Pursuant to Certificate of Completion Nos. (2006) 038, 039 dated 19 October 2006, construction works of Chengqing Excellence Mart (Phase 1) having a total gross floor area of 57,853.99 sq.m. have been completed.

- (7) Pursuant to Real Estate Title Certificate No. (2007) 5907, building ownership of portion of the property comprising a total gross floor area of 26,340.83 sq.m. is held by Chongqing Wanshang Real Estate Development Co., Ltd.

- (8) According to Business Licence No.500101000007621 dated 17 March 2008, Chongqing Wanshang Real Estate Co., Ltd. (重慶市萬商置業有限公司) was established as a wholly foreign owned enterprise with a registered capital of RMB20,000,000 for a valid operation period from 31 December 2004 to 30 December 2014.

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(9) We have been provided with the legal opinion on the property prepared by the Group’s legal advisor, which contains, inter alia, the following information:

(i) Chongqing Wanshang Real Estate Co., Ltd. (重慶市萬商置業有限公司) has obtained the land use rights of the property.

(ii) Chongqing Wanshang Real Estate Co., Ltd. (重慶市萬商置業有限公司) is the sole land user of the property and has the rights occupy, use, transfer, mortgage or otherwise dispose of the property.

(iii) The property is free from any seizure, mortgage and other encumbrances.

(iv) All the land premium stated in the Land Use Rights Grant Contract has been fully paid and settled.

(10) The status of the title and grant of major approvals and licences in accordance with the information provided by the Group are as follows:

State-owned Land Use Rights Certificate	Yes
Land Use Rights Grant Contract	Yes
Real Estate Title Certificate	Yes (part)
Construction Land Planning Permit	Yes
Construction Works Planning Permit	Yes
Construction Works Commencement Permit	Yes
<u>Certificate of Completion</u>	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 31 August 2009								
6.	Various commercial units and 3 residential units of Shenzhen City Central Garden (深圳城市中心花園), Henggang, Longgang District, Shenzhen, The PRC	The property comprises various the commercial units and 3 residential units of Shenzhen City Central Garden which is a residential/commercial development completed in 2003. The property comprises the following gross floor area: <table><thead><tr><th>Unsold Portion</th><th>Gross Floor Area (sq.m.)</th></tr></thead><tbody><tr><td>Residential</td><td>807.27</td></tr><tr><td>Commercial</td><td><u>4,874.19</u></td></tr><tr><td>Total:</td><td><u>5,681.46</u></td></tr></tbody></table> The land use rights of the property has been granted for a term of 70 years due to expire on 17 July 2070 for residential and commercial uses.	Unsold Portion	Gross Floor Area (sq.m.)	Residential	807.27	Commercial	<u>4,874.19</u>	Total:	<u>5,681.46</u>	The property is partly vacant and partly leased. The latest expiry date of the tenancies is on 14 November 2013.	RMB102,000,000
Unsold Portion	Gross Floor Area (sq.m.)											
Residential	807.27											
Commercial	<u>4,874.19</u>											
Total:	<u>5,681.46</u>											

Notes:

- (1) According to Real Estate Title Certificate No. 600059470 issued by Shenzhen Land Resources Bureau, the land use rights of Shenzhen City Central Garden comprising a total site area of 44,140.6 sq.m. have been granted to Shenzhen Excellence Technology Development Co. Ltd. (深圳卓越科技發展有限公司) due to expire on 17 July 2070 for commercial and residential uses.

Shenzhen Excellence Technology Development Co. Ltd. (深圳卓越科技發展有限公司) had been renamed as Shenzhen Excellence Century City Real Estate Development Co., Ltd. (深圳卓越世紀城房地產開發有限公司).

- (2) According to Land Use Rights Grant Contract No. (2000) 5047 entered into between Shenzhen Land Bureau (Party A) and Shenzhen Gangyi Trading Development Co., Ltd. (深圳市港義貿易發展有限公司) (Party B) dated 18 July 2000, the land use rights of Shenzhen City Central Garden having a site area of 44,140.6 sq.m. have been granted to Party B for a term of 70 year due to expire on 17 July 2070.

According to Land Use Right Transfer Contract entered into between Shenzhen Gangyi Trading Development Co., Ltd. (深圳市港義貿易發展有限公司) (Party A) and Shenzhen Excellence Technology Development Co., Ltd. (深圳卓越科技發展有限公司) (Party B) dated on 30 January 2002, the land use rights of Shenzhen City Central Garden have been transferred to Party B at a consideration of RMB61,500,000.

- (3) According to 506 copies of Real Estate Title Certificate, the ownership title of the property with a total gross floor area of 5,681.46 sq.m. has been vested in Shenzhen Excellence Technology Development Co. Ltd. (深圳卓越科技發展有限公司).

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PROPERTY VALUATION

- (4) According to Certificate of Completion Nos. (2003) 126, 187 and 231 issued by Shenzhen Construction Bureau, the construction works of Shenzhen City Central Garden with a total gross floor area of 78,564.55 sq.m. are in compliance with completion requirements.
- (5) According to Business Licence No. 44030151134537 dated 13 February 2009, Shenzhen Excellence Century City Real Estate Development Co., Ltd. (深圳卓越世紀城房地產開發有限公司) was established as a wholly owned Hong Kong enterprise with a registered capital of HK\$488,000,000 for a valid operation period from 3 May 1994 to 3 May 2024.
- (6) We have been provided with the legal opinion on the property prepared by the Group’s legal adviser, which contains, inter alia, the following information:
- (i) Shenzhen Excellence Century City Real Estate Development Co., Ltd. (深圳卓越世紀城房地產開發有限公司) has obtained the land use rights of the property.
- (ii) Shenzhen Excellence Century City Real Estate Development Co., Ltd. (深圳卓越世紀城房地產開發有限公司) is the sole land user of the property and has the rights to occupy, use, transfer, mortgage or otherwise dispose of the property.
- (iii) The property is free from any seizure, mortgage and other encumbrances.
- (iv) The entire land premium stated in the Land Use Rights Grant Contract has been fully paid and settled.
- (7) The status of the title and grant of major approvals and licences in accordance with the information provided by the Group are as follows:
- | | |
|--|-----|
| Real Estate Title Certificate | Yes |
| Land Use Rights Grant Contract | Yes |
| Construction Land Planning Permit | Yes |
| Construction Works Planning Permit | Yes |
| Construction Works Commencement Permit | Yes |
| <u>Certificate of Completion</u> | Yes |
| Business Licence | Yes |

APPENDIX IV

PROPERTY VALUATION

VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 August 2009
7. Unsold portion of Changsha Cote d’Azur Phase 1A and 1B (長沙蔚藍海岸一期A及B), Yuelu District, Changsha, The PRC	The property comprises various unsold residential and retail units, with a total gross floor area of approximately 26,466 sq.m. and 294 car parks. The land use rights of the property have been granted for a term of 70 years due to expire on 27 April 2074 for residential use.	The property is currently vacant.	RMB187,000,000

Notes:

- (1) According to State-owned Land Use Rights Certificate Nos. (2006) 040335 and 04033 issued by Changsha City Government, the land use rights of Changsha Cote d’Azur, comprising a site area of 106,949.95 sq.m. have been granted to Changsha Excellence Real Estate Development Co., Ltd. (長沙市卓越置業發展有限公司) for residential use.

According to State-owned Land Use Rights Certificate No. 040334, issued by the People’s Government of Changsha Municipality, the land use rights of portion of the property with a site area of 4,004.61 sq.m. have been allocated to the Changsha Excellence Real Estate Development Co., Ltd. (長沙市卓越置業發展有限公司) for educational use.

The above valuation does not include the value of the allocated land for educational use.

- (2) According to Land Use Rights Grant Contract No. 20040529 entered into between Changsha Land Resources Bureau (the Grantor) and Changsha Excellence Real Estate Development Co., Ltd. (長沙市卓越置業發展有限公司) (the Grantee) on 27 April 2005, the detail of the site is as follows:

Contract No	Location	Site Area (sq.m.)	Land Premium (RMB)	Land Use Term	Land Use
20040529	Jingxing Village and Gufeng Village, Yuelu District, Changsha	372,583.36 (of which 227,208.36 is granted land)	162,950,000	70 years	Residential

- (3) According to Construction Land Planning Permit No. (2005) 0258 issued by Changsha Planning Management Bureau on 27 October 2005, the construction site of Changsha Cote d’Azur with an area of 372,583.36 sq.m. is in compliance with the urban planning requirements.

- (4) According to Construction Works Commencement Permit Nos. 430103200603060101, 430103200603060201, 430103200603060301, 430101200702130101, 430101200704170201, 430101200704170301, 430101200704170401 issued by Changsha City Construction Bureau, construction works of Changsha Cote d’Azur Phase I-AB with a total gross floor area of 153,119 sq.m. are in compliance with urban construction requirements and have been approved.

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PROPERTY VALUATION

- (5)

According to Certificate of Completion Nos. (2007) 440-445, 481-486, 514-521, construction works of Changsha Cote d’Azur, Phase 1A have been completed.
- (6)

According to Business Licence No. 4301000064600 dated 30 July 2008, Changsha Excellence Real Estate Development Co., Ltd. (長沙市卓越置業發展有限公司) was established as a enterprise with a registered capital of RMB 50,000,000 for a valid operation period to expire on 30 March 2024.
- (7)

We have been provided with the legal opinion on the property prepared by the Group’s legal adviser, which contains the following information:

(i)

Changsha Excellence Real Estate Development Co., Ltd. (長沙市卓越置業發展有限公司) has obtained the land use rights of the property.

(ii)

Changsha Excellence Real Estate Development Co., Ltd. (長沙市卓越置業發展有限公司) is the sole land user of the property and has the rights to occupy, use, lease, mortgage, transfer or otherwise dispose of the property within the land use term.

(iii)

The entire land premium stated in the Land Use Rights Grant Contract has been fully paid and settled.
- (8)

The status of the title and grant of major approvals and licences in accordance with the information provided by the Company are as follows:

Land Use Rights Grant Contract	Yes
State-owned Land Use Rights Certificate	Yes
Construction Land Planning Permit	Yes
Construction Works Planning Permit	Yes
Construction Works Commencement Permit	Yes
<u>Certificate of Completion</u>	Yes (part)
Business Licence	Yes

APPENDIX IV

PROPERTY VALUATION

VALUATION CERTIFICATE

			Capital value in existing state as at 31 August 2009										
Property	Description and tenure	Particulars of occupancy											
8. Unsold portion of Wuhan Cote d’Azur Phase 1 (武漢蔚藍海岸一期), Yedian Village, Panlongcheng Economic Development Zone, Wuhan, The PRC	The property comprises various residential/ retail units and clubhouse completed in January 2008. The property has the floor area as follows; <table><tr><th>Use</th><th>Gross Floor Area (sq.m.)</th></tr><tr><td>Commercial</td><td>7,402</td></tr><tr><td>Residential</td><td>35,767</td></tr><tr><td>Clubhouse</td><td>2,926</td></tr><tr><td>Total</td><td>46,094</td></tr></table> The land use rights of the property have been granted for a term of 70 years to expire on 3 November 2076 for residential use.	Use	Gross Floor Area (sq.m.)	Commercial	7,402	Residential	35,767	Clubhouse	2,926	Total	46,094	The property is currently vacant.	RMB293,000,000
Use	Gross Floor Area (sq.m.)												
Commercial	7,402												
Residential	35,767												
Clubhouse	2,926												
Total	46,094												

Notes:

- (1) According to State-owned Land Use Rights Certificate No. (2006) 1782 issued by Wuhan Huangpi Government, the land use rights of Wuhan Cote d'Azur comprising a total site area of 95,625.2 sq.m. have been granted to Wuhan Excellence Real Estate Development Co., Ltd. (武漢卓越房地產開發有限公司) for a term due to expire on 3 November 2076 for residential use.
- (2) According to Land Use Rights Grant Contract No. Pi Tu Chu (Sheng Wei Zhuoyue) entered into between Wuhan Huangpi District Land Resources Administration Bureau (the Grantor) and Wuhan Excellence Real Estate Development Co., Ltd. (武漢卓越房地產開發有限公司) (the Grantee) on 3 November 2006, the land use rights of Wuhan Cote d'Azur with a total site area of 95,625.2 sq.m. have been granted to the Grantee at a total consideration of RMB35,860,000, for a term of 70 years for residential use.
- (3) Pursuant to Construction Land Planning Permit No. 2006-082 issued by Wuhan Huangpi City Planning Administration Bureau on 15 November 2006, the construction site with an area of 95,625.2 sq.m. is in compliance with urban planning requirements.
- (4) According to Commodity Housing Pre-sale Permits No. (2007) 091 dated 6 April 2007, Block Nos. 1, 3, 5, 7, 12, 14-18, TH1-TH5 with a total gross floor area of 59,389.65 sq.m. are permitted for pre-sale.
- (5) Pursuant to 28 copies of Certificate of Completion, the construction works of portions of Wuhan Cote d'Azur comprising a total gross floor area of 105,949 sq.m. have been completed.

APPENDIX IV

PROPERTY VALUATION

- (6) We have been provided with the legal opinion on the property prepared by the Group’s legal adviser, which contains, inter alia, the following information:
- (i) Wuhan Excellence Real Estate Development Co., Ltd. (武漢卓越房地產開發有限公司) has obtained the land use rights of the property.
 - (ii) The property is subject to mortgage in favour of Industrial and Commercial Bank of China, Tian’an Branch, Wuhan.
 - (iii) Wuhan Excellence Real Estate Development Co., Ltd. (武漢卓越房地產開發有限公司) is the legal owner of the property and has the rights to occupy, use, lease, mortgage, transfer or otherwise dispose of the property within the land use term subject to the written consent from the mortgagee.
 - (iv) All the land premium stated in the Land Use Rights Grant Contract has been fully paid and settled.
- (7) The status of the title and grant of major approvals and licences in accordance with the information provided by the Company are as follows:

Land Use Rights Grant Contract	Yes
State-owned Land Use Rights Certificate	Yes
Construction Land Planning Permit	Yes
Construction Works Planning Permit	Yes
Construction Works Commencement Permit	Yes
<u>Certificate of Completion</u>	Yes
Pre-sale Permit	Yes (Part)
Business Licence	Yes

APPENDIX IV

PROPERTY VALUATION

VALUATION CERTIFICATE

				Capital value in existing state as at 31 August 2009
Property	Description and tenure	Particulars of occupancy		
9. Shenzhen Victoria Harbour (深圳維港名苑), Houhai Reclamation Zone, Nanshan District, Shenzhen, The PRC	The property comprises two pieces of land with site area of approximately 64,668.75 sq.m. (696,094 sq.ft.). The property is a commercial/ residential development comprising commercial ancillary facilities and car parks. The gross floor area is as follows:	The property is currently vacant.		RMB2,019,000,000 (99.25% interest attributable to the Group: RMB2,003,857,500)
		Planned Use	Gross Floor Area (sq.m.)	
		Above-ground	Commercial	23,599
			Residential	19,215
		Under-ground	Car parking spaces and others	41,828
		Total		84,642
The land use rights of the property have been granted for terms of 70 years due to expire on 8 January 2076 and 27 February 2076 respectively for commercial/residential uses.				

Notes:

- (1) According to Real Estate Title Certificate Nos. 4000328741 and 4000325333 issued by Shenzhen Land Resources Bureau, the land use rights of the property comprising a total site area of 64,668.75 sq.m. have been granted to Shenzhen Excellence Weigang Real Estate Development Co., Ltd. (深圳市卓越維港房地產開發有限公司) for terms of 70 years due to expire on 8 January 2076 and 27 February 2076 respectively for commercial/residential uses.

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PROPERTY VALUATION

- (2) According to Shenzhen Land Use Rights Grant Contract No. (2005) 0172 entered into between Shenzhen Land Resources Bureau (the Grantor) and Shenzhen Tianxin Industrial Co., Ltd. (深圳市田心實業股份有限公司) and Shenzhen Excellence Technology Development Co., Ltd. (深圳卓越科技發展有限公司) (the Grantee) on 9 January 2006, the particulars are as follows:

Contract No	Location	Site Area (sq.m.)	Land	Land Use	Land Use
			Premium (RMB)	Term	
(2005)0172	K803-002	38,918.85	14,465,975	70 years	Residential & Commercial

According to Shenzhen Land Use Rights Grant Contract No. (2006) 0049 entered into between Shenzhen Land Resources Bureau (the Grantor) and Shenzhen Shekou Nan Shui Industrial Co., Ltd. (深圳市蛇口南水實業股份有限公司) and Excellence Real Estate Holdings Co., Ltd. (卓越置業集團有限公司) (the Grantee) on 28 February 2006, with the particulars as follows:

Contract No	Location	Site Area (sq.m.)	Land	Land Use	Land Use
			Premium (RMB)	Term	
(2006)0049	K603-003	25,749.90	9,405,842	70 years	Residential & Commercial

- (3) Pursuant to 6 Certificates of Completion dated 10 June 2009, 25 December 2008 and 12 November 2008, construction works of Shenzhen Victoria Harbour with a total floor area of 190,307.68 sq.m. are in compliance with completion requirements.
- (4) Pursuant to Pre-sale Permit Nos. (2008) 006, 007, 011 and 012, pre-sale of a portion of Shenzhen Victoria Harbour with a total gross floor area of 103,541.31 sq.m. has been approved.
- (5) According to the Group, Shenzhen Weigang Excellence Real Estate Development Co., Ltd. was established on 13 June 2007, for an operating period of 20 years. The current shareholders comprise Excellence Real Estate Holdings Co., Ltd. (74.25%), (Shenzhen Century Co., Ltd.) (25%) and (Shenzhen Shekou Nan Shui Industrial Co., Ltd.) (0.75%) (an independent third party). The company operates with Business Licence Registration No. 440301102736610.
- (6) We have been provided with the legal opinion on the property prepared by the Group’s legal adviser, which contains, inter alia, the following information:
- (i) Shenzhen Excellence Weigang Real Estate Development Co., Ltd. (深圳市卓越維港地產開發有限公司) has obtained the land use rights of the property and is entitled to occupy, use, lease, transfer, mortgage or otherwise dispose of the property during the land use term.
- (ii) The property is free from any seizure, mortgage and other encumbrances.
- (iii) Shenzhen Excellence Weigang Real Estate Development Co., Ltd. (深圳市卓越維港地產開發有限公司) has obtained the relevant certificates and approvals to develop and pre-sell the property.

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PROPERTY VALUATION

- (7) The status of the title and grant of major approvals and licences in accordance with the information provided by the Company are as follows:

Land Use Rights Grant Contract	Yes
Real Estate Title Certificate	Yes
Construction Land Planning Permit	Yes
Construction Works Planning Permit	Yes
Construction Works Commencement Permit	Yes
<u>Certificate of Completion</u>	Yes
Pre-sale Permit	Yes (part)
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 31 August 2009
10. Unsold portion of Dongguan Azure Polis Phase I (東莞蔚藍城邦一期), Maiyuan Village, Changping Town, Dongguan, Guangdong Province, The PRC	Dongguan Azure Polis (the property and property 23) comprises four pieces of land with a total site area of approximately 199,998 sq.m.. The property comprises unsold residential units with a total gross floor area of 61,556 sq.m. and various retail units with a total gross floor area of 4,620 sq.m.. The land use rights of the property have been granted for terms due to expire on 14 March 2063 and 15 April 2073 for commercial and residential uses respectively.	The property is currently vacant	RMB473,000,000 (80% interest attributable to the Group: RMB378,400,000)

Notes:

- (1) According to State-owned Land Use Rights Certificate Nos. (1993) 467, (1999) 202, (2005) 886-1 and (2005) 886-2 issued by Dongguan Land Resources Bureau, the land use rights of Dongguan Azure Polis, comprising a total site area of 199,998.00 sq.m. have been transferred/granted to Dongguan Zhongtian Plaza Development Co., Ltd. (東莞市中天廣場建造有限公司) for terms due to expire on 14 March 2063 and 15 April 2073 for commercial and residential uses.

Certificate No	Location	Site Area (sq.m.)	Expiry Date of Land Use Term	Land Use
(1993) 467	Maiyuan Village, Changping Town	54,951.80	14 March 2063	commercial and residential
(1999) 202	Maiyuan Village, Changping Town	65,892.20	14 March 2063	commercial and residential
(2005) 886-1	Maiyuan Village, Changping Town	33,333.40	15 April 2073	commercial and residential
(2005) 886-2	Maiyuan Village, Changping Town	45,820.60	15 April 2073	commercial and residential
	Total:	<u>199,998.00</u>		

- (2) According to 26 copies of Certificate of Completion, the construction works of Dongguan Azure Polis (phase I) having a total gross floor area of 78,906.08 sq.m. have been completed.
- (3) According to the Cooperation Agreement entered into between Dongguan Xinghui Industry Co., Ltd. (Party A) and Excellence Real Estate Holdings Co., Ltd. (Party B) dated on 21 May 2007, Party A and Party B are respectively responsible to provide 20% and 80% of the registered capital and hold the same share of the ratio in the interests of Dongguan Zhongtian Plaza Development Co., Ltd..

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PROPERTY VALUATION

- (4) According to Business Licence No.441900000304635 dated 29 June 2009, Dongguan Zhongtian Plaza Development Co., Ltd. is a wholly foreign owned enterprise with a registered capital of RMB20,000,000.
- (5) We have been provided with legal opinion on the property prepared by the Group’s legal advisor, which contains, inter alia, the following information:
- (i) Dongguan Zhongtian Plaza Development Co., Ltd. has obtained the land use rights of the property and has the rights to occupy, use, lease, mortgage, transfer or otherwise dispose of it within the residual term at no extra land premium or other onerous payment payable to the government.
 - (ii) The entire land premium stated in the Land Use Right Grant Contract has been fully settled.
 - (iii) The property is free from any seizure, mortgage and other encumbrances.
 - (iv) The property may be freely disposed of to the purchasers at nil encumbrances.
- (6) The status of the title and grant of major approvals and licences in accordance with the information provided by the Company are as follows:
- | | |
|---|-----|
| State-owned Land Use Rights Certificate | Yes |
| Land Use Rights Grant Contract | Yes |
| Construction Land Planning Permit | Yes |
| Construction Works Planning Permit | Yes |
| Construction Works <u>Certificate of Completion</u> | Yes |
| <u>Certificate of Completion</u> | 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 31 August 2009
11. Various units of Qingdao Azure Archipelagoes Phase 1A and 1B (青島蔚藍群島一期-A及B部分單元), North of the Baisha River, the east of the Moshui River, Chengyang District, Qingdao, Shandong Province, The PRC	Qingdao Azure Archipelagoes (the property, property 19 and property 22) occupies 4 adjoined pieces of land with a total site area of approximately 886,940 sq.m. The property comprises unsold residential units with a total gross floor area of 23,257 sq.m., various retail units with a total gross floor area of 6,235 sq.m. and 548 car parking spaces. The land use rights of the property have been granted for a term of 70 years due to expire on 2 November 2076 for residential use.	The property is currently vacant.	RMB297,000,000

Notes:

- (1) According to State-owned Land Use Rights Certificate Nos. 20077253, 20077254, 20077257 and 20077255 issued by the Land Resources Bureau, the land use rights of Azure Archipelagoes, comprising a total site area of 886,940 sq.m., have been granted to Excellence Real Estate (Qingdao) Co., Ltd. (卓越置業集團(青島)有限公司) for a term of 70 years due to expire on 2 November 2076 for residential use.
- (2) According to Land Use Rights Grant Contract Nos. (2006) 185, (2006) 186, (2006) 187 and (2006) 188 entered into between Qingdao Chengyang District Land Resources Bureau (the Grantor) and Excellence Real Estate (Qingdao) Co., Ltd. (the Grantee) on 2 November 2076, the land use rights of the property, comprising a total site area of 886,940 sq.m., have been granted to the Grantee for a term of 70 years due to expire on 2 November 2076 for residential use at a total land premium of RMB279,386,100.

Contract No	Location	Site Area (sq.m.)	Land Premium (RMB)	Land Use Term	Land Use
Qing Cheng Tu (He) Zi (2006) No.185	on the north side of Baisha River and the west side of Moshui River	261,024	82,222,560	70 years	Residential
Qing Cheng Tu (He) Zi (2006) No.186	on the north side of Baisha River and the west side of Moshui River	411,082	129,490,830	70 years	Residential
Qing Cheng Tu (He) Zi (2006) No.187	on the north side of Baisha River and the west side of Moshui River	101,940	32,111,100	70 years	Residential
Qing Cheng Tu (He) Zi (2006) No.188	on the north side of Baisha River and the west side of Moshui River	112,894	35,561,610	70 years	Residential
	Total:	<u>886,940</u>	<u>279,386,100</u>		

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- (3) Pursuant to Construction Land Planning Permit Nos. (2007) 0043, (2007) 0044, (2007) 0045 and (2007) 0042 issued by Qingdao Town Planning Bureau, the construction site of Excellence Azure Archipelagoes with a site area of 954,266 sq.m.(including road area) is in compliance with the urban planning requirements.
- (4) According to Construction Works Commencement Permit Nos. 37021420070912020, 3702142007091203011, 370214200709120101, 370214200712070201, and 370214200804230101, the construction works of Qingdao Azure Archipelagoes with a total gross floor area of 245,232.17 sq.m. are in compliance with construction work commencement requirements.
- (5) According to Certificate of Completion Nos. 2008328-2008343, the construction works of Qingdao Azure Polis (phase I) having a total gross floor area of 42,370.45 sq.m. have been completed.
- (6) We have been provided with legal opinion on the property prepared by the Group’s legal adviser, which contains, inter alia, the following information:
 - (i) Excellence Real Estate (Qingdao) Co., Ltd. has obtained the land use rights of the property and has the rights to occupy, use, lease, mortgage, transfer or otherwise dispose of the property with the residual term of its land use rights at no extra land premium or other onerous payment payable to the government.
 - (ii) The entire land premium stated in the Land Use Rights Grant Contract has been fully settled.
 - (iii) The property is free from any seizure, mortgage and other encumbrances.
 - (iv) The property may be freely disposed of to the purchasers at nil encumbrances.
- (7) The status of the title and grant of major approvals and licences in accordance with the information provided by the Company are as follows:

Land Use Rights Grant Contract	Yes
State-owned Land Use Rights Certificate	Yes
Construction Land Planning Permit	Yes
Construction Works Planning Permit	Yes
Construction Works Commencement Permit	Yes
<u>Certificate of Completion</u>	Yes
Pre-sale Permit	Yes
Business Licence	Yes

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PROPERTY VALUATION

VALUATION CERTIFICATE

Group II — Properties held by the Group for investment in the PRC

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 August 2009
12. 250 car parking spaces of Shenzhen Excellence Times Plaza Phase 1 (深圳卓越時代廣場一期), Futian Central District, Shenzhen, The PRC	The property comprises 250 car parking spaces in a commercial development completed in 2006. The land use rights of the property have been granted for a term of 50 years due to expire on 17 March 2052 for commercial and office uses.	200 car parking spaces are currently leased to various tenants for a total monthly rental of approximately RMB 193,000.	RMB63,000,000

Notes:

- (1) According to Real Estate Title Certificate No. 3000362401 issued by the Shenzhen Land Resources Bureau, the land use rights of the property, comprising a total site area of 7,295.03 sq.m., have been granted to Shenzhen Excellence Real Estate Development Co., Ltd. (深圳卓越房地產開發有限公司) for a term due to expire on 17 March 2052 for commercial and office uses.
- (2) Pursuant to Construction Land Planning Permit No. 01-2005-0261 issued by Shenzhen Town Planning Bureau on 3 August 2005, the subject development with a site area of 7,295 sq.m. and total gross floor area of 94,835 sq.m. have been permitted.
- (3) According to Certificate of Completion No.2006124 dated 19 October 2006, the construction works of Excellence Times Plaza achieved were completed.
- (4) According to Business Licence No.110952 dated 8 March 2005, Shenzhen Excellence Real Estate Development Co., Ltd. (深圳卓越房地產開發有限公司) was established on 27 March 2003 with a registered capital of HK\$128,000,000 for a valid operation period from 27 March 2003 to 27 March 2023.
- (5) We have been provided with the legal opinion of the property prepared by the Group’s legal advisor, which contains, inter alia, the following information:
 - (i) Shenzhen Excellence Real Estate Development Co., Ltd. (深圳卓越房地產開發有限公司) has obtained the land use rights of the property.
 - (ii) Shenzhen Excellence Real Estate Development Co., Ltd. (深圳卓越房地產開發有限公司) is the sole land user of the property and is entitled to dispose of the property within the land use term subject to the written consent from the mortgagees.
 - (iii) Portion of the property is subject to mortgage in favour of Agricultural Bank of China-Guo Mao Branch (國貿支行) and Industrial and Commercial Bank of China-Bao’an Branch (寶安支行).
 - (iv) The entire land premium stated in the Land Use Rights Grant Contract has been fully paid and settled.

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PROPERTY VALUATION

- (6) The status of the title and grant of major approvals and licences in accordance with the information provided by the Group are as follows:

Real Estate Title Certificate	Yes
Land Use Rights Grant Contract	Yes
Construction Land Planning Permit	Yes
Construction Works Planning Permit	Yes
<u>Certificate of Completion</u>	Yes
Business Licence	Yes

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PROPERTY VALUATION

VALUATION CERTIFICATE

				Capital value in existing state as at 31 August 2009
Property	Description and tenure	Particulars of occupancy		
13. 150 car parking spaces of Shenzhen Repulse Bay (深圳淺水灣花園), North of Binhai Road, Nanshan District, Shenzhen, The PRC	The property comprises 150 car parking spaces in a composite residential/commercial development completed in April 2007. The land use rights of the property have been granted for a term of 70 years due to expire on 8 March 2073 for composite residential and commercial uses.	100 car parking spaces are currently leased to various tenants for a total monthly rental of approximately RMB25,000.		RMB23,000,000

Notes:

- (1) According to Real Estate Title Certificate No. 4000195583 dated on 31 January 2005, the land use rights of Shenzhen Repulse Bay property, comprising a total site area of 19,505.5 sq.m., have been granted to Shenzhen Pengyue Investment Co., Ltd. (深圳鵬躍投資發展有限公司) for a term due to expire on 8 March 2073 for residential use.
- (2) According to Land Use Right Grant Contract No. (2003) 3086 and its supplemental agreements dated on 9 March 2003, 8 May 2005 and 6 August 2007 respectively, the land use rights of Shenzhen Repulse Bay, comprising a site area of 19,505.5 sq.m. have been granted to Shenzhen Pengyue Investment Co., Ltd. (深圳市鵬躍投資發展有限公司) for a term of 70 years expiring on 8 March 2073 for residential use.
- (3) Pursuant to Construction Land Planning Permit No. 01-2005-0242 issued by Shenzhen Town Planning Bureau on 26 July 2005, the particulars are as follows:

Plot Ratio	3.1
Permitted Gross Floor Area	60,400 sq.m.
Building Density	25%
Building Height Restriction	22-30 storeys
- (4) Pursuant to Construction Works Planning Permit No. (2005) 097 issued by Shenzhen Town Planning Bureau, the construction works of Shenzhen Repulse Bay, with a total gross floor area of 80,104 sq.m. are in compliance with urban construction requirement and have been approved.
- (5) Pursuant to Construction Works Commencement Permit Nos. 44030020050150001, 44030020050150002 and 44030020050150003 issued by Shenzhen Construction Bureau, the construction works of Shenzhen Repulse Bay with a total floor area of 80,104 sq.m. are in compliance with commencement requirements and have been approved.
- (6) According to the Certificate of Completion dated on 18 April 2007, the construction works of Shenzhen Repulse Bay with a total floor area of 80,104 sq.m. are in compliance with completion standards.

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- (7) According to Business Licence No. 4403011143185 dated 14 May 2007, Shenzhen Pengyue Investment & Development Co., Ltd (深圳鵬躍投資發展有限公司) was established on 26 May 2004 with a registered capital of RMB20,000,000 for a valid operation period from 26 May 2004 to 26 May 2014.
- (8) We have been provided with the legal opinion of the property prepared by the Group’s legal advisor, which contains, inter alia, the following information:
- (i) Shenzhen Pengyue Investment Co., Ltd. (深圳市鵬躍投資發展有限公司) has obtained the land use rights of the property.
 - (ii) The property is free from seizure, mortgage and other encumbrance.
 - (iii) Shenzhen Pengyue Investment Co., Ltd. (深圳市鵬躍投資發展有限公司) is the sole land user of the property and is entitled to dispose of the property within the land use term.
 - (iv) The entire land premium stated in the State-owned Land Use Rights Grant Contract has been fully paid and settled.
- (9) The status of the title and grant of major approvals and licences in accordance with the information provided by the Group are as follows:

Real Estate Title Certificate	Yes
Land Use Rights Grant Contract	Yes
Construction Land Planning Permit	Yes
Construction Works Planning Permit	Yes
Construction Works Commencement Permit	Yes
<u>Certificate of Completion</u>	<u>Yes</u>
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 31 August 2009
14.	1,000 car parking spaces of Shenzhen Cote d’Azur (深圳蔚藍海岸), Houhai Road East, Nanshan District, Shenzhen, The PRC	The property comprises 1,000 car parking spaces in <u>Shenzhen Cote d’Azur</u> which is a composite residential/commercial development completed in 2000 to 2004. The land use rights of the property have been granted for a term of 70 years due to expire on 17 June 2068 (for Phase 1, 2 and 3) and 20 February 2073 (for Phase 4) respectively for residential use.	The property is currently partly leased to various tenants for a total monthly rental is approximately RMB200,000	RMB150,000,000

Notes:

- (1) According to the following Real Estate Title Certificates, the land use rights of Shenzhen Cote d’Azur, comprising a total site area of 199,530.69 sq.m., have been granted to Excellence Real Estate Holdings Co., Ltd. (卓越置業集團有限公司). The details are summarized as follows:

Certificate No	Location	Site Area (sq.m.)	Expiry Date of Land Use Term	Land Use
4000027835	Houhai Road East, Nanshan	42,127.3	17 June 2068	Residential
4000048200	Houhai Road East, Nanshan	29,172.19	17 June 2068	Residential
4000076185	Houhai Road East, Nanshan	51,960.5	17 June 2068	Residential
4000106562	Houhai Road East, Nanshan	69,467.8	17 June 2068	Commercial & Residential
4000134287	Houhai Road East, Nanshan	6,802.9	20 February 2073	Residential

- (2) According to Planning Permits of Construction Use of Land Nos. 01-2001-0042 and 01-2002-0189 issued by Shenzhen Town Planning Bureau on 8 May 2001 and 8 November 2002 respectively, the construction lands of Shenzhen Cote d’Azur with areas of 130,997 sq.m. and 69,467.80 sq.m. are in compliance with urban planning requirements.
- (3) Pursuant to the following Planning Permits of Construction Works issued by Shenzhen Town Planning Bureau, the construction works of the following buildings are in compliance with urban planning requirements:

Permit No	Date of Permit	Buildings Numbers
2001029	2 April 2001	Nos. 5-7,13,15-18,27-28, Phase 2 of Shenzhen Cote d’Azur
2001001	3 January 2001	Nos. 1-3, 8-12, Phase 2 of Shenzhen Cote d’Azur
2001027	12 March 2001	Nos. 19-23, Phase 2 of Shenzhen Cote d’Azur
2001009	26 March 2003	Nos. 37-40, Phase 3 of Shenzhen Cote d’Azur
2002040	10 May 2002	Nos. 29-36, Phase 2 of Shenzhen Cote d’Azur
2001043	10 April 2001	Nos. 25-26, Phase 2 of Shenzhen Cote d’Azur

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- (4) According to Business Licence No. 440301503272421 dated 14 December 2007, Excellence Real Estate Holdings Co., Ltd (卓越置業集團有限公司) was established on 21 June 1996 with a registered capital of HK\$750,000,000 for a valid operation period from 21 June 1996 to 21 June 2014.
- (5) We have been provided with the legal opinion of the property prepared by the Group’s legal adviser, which contains, inter alia, the following information:
- (i) Excellence Real Estate Holdings Co., Ltd. (卓越置業集團有限公司) has obtained the land use rights of the property.
- (ii) Excellence Real Estate Holdings Co., Ltd. (卓越置業集團有限公司) is the sole land user of the property and is entitled to dispose of the property within the land use term.
- (iii) The property is free from any seizure, mortgage and other encumbrances.
- (iv) The entire land premium stated in the Land Use Rights Grant Contract has been fully paid and settled.
- (6) The status of the title and grant of major approvals and licences in accordance with the information provided by the Group are as follows:

Real Estate Title Certificate	Yes
Land Use Rights Grant Contract	Yes
Construction Land Planning Permit	Yes
Construction Works Planning Permit	Yes
Construction Works Commencement Permit	Yes
Business Licence	Yes

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PROPERTY VALUATION

VALUATION CERTIFICATE

Group III — Property held by the Group for owner-occupation in the PRC

	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 August 2009
15.	Levels 21 and 22 of Excellence Mansion (卓越大廈), Shenzhen, The PRC	The property has a total gross floor area of approximately 2,916.32 sq.m.. The land use rights of the property have been granted for a term of 50 years due to expire on 22 October 2051 for office use.	The property is occupied as office.	RMB100,000,000

Notes:

- (1) According to the following Real Estate Title Certificates, the land use rights and building ownerships of portion of the property, comprising a total gross floor area of 1,891.26 sq.m., have been granted to Excellence Real Estate Holdings Co., Ltd. (卓越置業集團有限公司) for a term of 50 years from 23 October 2001 to 22 October 2051 for office use.

Certificate No	Unit	Area (sq.m)	Use
3000301416	2101	276.39	office
3000301415	2102	288.72	office
3000301411	2103	115.23	office
3000301412	2104	115.23	office
3000301418	2105	115.23	office
3000301417	2106	318.55	office
3000301410	2107	270.97	office
3000301409	2108	136.59	office
3000301414	2109	130.31	office
3000301413	2110	124.04	office

According to 10 Real Estate Title Certificates, the total consideration of the acquisition cost of Level 21 on 25 November 2003 was RMB 6,518,118.60.

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- (2) According to 3 Real Estate Purchase Agreements (Pre-sale) dated 25 November 2003 entered into between Shenzhen Tongda Chemical Company (深圳通達化工總公司) (Party A) and Excellence Real Estate Holdings Co., Ltd. (卓越置業集團有限公司) (Party B), level 22 of the property had been agreed to be sold to party B with the details as follows:

Unit	Area (sq.m)	Use	Price (RMB)
2201	424.26	office	2,969,820.00 According to Supplementary Agreement, revised to RMB1,462,179.90
2202	343.07	office	2,401,490.00 According to Supplementary Agreement, revised to RMB1,182,172.00
2203	257.73	office	1,804,110.00 According to Supplementary Agreement, revised to RMB888,113.90

- (3) According to Business Licence No.440301503272421 dated 14 December 2007, Excellence Real Estate Holdings Co., Ltd. (卓越置業集團有限公司) was established on 21 June 1996 with a registered capital of HK\$750,000,000 for a valid operation period from 21 June 1996 to 21 June 2014.

- (4) We have been provided with the legal opinion on the property prepared by the Group’s legal adviser, which contains, inter alia, the following information:

- (i) Excellence Real Estate Holdings Co., Ltd. (卓越置業集團有限公司) has obtained the Real Estate Title Certificate of a portion of the property (units 2101-2110) and is the sole owner of these units.
- (ii) Excellence Real Estate Holdings Co., Ltd. (卓越置業集團有限公司) has right to occupy, use, transfer, mortgage or otherwise dispose of the portion of the property (units 2101-2110).
- (iii) The Real Estate Purchase Agreements (pre-sale) (units 2201-2203) are valid, legal, and enforceable.
- (iv) The transaction prices stated in the Real Estate Purchase Agreements have been fully paid and there should be no material legal obstacle for Excellence Real Estate Holdings Co., Ltd. (卓越置業集團有限公司) to obtain Real Estate Title Certificate.

- (5) The status of the title and grant of major approvals and licences in accordance with the information provided by the Group are as follows:

State-owned Land Use Rights Certificate	No
Real Estate Title Certificate	Yes (part)
Business Licence	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 31 August 2009
16. Shenzhen Excellence Century Centre (深圳卓越世紀中心), Futian District Center, Shenzhen, The PRC	The property comprises a piece of land with a total site area of approximately 30,163.01 sq.m.. The property is planned to be developed into a commercial development with a total above-ground gross floor area of approximately 331,885.12 sq.m.	The property is currently under construction.	RMB7,878,000,000
	Planned Use Planned Gross Floor Area (sq.m.)		
	Commercial	40,901.50	
	Apartment/Office	301,831.76	
	Hotel	26,600.00	
	Others	<u>18,920.53</u>	
	Total	<u>388,253.79</u>	
	According to the Group, the property also comprises basement area of 76,359.81 sq.m.		
	Upon completion, a total gross floor area of 116,900 sq.m., including office, commercial and hotel area of respectively 77,550 sq.m., 12,750 sq.m. and 26,600 sq.m. has to be handed over to a development partner.		
	The property is expected to be completed in June 2010.		
	The land use rights of the property have been granted for a term of 50 years due to expire on 8 June 2055 for commercial and office uses.		

Notes:

- (1) According to Real Estate Title Certificate dated 8 April 2008, the land use rights of the property are held by Shenzhen Excellence Century City Real Estate Development Co., Ltd. and Shenzhen Huanggang Co., Ltd..

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Certificate Number	Site Area (sq.m.)	GFA	Owner	Interest
3000517936	11,660.85	203,403.01	Shenzhen Excellence Century City Real Estate Development Co., Ltd.	54.25%
			Shenzhen Huanggang Co., Ltd.	45.75%
3000519739	18,502.16	128,482.02	Shenzhen Excellence Century City Real Estate Development Co., Ltd.	5.41%
			Shenzhen Huanggang Co., Ltd.	94.59%

According to Land Use Rights Grant Contract No. (2005) 0054 entered into between Shenzhen Land Resources Bureau (the Grantor) and Shenzhen Excellence Century City Real Estate Development Co., Ltd. (深圳卓越世紀城房地產開發有限公司) and Shenzhen Huanggang Co., Ltd. (深圳皇崗實業股份有限公司) (the Grantees) on 7 December 2006, the particulars are as follows:

Land No	Location	Site Area (sq.m.)	Land Premium (RMB)	Land Use Term	Land Use
B119-0087	Futian Central District	11,660.85	—	50 years	Commercial, office
B119-0087	Futian Central District	18,502.16	—	50 years	Commercial, office
Total:		30,163.01	85,067,974		

According to the Minute dated 1 July 2009, the total gross floor area of the property has been agreed to be increased by 28,000 sq.m..

- (2) According to Construction Works Commencement Permit Nos. 44030020070007003-005 and 007, the construction works of the property with a total gross floor area of 437,952.02 sq.m. are in compliance with commencement requirements.
- (3) According to the Group, a portion of the property comprising a total gross floor area of 42,176.73 sq.m. have been pre-sold for a total consideration of approximately RMB1,260,000,000. In the course of our valuation, we have included such consideration.
- (4) As advised by the Group, upon completion, a total gross floor area of 116,900 sq.m. (including 77,550 sq.m. office space, 12,750 sq.m. commercial and 26,600 sq.m. hotel area) of the property is to be handed over to Shenzhen Huanggang Co., Ltd. (深圳皇崗實業股份有限公司). The floor area and the corresponding value deduction have been taken into account in the valuation.
- (5) According to the Group, the total construction cost expended on the property as at 31 August 2009 was approximately RMB1,099,000,000. The outstanding cost to complete the property was estimated to be approximately RMB971,000,000. In the course of our valuation, we have taken such costs into account.
- (6) According to Business Licence No. 440301501134537 dated 13 February 2009, Shenzhen Excellence Century Development Co., Ltd. (深圳卓越世紀城房地產開發有限公司) was established as a wholly owned Hong Kong enterprise with a registered capital of HK\$488,000,000 for a valid operation period from 3 May 1994 to 3 May 2024.

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- (7) The capital value, when completed, of the property is approximately RMB10,960,000,000.
- (8) We have been provided with the legal opinion on the property prepared by the Group’s legal advisor, which contains, inter alia, the following information:
- (i) The Land Use Rights Grant Contract entered into between Shenzhen Excellence Century City Real Estate Development Co., Ltd. (深圳卓越世紀城房地產開發有限公司), Shenzhen Huanggang Co., Ltd. (深圳黃崗實業股份有限公司) and Shenzhen Municipal Bureau of Land Resources and Housing Management is a valid, legal and enforceable.
 - (ii) Apart from the land premium of the extra gross floor area of 28,000 sq.m., the land premium stated in the Land Use Rights Grant Contract has been duly paid.
 - (iii) Shenzhen Excellence Century City Real Estate Development Co., Ltd. (深圳卓越世紀城房地產開發有限公司), Shenzhen Huanggang Co., Ltd. (深圳黃崗實業股份有限公司) have obtained the relevant permits and approvals for the development of the property.
- (9) The status of the title and grant of major approvals and licences in accordance with the information provided by the Company are as follows:

Land Use Rights Grant Contract	Yes
Real Estate Title Certificate	Yes
Construction Land Planning Permit	Yes
Construction Works Planning Permit	Yes
Construction Works Commencement Permit	Yes
Business Licence	Yes

APPENDIX IV

PROPERTY VALUATION

VALUATION CERTIFICATE

			Capital value in existing state as at 31 August 2009																				
Property	Description and tenure	Particulars of occupancy																					
17. Shenzhen Excellence Times Plaza Phase 2 (深圳卓越 時代廣場二期), Futian District Center, Shenzhen, The PRC	The property comprises a piece of land with a total site area of approximately 9,834.36 sq.m.. The property is planned to <u>be developed into</u> a commercial development comprising hotel, office, commercial, ancillary facilities and car parks. Upon completion, the floor area will be as follows: <table><tr><th colspan="2">Planned Use</th><th>Planned Gross Floor Area (sq.m.)</th></tr><tr><td rowspan="4">Above-ground</td><td>Commercial</td><td>19,788</td></tr><tr><td>Hotel</td><td>29,919</td></tr><tr><td>Office</td><td>30,382</td></tr><tr><td>Ancillary facilities</td><td>4,510</td></tr><tr><td rowspan="2">Under-ground</td><td>Car parking spaces and others</td><td>26,993</td></tr><tr><td></td><td>(including 450 car park spaces)</td></tr><tr><td colspan="2">Total</td><td>111,593</td></tr></table>	Planned Use		Planned Gross Floor Area (sq.m.)	Above-ground	Commercial	19,788	Hotel	29,919	Office	30,382	Ancillary facilities	4,510	Under-ground	Car parking spaces and others	26,993		(including 450 car park spaces)	Total		111,593	The property is currently under construction.	RMB3,131,000,000
Planned Use		Planned Gross Floor Area (sq.m.)																					
Above-ground	Commercial	19,788																					
	Hotel	29,919																					
	Office	30,382																					
	Ancillary facilities	4,510																					
Under-ground	Car parking spaces and others	26,993																					
		(including 450 car park spaces)																					
Total		111,593																					
		The property is expected to be completed in 2009																					
		The land use rights of the property have been granted for a term of 50 years due to expire on 14 November 2051 for hotel use.																					

Notes:

- (1) According to Real Estate Title Certificate No. 3000438796 issued by Shenzhen Municipal Bureau of Land Resources and Housing Management, the land use rights of the property comprising a total site area of 9834.4 sq.m. have been granted to Shenzhen Qianian Jianye Investment Co., Ltd. (深圳市祈年建業投資有限公司) for the term due to expire on 14 November 2051 for hotel use.

APPENDIX IV

PROPERTY VALUATION

- (2) According to Land Use Rights Grant Contract No. (2001) 9015 entered into between Shenzhen Land Resources Bureau (the Grantor) and Shenzhen Qinian Jianye Investment Co., Ltd. (深圳市祈年建業投資有限公司) (the Grantee) on 15 November 2001, the land use rights of the property have been granted to the Grantee with the particulars as follows:

Contract No	Location	Site Area (sq.m.)	Land Premium (RMB)	Land Use Term	Land Use
(2001)9015	Futian Central District, Shenzhen, (Phase II)	9,834.4	180,000,000	50 years	Hotel

- (3) Pursuant to Construction Land Planning Permit No. 01-2006-0385 issued by Shenzhen Town Planning Bureau on 8 January 2007, the land construction of the property with a site area of 9,834.4 sq.m. has been permitted.
- (4) Pursuant to the following Construction Works Planning Permit issued by Shenzhen Town Planning Bureau, the construction works of the following have been permitted:

Permit No	Date of Permit	Use	Gross Floor Area (sq.m.)
HQ-2007-0847	15 August 2007	Hotel, office and commercial	111,119.13 (including non-saleable area of 26,655.83 sq.m. and basement car parking area of 4,469.35 sq.m.)

- (5) According to the Group, a portion of the property with a total gross floor area of 68,821 sq.m. and 100 car parking spaces have been pre-sold for a total consideration of RMB2,115,600,000. In the course of our valuation, we have included such consideration.
- (6) According to the Group, the total construction cost expended on the property as at 31 August 2009 was approximately RMB471,000,000. The outstanding cost to complete the property was estimated to be approximately RMB41,000,000. In the course of our valuation, we have taken such costs into account.
- (7) The capital value, when completed, of the proposed development is approximately RMB 3,849,000,000.
- (8) According to Business Licence No. 440301103310528 dated 29 July 2008, Shenzhen Qinian Jianye Investment Co., Ltd. (深圳市祈年建業投資有限公司) was established as a subsidiary of Excellence Real Estate Holdings Co., Ltd. (卓越置業集團有限公司) on 5 May 2006 with a registered capital of RMB20,000,000 for a valid operation period from 5 May 2006 to 4 May 2016.
- (9) We have been provided with the legal opinion on the property prepared by the Group’s legal advisor, which contains, inter alia, the following information:
- (i) Shenzhen Qinian Jianye Investment Co., Ltd. (深圳祈年建業投資有限公司) has obtained land use rights of the property and relevant permits and approvals for the development of the property.
- (ii) Shenzhen Qinian Jianye Investment Co., Ltd. (深圳祈年建業投資有限公司) is the sole land user of the property and is entitled to use the property within the land use term.

APPENDIX IV

PROPERTY VALUATION

(iii) All the land premium stated in the Land Use Rights Grant Contract has been fully paid and settled. |

(10) The status of the title and grant of major approvals and licences in accordance with the information provided by the Company are as follows: |

Land Use Rights Grant Contract	Yes
Real Estate Title Certificate	Yes
Construction Land Planning Permit	Yes
Construction Works Planning Permit	Yes
Construction Works Commencement Permit	No
Business Licence	Yes

APPENDIX IV

PROPERTY VALUATION

VALUATION CERTIFICATE

Property		Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 August 2009																	
18.	Changsha Cote d’Azur Phase 2A (長沙蔚藍海岸2A期), Yuelu District, Changsha, The PRC	Changsha Cote d’Azur Phase 2 (the property and portion of property 21) comprises a piece of land with a total site area of approximately 67,119.76 sq.m. for residential use. According to the information provided by the Group, the property is planned to be developed into a residential development, with a total gross floor area of approximately 33,823 sq.m.. Upon completion, the floor area will be as follows:	The property is currently under construction.	RMB80,000,000																	
		<table><thead><tr><th>Planned Use</th><th>Planned Gross Floor Area (sq.m.)</th></tr></thead><tbody><tr><td rowspan="2">Above-ground</td><td>Residential</td><td>29,860</td></tr><tr><td>Kindergarten and others</td><td>794</td></tr><tr><td rowspan="2">Under-ground</td><td>Car parking spaces and others</td><td>3,168</td></tr><tr><td></td><td>(including 155 car park spaces)</td><td></td></tr><tr><td colspan="2"></td><td>Total</td><td>33,823</td></tr></tbody></table>	Planned Use	Planned Gross Floor Area (sq.m.)	Above-ground	Residential	29,860	Kindergarten and others	794	Under-ground	Car parking spaces and others	3,168		(including 155 car park spaces)				Total	33,823		
Planned Use	Planned Gross Floor Area (sq.m.)																				
Above-ground	Residential	29,860																			
	Kindergarten and others	794																			
Under-ground	Car parking spaces and others	3,168																			
		(including 155 car park spaces)																			
		Total	33,823																		
		The property is expected to be completed in 2010																			
		The land use rights of portion of the property with a site area of 67,119.76 sq.m. have been granted for a term of 70 years to expire on 27 April 2074 for residential used.																			

Notes:

- (1) According to State-owned Land Use Rights Certificate No. 040340 issued by Changsha City Government, the land use rights of a site comprising a total site area of 67,119.76 sq.m. have been granted to Changsha Excellence Real Estate Development Co., Ltd. for residential use.

As advised by the Group, part of the site with an area of approximately 9,333.06 sq.m is occupied by the property, and the remaining part is held by the Group for future development.

APPENDIX IV

PROPERTY VALUATION

- (2) According to Land Use Rights Grant Contract Nos. 20040529 and 20060187 entered into between Changsha Land Resources Bureau (the Grantor) and Changsha Excellence Real Estate Development Co., Ltd. (长沙市卓越置業發展有限公司) (the Grantee) on 27 April 2005 and 28 June 2006, the land use rights of 2 pieces of land have been granted to the Grantee with the particulars as follows:

Contract No	Location	Site Area (sq.m.)	Land Premium (RMB)	Land Use Term	Land Use
20040529	Jingxing Village and Gufeng Village, Yuelu District, Changsha	372,583.36 (including granted area 227,208.36 sq.m.)	162,950,000	70 years	Residential
20060187	Jingxing Village and Gufeng Village, Yuelu District, Changsha	9,515.34	1,220,869	70 years	Residential

- (3) According to Construction Land Planning Permit No. (2005) 0258 issued by Changsha Planning Management Bureau on 27 October 2005, the construction site, in which the property is located therein, with an area of 372,583.36 sq.m. is in compliance with the urban planning requirements.
- (4) According to Construction Works Commencement Permit No. 430101200804110601 issued by Changsha City Construction Bureau, the construction works of the property with a total gross floor area of 33,823 sq.m. have been permitted to commence.

APPENDIX IV

PROPERTY VALUATION

- (5) Pursuant to Pre-sale Permit Nos. (2008) 7192-7199, a portion of the property with a total gross floor area of 29,860.44 sq.m. has been permitted for pre-sale.
- (6) According to the Group, the total construction cost expended on the property as at 31 August 2009 was approximately RMB20,000,000. The outstanding cost to complete the property was estimated to be approximately RMB59,000,000. In the course of our valuation, we have taken such costs into account.
- (7) The capital value, when completed, of the proposed development is approximately RMB177,000,000.
- (8) According to Business Licence No. 4301001005311 dated 29 May 2007, Changsha Excellence Real Estate Development Co., Ltd. (長沙市卓越置業發展有限公司) was established as an enterprise with a registered capital of RMB50,000,000 for a valid operation period to expire on 31 March 2024.
- (9) We have been provided with the legal opinion on the property prepared by the Group’s legal advisor, which contains, inter alia, the following information:
- (i) Changsha Excellence Real Estate Development Co., Ltd. (長沙市卓越置業發展有限公司) has obtained the land use rights and is the legal owner of the property.
 - (ii) The property is free from any seizure, mortgage and other encumbrances.
 - (iii) All the land premium stated in the Land Use Rights Grant Contract has been fully paid and settled.
 - (iv) Changsha Excellence Real Estate Development Co., Ltd. (長沙市卓越置業發展有限公司) has obtained the relevant certificates and approvals for the development of the property.
- (10) The status of the title and grant of major approvals and licences in accordance with the information provided by the Company are as follows:

Land Use Rights Grant Contract	Yes
State-owned Land Use Rights Certificate	Yes
Construction Land Planning Permit	Yes
Construction Works Planning Permit	Yes
Construction Works Commencement Permit	Yes
Business Licence	Yes

APPENDIX IV

PROPERTY VALUATION

VALUATION CERTIFICATE

				Capital value in existing state as at 31 August 2009										
Property	Description and tenure	Particulars of occupancy												
19. Qingdao Azure Archipelagoes Phases 1C, 1D, 2E and 2F (青島蔚藍群島一期CD及二期EF), north of the Baisha River, the east of the Moshui River, Chengyang District, Qingdao, Shandong Province, The PRC	Qingdao Azure Archipelagoes (the property, property 11 and property 22) comprises 4 adjoined pieces of land with a total site area of approximately 886,940 sq.m.. The property is planned to be developed into a residential development comprising residential, commercial and ancillary facilities. Upon completion, the floor area is to be as follows: <table><tr><th>Planned Use</th><th>Planned Gross Floor Area (sq.m.)</th></tr><tr><td>Commercial</td><td>17,604</td></tr><tr><td>Residential</td><td>267,603</td></tr><tr><td>Car parks and others</td><td>31,029 (including 464 car park spaces)</td></tr><tr><td>Total</td><td>316,236</td></tr></table> The property is expected to be completed in 2009 The land use rights of the property have been granted for a term of 70 years due to expire on 2 November 2076 for residential use.	Planned Use	Planned Gross Floor Area (sq.m.)	Commercial	17,604	Residential	267,603	Car parks and others	31,029 (including 464 car park spaces)	Total	316,236	The property is currently under construction.		RMB1,219,000,000
Planned Use	Planned Gross Floor Area (sq.m.)													
Commercial	17,604													
Residential	267,603													
Car parks and others	31,029 (including 464 car park spaces)													
Total	316,236													

- (1) According to State-owned Land Use Rights Certificate Nos. 20077253, 20077254, 20077257 and 20077255 issued by the Land Resources Bureau, the land use rights of Azure Archipelagoes, comprising a total site area of 886,940 sq.m., have been granted to Excellence Real Estate (Qingdao) Co., Ltd. 卓越置業集團(青島)有限公司 for a term of 70 years due to expire on 2 November 2076 for residential use.

APPENDIX IV

PROPERTY VALUATION

- (2) According to the following Land Use Rights Grant Contracts entered into between Qingdao Chengyang District Land Resources Bureau (the Grantor) and Excellence Real Estate (Qingdao) Co., Ltd. (卓越置業集團(青島)有限公司) (the Grantee) on 2 November 2006, the land use rights of the property, comprising a total site area of 886,940 sq.m., have been granted to the Grantee for a term of 70 years due to expire on 2 November 2076 for residential use at a total land premium of RMB279,386,100.

Certificate No	Location	Site Area	Land Premium (sq.m.)	Land Use Term (RMB)	Land Use
(2006) 185	on the north side of Baisha River and the west side of Moshui River	261,024	82,222,560	70 years	Residential
(2006) 186	on the north side of Baisha River and the west side of Moshui River	411,082	129,490,830	70 years	Residential
(2006) 187	on the north side of Baisha River and the west side of Moshui River	101,940	32,111,100	70 years	Residential
(2006) 188	on the north side of Baisha River and the west side of Moshui River	112,894	35,561,610	70 years	Residential
Total:		<u>886,940</u>	<u>279,386,100</u>		

- (3) Pursuant to Construction Land Planning Permit Nos. (2007) 0043, (2007) 0044, (2007) 0045 and (2007) 0042 issued by Qingdao Town Planning Bureau, the construction site of Excellence Azure Archipelagoes with a site area of 954,266 sq.m. (including public road) is in compliance with the urban planning requirements.
- (4) According to Construction Works Commencement Permit Nos. 370214200907230101, 370214200709120201, 370214200709120301, 370214200709120101, 370214200712070201, and 370214200804230101, the construction works of Qingdao Azure Archipelagoes Phases 1 and 2 with a total gross floor area of 270,673.63 sq.m. are in compliance with the relevant requirements and have been approved.
- (5) According to Certificate of Completion Nos. 2008328-2008343, the construction works of Qingdao Azure Polis Phase 1 having a total gross floor area of 42,370.45 sq.m. have been completed.
- (6) According to the Group, a portion of the property comprising a total gross floor area of 4,475.38 sq.m. has been pre-sold for a total consideration of approximately RMB19,495,000. In the course of our valuation, we have included such consideration.
- (7) According to the Group, the total construction cost expended on the property as at 31 August 2009 was approximately RMB356,000,000. The outstanding cost to complete the property was estimated to be approximately RMB528,000,000. In the course of our valuation, we have taken such costs into account.
- (8) The capital value, when completed, of the proposed development is approximately RMB2,239,000,000.
- (9) According to Business Licence No. 370214228052490 dated 13 May 2009, Excellence Real Estate (Qingdao) Co., Ltd. (卓越置業集團(青島)有限公司) was established as a limited company with a registered capital of RMB100,000,000 for a valid operation period from 2 November 2006.

APPENDIX IV

PROPERTY VALUATION

(10) We have been provided with the legal opinion on the property prepared by the Group’s legal advisor, which contains, inter alia, the following information:

(i) Excellence Real Estate (Qingdao) Co., Ltd. (卓越置業集團(青島)有限公司) has obtained the land use rights of the property.

(ii) Excellence Real Estate (Qingdao) Co., Ltd. (卓越置業集團(青島)有限公司) is the sole land user of the property and has the right to occupy, use, transfer, mortgage and dispose of the land use rights.

(iii) The property is free from any seizure, mortgage and other encumbrances.

(iv) All the land premium stated in the Land Use Rights Grant Contract has been fully paid and settled.

(11) The status of the title and grant of major approvals and licences in accordance with the information provided by the Company are as follows:

Land Use Rights Grant Contract	Yes
State-owned Land Use Rights Certificate	Yes
Construction Land Planning Permit	Yes
Construction Works Planning Permit	Yes
Construction Works Commencement Permit	Yes
<u>Certificate of Completion</u>	<u>Yes (part)</u>
Pre-sale Permit	Yes (part)
Business Licence	Yes

APPENDIX IV

PROPERTY VALUATION

VALUATION CERTIFICATE

Property		Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 August 2009										
20.	Changsha Valley Villa (長沙麓山別墅), Changsha, Hunan Province, The PRC	The property comprises two pieces of land with a total site area of approximately 373,679.9 sq.m.. The property is planned to be developed into a residential development comprising residential, commercial ancillary facilities and 515 car parking spaces. Upon completion, the floor area is to be as follows: <table><tr><th>Planned Use</th><th>Planned Gross Floor Area (sq.m.)</th></tr><tr><td>Residential</td><td>181,729</td></tr><tr><td>Ancillary facilities</td><td>3,813</td></tr><tr><td>Commercial</td><td><u>3,666</u></td></tr><tr><td>Total</td><td><u>189,207</u></td></tr></table> The property is expected to be completed in 2012. The land use rights of the property have been granted for a term of 70 years to expire on 21 March 2073 for residential use.	Planned Use	Planned Gross Floor Area (sq.m.)	Residential	181,729	Ancillary facilities	3,813	Commercial	<u>3,666</u>	Total	<u>189,207</u>	The property is currently under construction.	RMB1,054,000,000
Planned Use	Planned Gross Floor Area (sq.m.)													
Residential	181,729													
Ancillary facilities	3,813													
Commercial	<u>3,666</u>													
Total	<u>189,207</u>													

Notes:

- (1) According to State-owned Land Use Rights Certificate Nos. (2006) 674 and (2006) 675 issued by Wangcheng County Government, the land use rights of the property, comprising a total site area of 373,679.9 sq.m., have been granted to Hunan Lushan Villa Investments Co., Ltd. (湖南麓山別墅投資開發有限公司) with the details as follows:

Certificate No	Land User	Location	Site Area (sq.m.)	Expiry Date of Land Use	Land Use
				Term	
(2006) 674	Hunan Lushan Villa Investments & Development Co., Ltd.	Changfeng Village, Xueshi Village, Baihe Village and Banma Village of Hanpu Town, Wangcheng County	53,260.3	21 March 2073	Residential
(2006) 675	Hunan Lushan Villa Investments & Development Co., Ltd.	Changfeng Village, Xueshi Village, Baihe Village and Banma Village of Hanpu Town, Wangcheng County	320,419.6	21 March 2073	Residential
Total:			373,679.9		

APPENDIX IV

PROPERTY VALUATION

- (2) Pursuant to Construction Land Planning Permit No. 200812180 issued by Wangcheng County Planning Bureau on 21 December 2006, the construction site of the property with an area of approximately 581.7405 mu is in compliance with urban planning requirements.
 - (3) Pursuant to Construction Works Planning Permit No. 200609063 issued by Wangcheng County Planning Bureau on 10 May 2006, the construction works of the property with the total gross area 189,435.02 sq.m. are in compliance with urban construction requirements.
 - (4) According to the Group, the total construction cost expended on the property as at 31 August 2009 was approximately RMB135,000,000. The outstanding cost to complete the property was estimated to be approximately RMB394,000,000. In the course of our valuation, we have taken such costs into account.
 - (5) The capital value, when completed, of the property is approximately RMB2,063,000,000.
 - (6) According to the Cooperation Agreement entered into between Hunan Kaida Finance Co., Ltd. (湖南凱達財信投資有限責任公司) (Party A), Excellence Real Estate Holdings Co., Ltd. (卓越置業集團有限公司) (Party B), Kaida (Hunan) Real Estate Development Co., Ltd (凱達湖南房地產開發有限公司) (Party C), Le Gencheng (樂根成) (Party D) and Li Hua (李華) (Party E) dated on 2 November 2006, Party A is responsible to establish Hunan Lushan Villas Investment Co., Ltd. and provides the land of the property with an area of approximately 560 Mu as registered capital. Party B agrees to acquire 90% shares of the established Hunan Lushan Villa Co., Ltd..
- According to the Transfer Agreement (I), Supplementary Agreement and Transfer Agreement (II) entered into between Hunan Kaida Finance Co., Ltd. (湖南凱達財信投資有限責任公司) (Party A) and Excellence Real Estate Holdings Co., Ltd. (卓越置業集團有限公司) (Party B) dated on 19 December 2006, 22 December 2006 and 5 March 2007, Party A has agreed to transfer its 60% and 30% shares of Hunan Lushan Villas Investment Co., Ltd. to Party B at considerations of RMB 117,000,000 and RMB 58,500,000 respectively.
- (7) According to Business Licence No.430122000002991 dated 5 June 2009, Hunan Lushan Villa Investments Co., Ltd. (湖南麓山別墅投資開發有限公司) was established as an enterprise with a registered capital of RMB10,000,000 for a valid operation period to expire on 3 December 2016.
 - (8) We have been provided with the legal opinion on the property prepared by the Group’s legal advisor, which contains, inter alia, the following information:
 - (i) Hunan Lushan Villa Investments Co., Ltd (湖南麓山別墅投資開發有限公司) is the sole legal land user of the property and has obtained the land use rights of the property.
 - (ii) Hunan Lushan Villa Investments Co., Ltd (湖南麓山別墅投資開發有限公司) has the right to occupy, use, lease, transfer, mortgage and dispose of the land use rights of the property.
 - (iii) All the land premium stated in the Land Use Rights Grant Contract has been duly paid and settled.

APPENDIX IV

PROPERTY VALUATION

- (9) The status of the title and grant of major approvals and licences in accordance with the information provided by the Company are as follows:

Land Use Rights Grant Contract	No
State-owned Land Use Rights Certificate	Yes
Construction Land Planning Permit	Yes
Construction Works Planning Permit	Yes
Construction Works Commencement Permit	Yes (part)
Business Licence	Yes

APPENDIX IV

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 31 August 2009
21. Changsha Cote d’Azur Phases <u>2B</u> , <u>2C</u> , <u>2D</u> and <u>3</u> (長沙蔚藍海岸 <u>2</u> 期BCD及 <u>3</u> 期), Yuelu District, Changsha, Hunan Province, The PRC	Changsha Cote d’Azur Phases <u>2-3</u> (the property and property 18) comprise 5 pieces of land with a total site area of approximately 129,773.7 sq.m. for residential use and 19,682 sq.m. for educational use. According to the Group, the property is planned to be developed into a residential development with a total floor area of 251,605 sq.m.. The land use rights of a portion of the property have been granted for a term of 70 years due to expire on 27 April 2074 for residential use, and the land use rights of the site area of 19,682 sq.m. have been allocated for educational use.	The property is currently a vacant site.	RMB687,000,000

Notes:

- (1) According to the following State-owned Land Use Rights Certificates issued by Changsha City Government, the land use rights of 5 parcels of Land, comprising a total site area of 149,455.70 sq.m. have been granted or allocated to Changsha Excellence Real Estate Development Co., Ltd. (長沙市卓越置業發展有限公司) with the details as follows:

Certificate No	Location	Site Area (sq.m.)	Expiry Date of Land Use Term	Nature of Land	Land Use
(2006) 040336	Jingxing Village and Gufeng Village	29,861.98	27 April 2074	Granted	Residential
(2006) 040337	Jingxing Village and Gufeng Village	14,141.13	27 April 2074	Granted	Residential
(2006) 040338	Jingxing Village and Gufeng Village	18,650.83	27 April 2074	Granted	Residential
(2006) 040339	Jingxing Village and Gufeng Village	19,682.00	27 April 2074	Allocated	Education
(2006) 040340*	Jingxing Village and Gufeng Village	67,119.76*	27 April 2074	Granted	Residential
Total:		<u>149,455.70</u>			

- * As advised by the Group, part of the land with an area of approximately 9,333.06 sq.m. is occupied by Changsha Cote d’Azur Phase 2A which is currently under development, and the total site area held for future development is approximately 140,122.64 sq.m..

APPENDIX IV

PROPERTY VALUATION

The above valuation does not include the value of the allocated land for educational use.

- (2) According to Land Use Rights Grant Contract Nos. 20040529 and 20060187 entered into between Changsha Land Resources Bureau (the Grantor) and Changsha Excellence Real Estate Development Co., Ltd. (长沙市卓越置業發展有限公司) (the Grantee) on 27 April 2005 and 28 June 2006, the Grantor has agreed to grant the land use rights of the property to the Grantee with the particulars as follows:

Contract No	Location	Site Area (sq.m.)	Land Premium (RMB)	Land Use Term	Land Use
20040529	Jingxing Village and Gufeng Village, Yuelu District, Changsha City	372,583.36 (including the granted land area of 227,208.36 sq.m.)	162,950,000	70 years	Residential
20060187	Jingxing Village and Gufeng Village, Yuelu District, Changsha City	9,515.34	1,220,869	70 Years	Residential

- (3) According to Construction Land Planning Permit No. (2005) 0258 issued by Changsha City Planning Manage Bureau dated 27 October 2005, the construction site of the property with an area of 372,583.36 sq.m. is in compliance with urban planning requirements.
- (4) According to Business Licence No. 43010000064600 dated 30 July 2008, Changsha Excellence Real Estate Development Co., Ltd. (长沙市卓越置業發展有限公司) was established as an enterprise with a registered capital of RMB50,000,000 for a valid operation period to expire on 30 March 2024.
- (5) We have been provided with the legal opinion on the property prepared by the Group’s legal advisor, which contains, inter alia, the following information:
- (i) Changsha Excellence Real Estate Development Co., Ltd. (长沙市卓越置業發展有限公司) has obtained the land use rights and is the legal owner of the property.
- (ii) The property is free from any seizure, mortgage and other encumbrances.
- (iii) All the land premium stated in the Land Use Rights Grant Contract has been fully paid and settled.
- (6) The status of the title and grant of major approvals and licences in accordance with the information provided by the Company are as follows:

Land Use Rights Grant Contract	Yes
State-owned Land Use Rights Certificate	Yes
Construction Land Planning Permit	Yes
Construction Works Planning Permit	No
Construction Works Commencement Permit	No
Business Licence	Yes

APPENDIX IV

PROPERTY VALUATION

VALUATION CERTIFICATE

			Capital value in existing state as at 31 August 2009																			
Property	Description and tenure	Particulars of occupancy																				
22. Qingdao Azure Archipelagoes Phases 2 (portion) and 3-5 (青島蔚藍群島二(部份)及三至五期), north of the Baisha River, the east of the Moshui River, Chengyang District, Qingdao, Shandong Province, The PRC	Qingdao Azure Archipelagoes (the property, property 11 and property 19) comprises 4 adjoined pieces of land with a total site area of approximately 886,940 sq.m._ The property is planned to be developed into a residential development comprising residential, commercial, ancillary facilities and 10,500 car parking spaces. Upon completion, the floor area will be as follows: <table><tr><th>Planned Use</th><th>Planned Gross Floor Area (sq.m.)</th></tr><tr><td rowspan="5">Above-ground</td><td>Commercial</td><td>26,093</td></tr><tr><td>Residential</td><td>806,179</td></tr><tr><td>School, kindergarten and Ancillary facilities</td><td>100,003</td></tr><tr><td>Sub-total</td><td>986,217</td></tr><tr><td>Under-ground</td><td></td></tr><tr><td></td><td>Car parks and others</td><td>118,725</td></tr><tr><td></td><td>Total</td><td>1,051,000</td></tr></table>	Planned Use	Planned Gross Floor Area (sq.m.)	Above-ground	Commercial	26,093	Residential	806,179	School, kindergarten and Ancillary facilities	100,003	Sub-total	986,217	Under-ground			Car parks and others	118,725		Total	1,051,000	The property is a vacant site pending for future development.	RMB3,339,000,000
Planned Use	Planned Gross Floor Area (sq.m.)																					
Above-ground	Commercial	26,093																				
	Residential	806,179																				
	School, kindergarten and Ancillary facilities	100,003																				
	Sub-total	986,217																				
	Under-ground																					
	Car parks and others	118,725																				
	Total	1,051,000																				
The land use rights of the property have been granted for a term of 70 years due to expire on 2 November 2076 for residential use.																						

The land use rights of the property have been granted for a term of 70 years due to expire on 2 November 2076 for residential use.

Notes:

- (1) According to State-owned Land Use Rights Certificate Nos. 20077253, 20077254, 20077255 and 20077257 issued by the Land Resources Bureau, the land use rights of Azure Archipelagoes, comprising a total site area of 886,940 sq.m., have been granted to Excellence Real Estate (Qingdao) Co., Ltd. (卓越置業集團(青島)有限公司) for a term of 70 years due to expire on 2 November 2076 for residential use.

APPENDIX IV

PROPERTY VALUATION

- (2) According to the following Land Use Rights Grant Contracts entered into between Qingdao Chengyang District Land Resources Bureau (the Grantor) and Excellence Real Estate (Qingdao) Co., Ltd. (卓越置業集團(青島)有限公司) (the Grantee) on 2 November 2006, the land use rights of the property, comprising a total site area of 886,940 sq.m., have been granted to the Grantee for a term of 70 years due to expire on 2 November 2076 for residential use at a total land premium of RMB279,386,100.

Certificate No	Location	Site Area	Land Premium (sq.m.)	Land Use Term (RMB)	Land Use
(2006) 185	on the north side of Baisha River and the west side of Moshui River	261,024	82,222,560	70 years	Residential
(2006) 186	on the north side of Baisha River and the west side of Moshui River	411,082	129,490,830	70 years	Residential
(2006) 187	on the north side of Baisha River and the west side of Moshui River	101,940	32,111,100	70 years	Residential
(2006) 188	on the north side of Baisha River and the west side of Moshui River	112,894	35,561,610	70 years	Residential
Total:		<u>886,940</u>	<u>279,386,100</u>		

- (3) Pursuant to Construction Land Planning Permit Nos. (2007) 0043, (2007) 0044, (2007) 0045 and (2007) 0042 issued by Qingdao Town Planning Bureau, the construction site of Excellence Azure Archipelagoes with an area of 954,266 sq.m. (including road area) is in compliance with urban planning requirements.
- (4) According to Business Licence No. 370214228052409 dated 13 May 2009, (Qingdao) Excellence Real Estate (Qingdao) Co., Ltd. (卓越置業集團(青島)有限公司) was established as a limited company with a registered capital of RMB100,000,000 for a valid operation period from 2 November 2006.
- (5) We have been provided with the legal opinion on the property prepared by the Group’s legal adviser, which contains, inter alia, the following information:
- (i) Excellence Real Estate (Qingdao) Co., Ltd. (卓越置業集團(青島)有限公司) has obtained the land use rights of the property.
 - (ii) Excellence Real Estate (Qingdao) Co., Ltd. (卓越置業集團(青島)有限公司) is the sole land user of the property and has the rights to occupy, use, transfer, mortgage or otherwise dispose of the property.
 - (iii) The property is free from any seizure, mortgage and other encumbrances.
 - (iv) All the land premium stated in the Land Use Rights Grant Contract has been fully paid and settled.

APPENDIX IV

PROPERTY VALUATION

- (6) The status of the title and grant of major approvals and licences in accordance with the information provided by the Company are as follows:

Land Use Rights Grant Contract	Yes
State-owned Land Use Rights Certificate	Yes
Construction Land Planning Permit	Yes
Construction Works Planning Permit	No
Construction Works Commencement Permit	No
Business Licence	Yes

APPENDIX IV

PROPERTY VALUATION

VALUATION CERTIFICATE

				Capital value in existing state as at 31 August 2009
Property	Description and tenure	Particulars of occupancy		
23. Dongguan Azure Polis Phases 2-4 (東莞蔚藍城邦 二至四期) , Maiyuan Village, Changping Town, Dongguan, Guangdong Province, The PRC	Dongguan Azure Polis (the property and property 10) comprises four pieces of land with a total site area of approximately 199,998 sq.m..	The property is currently a vacant site.		RMB2,067,000,000 (80% interest attributable to the Group: RMB1,653,600,000)
		Planned Gross Floor Area (sq.m.)		
		Planned Use		
		Commercial	80,000	
		Residential	419,880	
		Total	499,880	
		The land use rights of the property have been granted for a term due to expire on 14 March 2063 and 15 April 2073 for commercial and residential uses respectively.		

Notes:

- (1) According to State-owned Land Use Rights Certificate Nos. (1993) 467, (1999) 202, (2005) 886-1 and (2005) 886-2 issued by Dongguan Land Resources Bureau, the land use rights of Dongguan Azure Polis, comprising a total site area of 199,998.00 sq.m. have been transferred or granted to Dongguan Zhongtian Plaza Development Co., Ltd. (東莞中天廣場建造有限公司) for terms due to expire on 14 March 2063 and 15 April 2073 for commercial and residential uses.

Certificate No	Location	Expiry Date of		
		Site Area (sq.m.)	Land Use Term	Land Use
(1993) 467	Maiyuan Village, Changping Town	54,951.80	14 March 2063	commercial and residential
(1999) 202	Maiyuan Village, Changping Town	65,892.20	14 March 2063	commercial and residential
(2005) 886-1	Maiyuan Village, Changping Town	33,333.40	15 April 2073	commercial and residential
(2005) 886-2	Maiyuan Village, Changping Town	45,820.60	15 April 2073	commercial and residential
Total:		199,998.00		

APPENDIX IV

PROPERTY VALUATION

- (2) According to Construction Land Planning Permit Nos. 2007-23-10004 & 2007-23-10005 issued by Dongguan Planning Bureau on 4 April 2007 with the particulars as follows:

Certificate No	User	Location	Site Area (sq.m.)
2007-23-10004	Dongguan Zhongtian Plaza Development Co., Ltd.	Maiyuan Village, Changping Town, Dongguan	155,581.60
2007-23-10005	Dongguan Zhongtian Plaza Development Co., Ltd.	Maiyuan Village, Changping Town, Dongguan	56,907
Total:			<u>212,488.60</u>

- (3) According to the Cooperation Agreement entered into between Dongguan Xinghui Industry Co., Ltd. (東莞市星彙實業有限公司) (Party A) and Excellence Real Estate Holdings Co., Ltd. (卓越置業集團有限公司) (Party B) dated on 21 May 2007, Party A and Party B are respectively responsible to provide 20% and 80% of the registered capital and hold the same share of the ratio in attributable interests of Dongguan Zhongtian Plaza Development Co., Ltd. (東莞中天廣場建造有限公司).

- (4) According to Business Licence No.44190000000304635 dated 29 June 2009, Dongguan Zhongtian Plaza Development Co., Ltd. (東莞中天廣場建造有限公司) is a wholly foreign owned enterprise with a registered capital of RMB20,000,000.

- (5) We have been provided with the legal opinion on the property prepared by the Group’s legal advisor, which contains, inter alia, the following information:

- (i) Dongguan Zhongtian Plaza Development Co., Ltd. has obtained the land use rights of the property and is has the rights to occupy, use, lease, mortgage, transfer or otherwise dispose of it within the residual term at no extra land premium or other onerous payment payable to the government.

- (ii) The entire land premium stated in the Land Use Right Grant Contract has been fully settled.

- (iii) The property is free from any seizure, mortgage and other encumbrances.

- (6) The status of the title and grant of major approvals and licences in accordance with the information provided by the Company are as follows:

State-owned Land Use Rights Certificate	Yes
Land Use Rights Grant Contract	Yes
Construction Land Planning Permit	Yes
Construction Works Planning Permit	No
Permit for Commencement of Works	No
Business Licence	Yes

APPENDIX IV

PROPERTY VALUATION

Notes:

- (1) According to six State-owned Land Use Rights Certificates issued by Lianyungang City Land Resources Bureau, the land use rights of the property comprising a total site area of 739,607.20 sq.m. have been granted to Lianyungang Tianjun Real Estate Co., Ltd. (連雲港天峻置地有限公司) and Lianyungang Tianqian Real Estate Development Co., Ltd. (連雲港天乾房地產開發有限公司).

Certificate No	Land User	Location	Site Area (sq.m.)	Expiry Date of Land Use	
				Term	Land Use
(2007)LY001553	Lianyungang Tianjun Real Estate Co., Ltd.	West of Huaguoshan North Road (01-10-A)	131,888.30	10 Sep 2077	Residential
(2007)LY001554	Lianyungang Tianjun Real Estate Co., Ltd.	West of Huaguoshan North Road (01-10-B)	122,205.40	10 Sep 2077 10 Sep 2047	Residential/ Commercial
(2007)LY001654	Lianyungang Tianjun Real Estate Co., Ltd.	West of Huaguoshan North Road (01-12-A)	124,566.20	12 Sep 2077	Residential
(2007)LY001652	Lianyungang Tiangan Real Estate Development Co., Ltd.	West of Huaguoshan North Road (01-12-B)	119,531.50	12 Sep 2077 12 Sep 2047	Residential/ Commercial
(2007)LY001653	Lianyungang Tiangan Real Estate Development Co., Ltd.	West of Huaguoshan North Road (01-13-A)	119,536.70	19 Sep 2077	Residential
(2007)LY001651	Lianyungang Tiangan Real Estate Development Co., Ltd.	West of Huaguoshan North Road (01-13-B)	121,879.10	19 Sep 2077 19 Sep 2047	Residential/ Commercial
Total:			<u>739,607.20</u>		

APPENDIX IV

PROPERTY VALUATION

- (2) According to Land Use Rights Grant Contracts entered into between Lianyungang Land Resources Bureau (the Grantor) and Lianyungang Tianjun Real Estate Co., Ltd. (連雲港天峻置地有限公司) and Lianyungang Tianqian Real Estate Development Co., Ltd. (連雲港天乾房地產開發有限公司) (the Grantee) on 10 February 2007, the land use rights of the property have been granted to the grantee. The particulars are summarized as follows:

Contract No	Grantee	Location	Site Area (sq.m.)	Land		Land Use
				Premium (RMB)	Land Use Term	
0001785	Lianyungang Tianjun Real Estate Co., Ltd.	West of Huaguoshan North Road (01-10-A)	131,888.20	43,400,000	70 years from the date of issue of land use rights cert.	Residential
N/A	Lianyungang Tianjun Real Estate Co., Ltd.	West of Huaguoshan North Road (01-10-B)	122,205.00	49,400,000	70 years for residential use and 40 years for commercial use from the date of issue of land use rights <u>certificate</u>	Residential/ Commercial
N/A	Lianyungang Tianjun Real Estate Co., Ltd.	West of Huaguoshan North Road (01-12-A)	124,566.20	40,400,000	70 years from the date of issue of land use rights <u>certificate</u>	Residential
N/A	Lianyungang Tianqian Real Estate Development Co., Ltd.	West of Huaguoshan North Road (01-12-B)	119,531.30	48,400,000	70 years for residential use and 40 years for commercial use from the date of issue of land use rights <u>certificate</u>	Residential/ Commercial
0001787	Lianyungang Tianqian Real Estate Development Co., Ltd.	West of Huaguoshan North Road (01-13-A)	119,537.10	39,400,000	70 years from the date of issue of land use rights <u>certificate</u>	Residential
N/A	Lianyungang Tianqian Real Estate Development Co., Ltd.	West of Huaguoshan North Road (01-13-B)	121,879.50	49,400,000	70 years for residential use and 40 years for commercial use from the date of issue of land use rights <u>certificate</u>	Residential/ Commercial
Total:			<u>739,607.30</u>			

APPENDIX IV

PROPERTY VALUATION

- (3) According to the document issued by Lianyungang Economic Technology Development Zone Management Committee (連雲港經濟技術開發區管理委員會), the development scheme of the property is set forth below:

Planned Use	Site No	Planned Gross
		Floor Area (sq.m.)
Residential	76,77&78	705,848.25
	79,80&81	759,739.50
Retail	76,77&78	41,581.20
	79,80&81	41,581.20
Common facilities	76,77&78	19,700.97
	79,80&81	17,373.08
Basement	76,77&78	28,233.93
	79,80&81	30,389.58
Total:		<u>1,644,447.71</u>

- (4) According to Construction Land Planning Permit Nos. (2007) 058 and 59 dated 13 August 2007, the construction site of the property with areas of 568.0 mu and 541.4 mu respectively is in compliance with urban planning requirements.

- (5) According to Business Licence No.320700400008825 dated 4 September 2007, Lianyungang Tianjun Real Estate Co., Ltd. (連雲港天峻置地有限公司) was established with a registered capital of RMB10,000,000 for a valid operation period from 2 February 2007 to 1 February 2057.

According to Business Licence No.320700400008833 dated 4 September 2007, Lianyungang Tianqian Real Estate Development Co., Ltd. (連雲港天乾房地產開發有限公司) was established with a registered capital of RMB10,000,000 for a valid operation period from 22 January 2007 to 21 January 2057.

- (6) We have been provided with the legal opinion on the property prepared by the Group’s legal advisor, which contains, inter alia, the following information:

- (i) Lianyungang Tianjun Real Estate Co., Ltd. (連雲港天峻置地有限公司) and Lianyungang Tiangan Real Estate Development Co., Ltd. (連雲港天乾房地產開發有限公司) have obtained the land use rights of the property.
- (ii) The land use rights of portion of the property are subject to mortgage in favour of Agricultural Bank of China-Guomao Branch.
- (iii) Lianyungang Tianjun Real Estate Co., Ltd. (連雲港天峻置地有限公司) and Lianyungang Tiangan Real Estate Development Co., Ltd. (連雲港天乾房地產開發有限公司) are the legal owners of the property and have the rights to occupy, use, transfer, mortgage or otherwise dispose of the land use rights of the property with prior approval from the mortgagee.

- (iv) All the land premium stated in the Land Use Rights Grant Contract has been fully paid and settled.

- (7) The status of the title and grant of major approvals and licences in accordance with the information provided by the Company are as follows:

Land Use Rights Grant Contract	Yes
State-owned Land Use Rights Certificate	Yes
Construction Land Planning Permit	Yes
Construction Works Planning Permit	No
Construction Works Commencement Permit	No
Business Licence	Yes

APPENDIX IV

PROPERTY VALUATION

VALUATION CERTIFICATE

				Capital value in existing state as at 31 August 2009
Property	Description and tenure	Particulars of occupancy		
25. Chongqing Excellence Mart Phase 2 (重慶光彩大市場 二期) Wanzhou District, Chongqing, The PRC	The property comprises a total site area of approximately 52,602 sq.m._ As advised by the Group, the property is planned to be developed into a commercial development with a total gross floor area of 91,148 sq.m._ The land use rights of the property have been granted for a term of 50 years due to expire on 12 May 2055 for composite commercial, financial and warehousing uses.	The property is currently a vacant site.	RMB132,000,000	

Notes:

- (1) According to State-owned Land Use Rights Certificate Nos. (2005) 00143 and 00144 issued by Chongqing Land Resources Bureau, the land use rights of the property, comprising a total site area of 52,602 sq.m., have been granted to Chongqing Wanshang Real Estate Co. Ltd. (重慶市萬商置業有限公司). The details are summarized as follows:

Certificate No	Location	Site Area (sq.m.)	Expiry Date of	
			Land Use Term	Land Use
(2005) 00143	3rd Section, Shalong Road, Wanzhou District, Chongqing,	29,797	12 May 2055	Commercial, financial and warehousing
(2005) 00144	3rd Section, Shalong Road, Wanzhou District, Chongqing,	22,805	12 May 2055	Commercial, financial and warehousing
Total:		52,602		

APPENDIX IV

PROPERTY VALUATION

- (2) According to Land Use Rights Grant Contract No. (2005) 32 entered into between Chongqing Wanzhou District Land Resources Bureau (the Grantor) and Chongqing Wanshang Real Estate Co. Ltd. (重慶市萬商置業有限公司) (the Grantee) on 12 May 2005, the particulars are as follows:

Contract No	Location	Site Area (sq.m.)	Land	Land Use	Land Use
			Premium (RMB)	Term	
(2005) 32	Society Nos.2 to 4, Qinglong Village, Pailou Street Office, Wanzhou District	100,000	25,500,000	50 years	Commercial, financial and warehousing

The development conditions stated in the above Land Use Rights Grant Contract are as follows:

Plot Ratio	:	≤1.6
Permitted Gross Floor Area	:	≤160,000 sq.m.
Building Density	:	≤50%
Greenery Ratio	:	≥30%

- (3) Pursuant to a Construction Land Planning Permit No. (2005) 0038 issued by Chongqing Wanzhou District Construction Committee on 20 May 2005, the construction site of the subject development with a site area of 103,600 sq.m. is in compliance with the urban planning requirements.
- (4) According to Business Licence No.5001011820757 dated 27 August 2007, Chongqing Wanshang Real Estate Co. Ltd. (重慶市萬商置業有限公司) was established as a wholly foreign owned enterprise with a registered capital of RMB20,000,000 for a valid operation period from 31 December 2004 to 30 December 2014.
- (5) We have been provided with the legal opinion on the property prepared by the Group’s legal advisor, which contains, inter alia, the following information:
- (i) Chongqing Wanshang Real Estate Co., Ltd. (重慶市萬商置業有限公司) has obtained the State-owned Land Use Rights Certificate.
- (ii) Chongqing Wanshang Real Estate Co., Ltd. (重慶市萬商置業有限公司) is the sole legal owner the property and has the right to occupy, use, transfer, mortgage and dispose of the land use rights.
- (iii) The property is free from any seizure, mortgage and other encumbrances.
- (iv) The entire land premium stated in the Land Use Rights Grant Contract has been duly paid and settled.
- (6) The status of the title and grant of major approvals and licences in accordance with the information provided by the Company are as follows:

State-owned Land Use Rights Certificate	Yes
Real Estate Title Certificate	No
Land Use Rights Grant Contract	Yes
Construction Land Planning Permit	Yes
Construction Works Planning Permit	No
Construction Works Commencement Permit	No
Business Licence	Yes

APPENDIX IV

PROPERTY VALUATION

VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 August 2009
26. Lianyungang Cote d'Azur Phase 2, East of Huaguoshan Road, Lianyungang, Jiangsu Province The PRC (連雲港項目)	The Property comprises 7 parcels of land with a total site area of approximately 809,762.90 sq.m.	The property is currently a vacant land.	<u>RMB5,538,000,000</u>
	According to the Group, the property is planned to be developed into a composite development with details as follows:		
	Use Gross floor area (sq.m.)		
	Office		259,370
	Residential		1,814,630
	Commercial		255,000
	Ancillary facilities		62,400
	Sub-total		2,329,000
	Basement		<u>233,338</u>
	Total:		<u>2,624,738</u>
	The whole development is scheduled to be completed in October 2018.		
	The land use rights of the Property have been granted for a term of 70 and 40 years for residential and commercial use respectively commencing from 26 December 2007		

Notes:

- (1) According to four State-owned Land Use Rights Certificate Nos. (2007) LYG002241, LYG002243, LYG002244-002246, issued by Lianyungang City Land Resources Bureau dated 26 December 2007, the land use rights of the property comprising a total site area of 429,087.3 sq.m. have been granted to Lianyungang Tianxingjian Real Estate Development Co., Ltd. (連雲港天行健房地產開發建設有限公司) for a term of 70 years for residential use and 40 years for retail use commencing from 26 December 2007.

According to two State-owned Land Use Rights Certificate Nos. (2007) LYG002242 and LYG002244 issued by Lianyungang City Land Resources Bureau dated 26 December 2007, the land use rights of the property comprising a total site area of 257,718.3 sq.m. have been granted to Lianyungang Ruihao Real Estate Co., Ltd. (連雲港瑞豪置地有限公司) for a term of 70 years due to expire on 25 December 2077 for residential use

According to State-owned Land Use Rights Certificate No. (2007) LYG002247, issued by Lianyungang City Land Resources Bureau dated 26 December 2007, the land use rights of the property comprising a total site area of 122,957.3 sq.m. have been granted to Lianyungang Ruihao Real Estate Co., Ltd. (連雲港瑞豪置地有限公司) for a term of 70 years for residential use and 40 years for retail use commencing from 26 December 2007.

APPENDIX IV

PROPERTY VALUATION

- (2) According to Business License No. 320791000002566, Lianyungang Tianxingjian Real Estate Development Co., Ltd. (連雲港天行健房地產開發建設有限公司) was established as an enterprise with a registered capital of RMB10,000,000 for a valid period from 7 February 2007 to 6 February 2057.

According to Business License No. 32079100002540, Lianyungang Ruihao Real Estate Co., Ltd. (連雲港瑞豪置地有限公司) was established with a registered capital of RMB10,000,000 for a valid period from 2 February 2007 to 1 February 2057.

- (3) We have been provided with the legal opinion on the property prepared by the Group’s legal advisor, which contains, inter alia, the following assumption;
- (i) Lianyungang Tianxingjian Real Estate Development Co., Ltd. (連雲港天行健房地產開發建設有限公司) and Lianyungang Ruihao Real Estate Co., Ltd. (連雲港瑞豪置地有限公司) have obtained the land use rights of the property and have the rights to occupy, use, lease, transfer, mortgage and dispose of the land use rights.
- (ii) The land premium has been fully settled.
- (iii) The property is free from seizure, mortgage and other encumbrances.
- (4) The status of the title and grant of major approvals and licenses in accordance with the information provided by the Group are as follows:

State-owned Land Use Rights Certificate	Yes
Land Use Rights Grant Contract	No
Business License	Yes

APPENDIX IV

PROPERTY VALUATION

VALUATION CERTIFICATE

				Capital value in existing state as at 31 August 2009
Property	Description and tenure	Particulars of occupancy		
27. Six parcels of lands, Lanshi Village, Changning Town, Boluo County, Huizhou City, Guangdong Province, the PRC (羅浮山項目)	The property comprises six parcels of land with a total site area of approximately 597,329 sq.m. According to the Group, the property is planned to be developed into a residential development with a total gross floor area of 1,120,560 sq.m. with details as follows:	The property is currently a vacant site.		<u>RMB4,429,000,000</u> (70% interest attributable to the Group: <u>RMB3,100,300,000</u>)
		Planned		
		Planned Use	Gross Floor Area (sq.m.)	
		Above-ground	Residential	824,732
			Retail	71,716
			Ancillary facilities	<u>55,443</u>
			Sub-total	<u>951,891</u>
		Under-ground	Car park and others	<u>168,100</u>
			Total	<u>1,119,991</u>
		The land use rights of the property have been granted for a term of 70 years due to expire on 24 January 2078 for residential use.		

Notes:

- (1) According to State-owned Land Use Rights Certificate No. (2008)150012 dated 29 January 2008, the land use rights of the property comprising a total site area of 597,329 sq.m. have been granted to Huizhou Luofu Shan Excellence Real Estate Co., Ltd. (惠州羅浮山卓越置業有限公司) for a term of 70 years expiring on 24 January 2078 for residential use.
- (2) According to Land Use Rights Grant Contract entered into between Guangdong Boluo Land Resources Bureau (廣東省博羅縣國土資源局) (the Grantor) and Huizhou Luofu Shan Excellence Real Estate Co., Ltd. (惠州羅浮山卓越置業有限公司) (the Grantee), the land use rights of the property comprising a total site area of 597,329 sq.m. have been granted to Grantee with the details as follows;

Site area	:	597,329 sq.m.
Plot ratio	:	1.5
Use	:	Residential
Land use term	:	70 years
Land premium	:	RMB192,000,000

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PROPERTY VALUATION

- (3) According to Business License No. 4413222000005113, Huizhou Luofu Shan Excellence Real Estate Co., Ltd. (惠州羅浮山卓越置業有限公司) was established with a registered capital of RMB50,000,000 for a valid term expiring on 19 October 2017. According to the Group, the current shareholders comprise Excellence Real Estate Holdings Co., Ltd. (70%), and independent third parties Huizhou Luofushan Jiabaotian Country Club Co., Ltd. (惠州市羅浮山嘉寶田鄉村俱樂部有限公司) (15%) and Liao Qiang (廖強) (15%).
- (4) According to the Group, the Group holds 70% attributable interest in the property.
- (5) We have been provided with the legal opinion on the property prepared by the Group’s legal advisor, which contains, inter alia, the following assumption:
- (i) Huizhou Luofu Shan Excellence Real Estate Co., Ltd. (惠州羅浮山卓越置業有限公司) has obtained the land use rights of the property and has the rights to occupy, use, lease, transfer, mortgage or otherwise dispose of the property.
- (ii) Huizhou Luofu Shan Excellence Real Estate Co., Ltd. (惠州羅浮山卓越置業有限公司) is the sole land user of the property and is entitle to use the property within the land use term.
- (iii) The property is free from seizure, mortgage and other encumbrances.
- (iv) The entire land premium stated in the Land Use Rights has been fully settled.
- (6) The status of the title and grant of major approvals and licences in accordance with the information provided by the Company are as follows:

State-owned Land Use Rights Certificate	No
Land Use Rights Grant Contract	Yes
Business License	Yes

APPENDIX IV

PROPERTY VALUATION

VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 August 2009
28. <u>A parcel of land, Houhu Village, Panlongcheng Economic Development Zone, Wuhan, The PRC (后湖村項目)</u>	The property comprises a piece of land with a total site area of approximately 215,696.87 sq.m.. The property is planned to be developed into a residential development with a total gross floor area of approximately 495,890 sq.m.. It's scheduled to be completed in 2013. The land use right of the property have been granted for a term of 70 years due to expire in December 2076 for residential use.	The property is currently a vacant site.	<u>RMB564,000,000</u>

Notes:

- (1) According to State-owned Land Use Rights Certificate No. (2008) 894 dated 16 June 2008, the land use rights of the property having a total site area of 215,696.87 sq.m. have been granted to Wuhan Zhenghe Real Estate Co., Ltd. for a term due to expire in December 2076 for residential use.
- (2) According to Construction Land Planning Permit No. (2004) 148 and Approval of Construction Project Location No. (2003) 2518 both dated 28 December 2004 issued by Wuhan Huangpi District Town Planning Administration Bureau, the property comprises a total site area of 273,607 sq.m. and a planned construction floor area of 396,712 sq.m..
- (3) According to a Project Investment Agreement entered into between Wuhan Panlongcheng Economic Development Zone Management Committee (武漢盤龍城經濟開發區管理委員會) (Party A) and Wuhan Zhenghe Real Estate Co., Ltd. (武漢正和置業有限公司) (Party B), Party A has agreed to transfer the land use rights of the property to Party B at a total consideration of RMB72,000,000. The property comprises a total site area of 800 mu for residential use. The land use term is to be 70 years commencing from the of the State-owned Land Use Rights Certificate.
- (4) According to the Agreement on Transferring Share of Wuhan Zhenghe Real Estate Limited entered into between Shenzhen Jingtianwei Investment Development Company Limited (深圳市經天緯投資發展有限公司) (Party A), Chen Xiao E (Party B), Excellence Real Estate Holdings Co., Ltd. (卓越置業集團有限公司) (Party C) and Excellence Holding Investment Limited (卓越集團投資有限公司) (Party D) on 10 July 2005, Party A and Party B together have agreed to transfer 100% interest of Wuhan Zhenghe Real Estate Limited to Party C and Party D.
- (5) According to Business Licence No. 420100400008146 dated 27 May 2008, Wuhan Zhenghe Real Estate Co., Ltd. (武漢正和置業有限公司) was established as a Joint Venture Company with a registered capital of RMB10,000,000, for a valid operation period from 13 September 2005 to 13 September 2025.

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- (6)

We have been provided with legal opinion on the property prepared by the Group’s legal advisor, which contains, inter alia, the following information:

(i)

Wuhan Zhenghe Real Estate Co., Ltd. has obtained the State-owned Land Use Rights Certificate of the property having a total site area of 215,695.87 sq.m.

(ii)

The land premium and relevant tax has been settled.

(iii)

The property is free from seizure and mortgage.

(iv)

No other documents in relation to the property transferring have been provided, the relevant authority has the rights to withdraw the land use rights of the property if the transferring procedure was not in compliance with PRC law.

(7)

The status of the title and grant of major approvals and licences in accordance with the information provided by the Company are as follows:

State-owned Land Use Rights Certificate	Yes
Land Use Rights Grant Contract	No
Construction Land Planning Permit	Yes
Business Licence	Yes

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PROPERTY VALUATION

VALUATION CERTIFICATE

				Capital value in existing state as at 31 August 2009
Property	Description and tenure	Particulars of occupancy		
29. 5 parcels of land, Xi Qu Shang Tian, Huiyang District, Huizhou City, Guangdong Province, the PRC (惠州大亞灣)	The property comprises five parcels of land with a total site area of approximately 773,316 sq.m. According to the Group, the property is planned to be developed into a composite residential and commercial development with a total gross floor area of approximately 2,416,613.80 sq.m.	The property is currently a vacant land.		RMB6,680,000,000
	Planned Portion Gross Floor Area (sq.m.) Above Ground Residential 1,903,290 Commercial 30,000 Other (School, Kindergarten) 58,000 Sub-total 1,991,290 Under Ground Basement Car Parks 425,323.80 Grand Total 2,416,613.8			
	The whole development is scheduled to be completed in 2018.			
	The property is held land use rights for a term of 70 years expiring on 12 March 2078 for residential use.			

Notes:

- (1) According to Ownership Transferring Agreement dated 20 March 2007 and its Supplemental Agreement dated 30 July 2007 entered into between Huizhou Dayawan Dongzheng Industrial Group Co., Ltd. (惠州大亞灣東正實業集團有限公司) (Party A) and Huizhou Excellence Eastern Real Estate Development Co., Ltd. (惠州市卓越東部房地產開發有限公司) (Party B), Party A agreed to transfer the land use rights of the property, having a total site area of 773,316 sq.m. to Party B.

According to Civil Ruling No. (2007) 40 issued by Donghu District People’s Court of Nanchang on 14 November 2008, Huizhou Dayawan Dongzheng Industrial Group Co., Ltd. (惠州大亞灣東正實業集團有限公司) was requested to transfer the land use rights of the property, with State-owned Land Use Rights Nos. (01) 13210100263, (01)13210100264, (07)13210100198, (07)13210100199 and (07)13210100200 to Huizhou Excellence Eastern Real Estate Development Co., Ltd. (惠州市卓越東部房地產開發有限公司).

- (2) According to State-owned Land Use Rights Certificate Nos. 13210100199-13210100203, the land use rights of the property having a total site area of 773,316 sq.m. have been granted to Huizhou Excellence Eastern Real Estate Development Co., Ltd. for a term of 70 years due to expire on 12 March 2078 for residential use.

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PROPERTY VALUATION

- (3) According to Construction Land Planning Permits Nos. (2008)0089-0092 dated 29 January 2008, the construction site of 5 parcels of land with site area of 773,316 sq.m. is in compliance with the urban planning requirements.
- (4) According to Business License No. 441300000017177, Huizhou Excellence Eastern Real Estate Development Co., Ltd. (惠州市卓越東部房地產開發有限公司) was established as an enterprise with a registered capital of RMB30,000,000 for a valid period expiring on 7 March 2027.
- (5) We have been provided with the legal opinion on the property prepared by the Group’s legal advisor, which contains, inter alia, the following assumption:
- (i) Huizhou Excellence Eastern Real Estate Development Co., Ltd. has obtained the land use rights.
 - (ii) It is the sole land user and has the rights to occupy, use, lease, mortgage, transfer or otherwise dispose of the property.
 - (iii) The property is free from any seizure, mortgage and other encumbrances.
 - (iv) All the land transfer price stated in the Land Use Right Transfer Contract has been fully settled.
- (6) The status of the title and grant of major approvals and licenses in accordance with the information provided by the Group are as follows:-

State-owned Land Use Rights Certificate	Yes
Land Use Rights Grant Contract	No
Ownership Transferring Agreement	Yes
Planning Permits of Construction Use of Land	Yes
Business License	Yes

APPENDIX IV

PROPERTY VALUATION

VALUATION CERTIFICATE

Group VI — Properties contracted to be acquired by the Group in the PRC

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 August 2009														
30. A parcel of land, located at northwest side of the junction of Shidai Avenue and Binkang Road (previously Nanxin Road), Binjiang District, Hangzhou, Zhejiang Province, The PRC (杭州項目)	The Property comprises a parcel of land with a total site area of approximately 15,161 sq.m. According to the Group, the property is planned to be developed into a composite development with details as follows: <table> <tr> <th>Use</th> <th>Gross floor area (sq.m.)</th> </tr> <tr> <td>Residential</td> <td>110,000</td> </tr> <tr> <td>Commercial</td> <td>13,000</td> </tr> <tr> <td>Hotel</td> <td>40,000</td> </tr> <tr> <td>Ancillary facilities</td> <td>2,286</td> </tr> <tr> <td>Basement</td> <td>41,916</td> </tr> <tr> <td>Total:</td> <td>207,202</td> </tr> </table>	Use	Gross floor area (sq.m.)	Residential	110,000	Commercial	13,000	Hotel	40,000	Ancillary facilities	2,286	Basement	41,916	Total:	207,202	The property is currently a vacant land.	No commercial value (See Note 1 below) (70% interest attributable to the Group: no commercial value)
Use	Gross floor area (sq.m.)																
Residential	110,000																
Commercial	13,000																
Hotel	40,000																
Ancillary facilities	2,286																
Basement	41,916																
Total:	207,202																
	The whole development is scheduled to be completed in June 2011. The land use rights of the Property have been granted for a term of 70, 50 and 40 years for residential, office and commercial use respectively.																

Notes:

- As at the date of valuation, the State-owned Land Use Rights Certificate of the property with a site area of approximately 15,161 sq.m. has not been obtained yet and we usually ascribe no commercial value to the property. However, as advised by the Group, as at 31 August 2009, the land grant premium has been paid. Had a valid State-owned Land Use Rights Certificate been issued to the property, all land premium related fees for the grant of the certificate and costs necessary to render the site ready for immediate development been fully settled, the market value of the property as at 31 August 2009 would be RMB1,298,000,000 (70% interests attributable to the Group, RMB908,600,000).
- According to Land Use Rights Grant Contract No. (2006) 16 dated 27 January 2006 entered into between Hangzhou State-owned Land and Resources Bureau (the “Grantor”) and Hangzhou Hengxi Real Estate Co., Ltd. (杭州恒興置業有限公司) (the “Grantee”), the Grantor has agreed to grant the land use rights of the property with a site area of 15,161 sq.m. to the Grantee for commercial, office and residential uses. Further details are summarized as follows:

Land Use Term	:	70 years for residential use, 50 years for office use and 40 years for commercial use
Land Grant Fee	:	RMB 115,533,582

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PROPERTY VALUATION

Maximum Gross Floor	:	Not exceeding 160,706.6 sq.m. (1,729,846 sq.ft.)
Construction Period	:	Commencing before 27 January 2007 with an extension of not exceeding 1 year in the case that the Grantee applying 30 days in advance to the deadline.

- (3) According to Construction Land Planning Permit No. (2008) ZGJ01080001 issued by Hangzhou Planning Bureau dated 7 January 2008, the construction site of a parcel of land with an area of 15,161 sq.m. in compliance with the urban construction requirements.
- (4) According to the Cooperation Agreement entered into between Chen Qishui (陳其水) (Party A) and Shenzhen Excellence Commercial Real Estate Co., Ltd. (深圳卓越商業置業有限公司) (Party B) dated on 19 December 2007, 70% shares of Hangzhou Hengxi Real Estate Co., Ltd. (杭州恒興置業有限公司) have been agreed to be acquired by Party B at a consideration of RMB 14,000,000.
- (5) According to Business License No. 330108000011779, Hangzhou Hengxi Real Estate Co., Ltd. (杭州恒興置業有限公司) was established with a registered capital of RMB20,000,000 for a valid period from 21 May 2004 to 20 May 2019.
- (6) We have been provided with the legal opinion on the property prepared by the Group’s legal advisor, which contains, inter alia, the following information:
- (i) The Land Use Rights Grant Contract is valid, legal and enforceable.
- (ii) The land premium has been fully settled.
- (iii) Hangzhou Hengxi Real Estate Co., Ltd. (杭州恒興置業有限公司) is in the process of applying for State-owned Land Use Rights Certificate and there should be no material legal obstacle for Hangzhou Hengxi Real Estate Co., Ltd. (杭州恒興置業有限公司) to obtain such certificate.
- (7) The status of the title and grant of major approvals and licenses in accordance with the information provided by the Group are as follows:

State-owned Land Use Rights Certificate	No
Land Use Rights Grant Contract	Yes
Construction Land Planning Permit	Yes
Business License	Yes

APPENDIX IV

PROPERTY VALUATION

VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 August 2009
31. Project Nanxin, South of Nanxin Road, South and North sides of Taiyuan Road Tianxia Village Nanshan District Guangdong Province, The PRC	According to the Redevelopment Cooperation Agreements, the property comprises 3 pieces of land with a total site area of approximately 38,720 sq.m. As advised by the Group, the property is planned to be developed into a residential development. Upon completion, portion of the property is to be handed over to current occupants for resettlement, and a total gross floor area of approximately 218,724 sq.m is to be held by the joint-developer.	The property is pending for removal of current occupants and demolition of existing building structures.	No commercial value (See Note 1 below)

Notes:

- (1) As at the date of valuation, the State-owned Land Use Rights Certificate of the property has not been obtained yet and we usually ascribe no commercial value to the property. Had the existing building structures located on the property been demolished, resettlement of current occupants been agreed, a valid State-owned Land Use Rights Certificate been issued to the property, all land premium related fees for the grant of the certificate and costs necessary to render the site ready for immediate development been fully settled by the Group, the market value of the property as at 31 August 2009 would be RMB2,882,000,000 (approximately 70% interest attributable to the Group, RMB2,017,400,000)
- (2) According to Redevelopment Cooperation Agreements entered into between Shenzhen Tianxia Industrial Co., Ltd. (深圳市田廈實業股份有限公司), Shenzhen Baishicheng Industrial Development Co., Ltd. (深圳市百仕成實業發展有限公司) (Party A) and Shenzhen Dongfang Mingzhu Real Estate Company Limited (深圳市東方明珠房地產開發有限公司), Excellence Real Estate Holdings Co., Ltd. (Party B) dated 20 April and 9 June 2006, both parties agreed to jointly develop Nanxin Street Old City.
- (3) According to Transfer Agreement entered into between Shenzhen Dongfang Mingzhu Real Estate Company Limited (深圳市東方明珠房地產開發有限公司) (Party A), and Excellence Real Estate Holdings Co., Ltd. (卓越置業集團有限公司) (Party B) on 21 March 2006, Party A has agreed to transfer the its interests in Nanxin Street Old City Redevelopment to Party B.
- (4) According to Business Licence No. 440301503272421 dated 14 December 2007, Excellence Real Estate Holdings Co., Ltd. (卓越置業集團有限公司) was established on 21 June 1996 with a registered capital of RMB750,000,000, for a valid operation period from 21 June 2006 to 21 June 2014.

APPENDIX IV

PROPERTY VALUATION

- (5)

We have been provided with legal opinion on the property prepared by the Group’s legal advisor, which contains, inter alia, the following information:
- (i)

The relevant contacts/ transfer agreements are valid, legally binding on both parties.

(ii)

After settlement of current occupants’ relocation and the entire land premium, obtaining Land Use Rights Grant Contract and State-owned Land Use Rights Certificate, Excellence Real Estate Holdings Co., Ltd. (卓越置業集團有限公司) and its corporative partners can obtain the land use rights of the property and develop the project according to relevant contacts.
- (6)

The status of the title and grant of major approvals and licences in accordance with the information provided by the Company are as follows:
- State-owned Land Use Rights Certificate

No

Land Use Rights Grant Contract

No

Business Licence

Yes

APPENDIX IV

PROPERTY VALUATION

VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 August 2009
32. Project Gangxia South of Shennan Road, North of Fuhua Three Road, West of Caitian Road, East of Jintian Road Futian District, Shenzhen Guangdong Province, The PRC (崗廈項目)	According to the Redevelopment Cooperate Agreement, the property comprises a piece of land with a total site area of approximately 151,600 sq.m. (including 10,000 sq.m to be handed over to a joint-developer). As advised by the Group, the property is planned to be developed into a residential development and is scheduled to be completed in December 2012. Upon completion, portion of the property is to be handed over to current occupants for resettlement, and a total gross floor area of approximately 487,120 sq.m is to be held by the joint-developer. The use and land use rights term of the property have not been confirmed by government authority.	Removal of current occupants and demolition of existing building structures are currently under progress.	No commercial value (See Note 1 below)

Notes:

- (1) As at the date of valuation, the State-owned Land Use Rights Certificate of the property has not been obtained yet and we usually ascribe no commercial value to the property. Had the existing building structures located on the property been demolished, resettlement of current occupants been agreed, a valid State-owned Land Use Rights Certificate been issued to the property, all land premium related fees for the grant of the certificate and costs necessary to render the site ready for immediate development been fully settled by the Group, the market value of the property as at 31 August 2009 would be RMB 11,194,000,000 (33.15% interests attributable to the Group, RMB3,710,811,000)
- (2) According to Redevelopment Cooperation Agreements entered into between Shenzhen Futian Old City Redevelopment Bureau (深圳市福田區舊城區重建局) (Party A), Shenzhen Gangxia Industrial Co., Ltd. (深圳市崗廈實業股份有限公司) (Party B) and Shenzhen Jindi Dabaihui Property Development Co., Ltd. (深圳金地大百匯房地產開發有限公司) (Party C) dated 27 July 2006, three parties have agreed to jointly develop Gangxia He Yuan Area.
- (3) According to Business Licence No. 440301103241827 dated 14 December 2007, Shenzhen Jindi Dabaihui Property Development Co., Ltd. was established on 13 April 2006 with a registered capital of RMB100,000,000, for a valid operation period expiring 25 April 2016.
- (4) We have been provided with legal opinion on the property prepared by the Group’s legal advisor, which contains, inter alia, the following information:
 - (i) The relevant contacts/transfer agreements are valid, legally binding on both parties.

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PROPERTY VALUATION

- (ii)

After settlement of current occupants’ relocation and the entire land premium, obtaining Land Use Rights Grant Contract and State-owned Land Use Rights Certificate, Shenzhen Jindi Dabaihui Property Development Co., Ltd. and its corporative partners can obtain the land use rights of the property and develop the project according to relevant contacts.
- (5)

The status of the title and grant of major approvals and licences in accordance with the information provided by the Company are as follows:
State-owned Land Use Rights Certificate	No
Land Use Rights Grant Contract	No
Business Licence	Yes

APPENDIX IV

PROPERTY VALUATION

VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 August 2009
33. Project Jinliju Longhu Tuozen Area Longhua County Shenzhen Guangdong Province, The PRC (金利居項目)	As advised by the Group, the property comprises a piece of land with a total site area of approximately 77,025 sq.m. It is planned to be developed into a residential development with a total floor area of 288,843 sq.m of which 226,174 sq.m. is to be held by the Group.	The property is currently a vacant land.	No commercial value (See Note 1 below)

Notes:

- (1) As at the date of valuation, the State-owned Land Use Rights Certificate of the property has not been obtained yet and we usually ascribe no commercial value to the property. Had the existing building structures located on the property been demolished, resettlement of current occupants been agreed, a valid State-owned Land Use Rights Certificate been issued to the property, all land premium related fees for the grant of the certificate and costs necessary to render the site ready for immediate development been fully settled by the Group, the market value of the property as at 31 August 2009 would be RMB 4,845,000,000.
- (2) According to Equity Transfer Agreements dated 29 July 2003 and 29 October 2007, the Group has acquired 100% equity of Shenzhen Jinliju Real Estate Development Co., Ltd. (深圳市金利居房地產開發有限公司)
- (3) According to the Minute of the meeting held by People’s Municipal of Shenzhen on 19 August 2009, the government has agreed to 1) transfer the land use rights of the property to Shenzhen Jinliju Real Estate Development Co., Ltd., if it agrees to develop the property in accordance to the current planning, or 2) compensate Shenzhen Jinliju Real Estate Development Co., Ltd. for withdrawing the property if it disagrees the arrangement (1).
- (4) According to Business Licence No. 440301102979910 dated 5 August 2008, Shenzhen Jinliju Real Estate Development Co., Ltd. was established on 15 June 1995 with a registered capital of RMB50,000,000, for a valid operation period expiring on 19 June 2020.
- (5) We have been provided with legal opinion on the property prepared by the Group’s legal advisor, which contains, inter alia, the following information:
 - (i) Based on the arrangement stated on the Minute, Shenzhen Jinliju Real Estate Development Co., Ltd. shall negotiate the aforesaid arrangement details with Shenzhen Land Resource Bureau and obtain the relevant approvals;
 - (ii) If no agreement is to be reached by both parties, the land use rights of the property will be withdrawn by relevant authority;
 - (iii) If both parties reach agreement, Shenzhen Jinliju Real Estate Development Co., Ltd. can carry on land use rights grant application.

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PROPERTY VALUATION

- (6) The status of the title and grant of major approvals and licences in accordance with the information provided by the Company are as follows:

State-owned Land Use Rights Certificate	No
Land Use Rights Grant Contract	No
Business Licence	Yes

APPENDIX IV

PROPERTY VALUATION

VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 August 2009
34. <u>Property Zhenbao</u> , <u>Site Code 2710</u> , Meilin Zhong Kang Pian Area and site code 1401 Tianhai Area, East of Shekou, Shenzhen Guangdong Province, The PRC	According to the Project Transfer Agreement, the property comprises a piece of land with a total site area of approximately 60,000 sq.m.. As advised by the Group, the property is planned to be developed into a commercial development with a total floor area of 370,545 sq.m.;	The property is currently a vacant land.	No commercial value (See Note 1 below)

Notes:

- (1) As at the date of valuation, the State-owned Land Use Rights Certificate of the property has not been obtained yet and we usually ascribe no commercial value to the property. Had a valid State-owned Land Use Rights Certificate been issued to the property, all land premium related fees for the grant of the certificate and costs necessary to render the site ready for immediate development been fully settled by the Group, the market value of the property as at 31 August 2009 would be RMB 6,445,000,000.
- (2) According to a Project Transfer Agreement dated 26 June 2009 entered into between Shenzhen Zhenbao Industrial Co., Ltd. (深圳市圳寶實業有限公司) (Party A), Shenzhen Zhaohe Real Estate Development Co., Ltd. (深圳市兆和房地產開發有限公司) (Party B), and Wu Zhongping (Party C), Parties A and C have agreed to transfer their interests on several parcels of land with an estimated total site area of approximately 60,000 square meters situated at Meilin Zhongkang sub-district and eastern Shekou in Shenzhen to Party B. The aggregate consideration to be paid is RMB670 million, subject to adjustment depending on relevant governmental approval on certain parcels of the land.
- (3) According to Compensation Agreement entered into between Shenzhen Land Resource Bureau (Party A) and Shenzhen Zhenbao Industrial Co., Ltd. (深圳市圳寶實業有限公司) (Party B), several parcels of commercial land with a total site area of approximately 60,000 sq.m. have been agreed to be compensated to Party B, for the local authorities taking back of certain land initially granted to Party B by way of administrative allocation and no land premium is required.
- (4) According to Business Licence No. 4403011258003 dated 30 April 2007, Shenzhen Zhaohe Real Estate Development Co., Ltd. (深圳市兆和房地產開發有限公司) was established on 7 March 2007 with a registered capital of RMB30,000,000, for a valid operation period expiring on 7 March 2027.
- (5) We have been provided with legal opinion on the property prepared by the Group’s legal advisor, which contains, inter alia, the following information:
 - (i) The Compensation Agreement is valid and binding on both parties.
 - (ii) After the confirmation of the compensated sites, Shenzhen Zhenbao Industrial Co., Ltd. shall enter into Land Use Rights Grant Contract with Shenzhen Land Resource Bureau, comply with relevant regulations.

APPENDIX IV

PROPERTY VALUATION

- (6) The status of the title and grant of major approvals and licences in accordance with the information provided by the Company are as follows:

State-owned Land Use Rights Certificate	No
Land Use Rights Grant Contract	No
Business Licence	Yes

APPENDIX IV

PROPERTY VALUATION

VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 August 2009
35. A parcel of land, 128 Yanji Road, Shibei District, Qingdao Shandong Province, The PRC	The property comprises a piece of land with a total site area of approximately 10,503.8 sq.m.. As advised by the Group, the property is planned to be developed into a residential development with a total floor area of 30,300 sq.m.. The land use rights have been granted for a term of 40 years commencing on 28 August 2009 for commercial use.	The property is currently a vacant land.	No commercial value (See Note 1 below)

Notes:

- (1) As at the date of valuation, the State-owned Land Use Rights Certificate of the property has not been obtained yet and we usually ascribe no commercial value to the property. Had a valid State-owned Land Use Rights Certificate been issued to the property, all land premium related fees for the grant of the certificate and costs necessary to render the site ready for immediate development been fully settled by the Group, the market value of the property as at 31 August 2009 would be RMB 124,000,000.
- (2) According to Land Use Rights Grant Contract No. 01-2009-0069 dated 4 September 2009, the land use rights of a site, with a total site area of 10,503.8 sq.m. have been agreed to be granted to Excellence Real Estate Holdings Co., Ltd. for a term of 40 years commencing on 28 August 2009 for commercial use. And the total consideration is RMB101,783,760.
- (3) According to Business Licence No. 440301503272421 dated 14 December 2007, Excellence Real Estate Holdings Co., Ltd. (卓越置業集團有限公司) was established on 21 June 1996 with a registered capital of RMB750,000,000, for a valid operation period from 21 June 2006 to 21 June 2014.
- (4) We have been provided with legal opinion on the property prepared by the Group's legal advisor, which contains, inter alia, the following information:
 - (i) The Land Use Rights Grant Contract entered into between Qingdao Land Resource Bureau and Excellence Real Estate Holdings Co., Ltd. is valid and legal.
 - (ii) After settlement of all the land premium according to the contract mentioned above, the Group should not have any impediment to obtain State-owned Land Use Rights Certificate.
- (5) The status of the title and grant of major approvals and licences in accordance with the information provided by the Company are as follows:

State-owned Land Use Rights Certificate	No
Land Use Rights Grant Contract	Yes
Business Licence	Yes

APPENDIX IV

PROPERTY VALUATION

VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 August 2009
36. Chengbang Villa Zhaogang County, Qingpu District, Shanghai, The PRC	The property comprises a piece of land with a total site area of approximately 188,138.9 sq.m. As advised by the Group, the property is planned to be developed into a residential development with a total floor area of approximately 83,356 sq.m. The land use rights of the property have been granted for a term of 70 years due to expire on 9 January 2072 for residential use.	The property is currently under construction.	No commercial value (See Note 1 below)

Notes:

- (1) As at the date of valuation, the State-owned Land Use Rights Certificate of the property was held by Shanghai Detian Real Estate Co., Ltd. which was the Company the Group intended to acquire, and we usually ascribe no commercial value to the property. Had the acquisition been completed by the Group, the market value of the property as at 31 August 2009 would be RMB 881,000,000.
- (2) As advised by the Group, 100% equity interest of Shanghai Detian Real Estate Co., Ltd. was acquired in September 2009.
- (3) According to Shanghai Certificate of Real Estate Ownership Nos. (2004) 142076, (2006)006790-006793, land use rights of the property having a total site area of 188,138.9 sq.m. have been issued to Shanghai Detian Real Estate Co., Ltd. for a term of 70 years expiring on 1 January 2072 for residential use.
- (4) According to Construction Works Planning Permit No. 0501QP0013D01310229200505272019, the construction works of portion of the property having a total area of 52,870 sq.m. is in compliance with the construction work requirements and have been permitted.
- (5) According to Pre-sale Permit Nos. (2008)0000821-0000822, (2008)0000902, portion of the property with a total gross floor area of 44,193.66 sq.m has been permitted to pre-sale.
- (6) According to Transfer Agreement dated 17 August 2009, entered into between Shanghai Jiacheng Investment Management Co., Ltd. (上海嘉誠投資管理有限公司), Shanghai Huiheng Investment Management Co., Ltd. (上海慧恒投資管理有限公司) and Excellence Real Estate Holdings Co., Ltd. the property has been agreed to transfer to Excellence Real Estate Holdings Co., Ltd. at a total consideration of RMB100,000,000.
- (7) According to Business Licence No. 310229000696527, Shanghai Detian Real Estate Co., Ltd. was established on 23 January 2003 with a registered capital of RMB100,000,000, for a valid operation period from 23 January 2003 to 22 October 2015.
- (8) We have been provided with legal opinion on the property prepared by the Group's legal advisor, which contains, inter alia, the following information:
 - (i) Shanghai Detian Real Estate Co., Ltd. has obtained the land use rights of the property.
 - (ii) A portion of the property is subject to a mortgage in favour of Agricultural Bank of China, Shanghai Huang Pu Branch.

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- (9) The status of the title and grant of major approvals and licences in accordance with the information provided by the Company are as follows:

State-owned Land Use Rights Certificate	No
Land Use Rights Grant Contract	No
Construction Works Planning Permit	No
Pre-sale Permit	No
Business Licence	Yes

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PROPERTY VALUATION

VALUATION CERTIFICATE

Group VII — Properties leased to the Group in the PRC

	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 August 2009
37.	The Group’s attributable interest in the operation rights pursuant to the Agreement in respect of Basements 1 to 3, Guangzhou Diwang Shopping Arcade (廣州地王商業廣場), No. 18 Jiaochang West Road, Yuexiu District, Guangzhou, The PRC	The property comprises a piece of land with a total site area of approximately 10,396 sq.m.. The property has a total gross floor area of approximately 21,069 sq.m.. The property has been leased to Guangzhou Guixin Industrial Co., Ltd. for commercial use by Guangdong Athletic Bureau. The land use rights of the property have been allocated for commercial use.	The property is currently leased for various lease terms with the latest tenancy due to expire on 27 June 2011.	RMB505,000,000

Notes:

- (1) According to the lease agreement dated 16 April 2002 and its supplemental agreement dated 12 December 2007 entered into between Guangdong People’s Stadium (廣東省人民體育場) (Party A) (as authorised by 廣東省人民體育場) and Guangzhou Guixin Industrial Co., Ltd. (廣州桂鑫實業有限公司) (Party B), both parties have agreed on the lease of basement commercial space of Guangzhou Diwang Shopping Arcade with the details as follows:

a. Project Name and Location:

- (i) Project Name: Guangzhou Diwang Plaza
- (ii) Location: Basement of Guangzhou Diwang Shopping Arcade, North Sports Yard, Guangdong People’s Stadium, No. 18 Jiaochang West Road, Guangzhou

- b. Site Area: 10,375 sq.m. (Based on the Red-line Map and Construction Land Planning Permit provided by Party A)

- c. Use: The aforesaid project is currently used as a basement commercial store by Party B with a total gross floor area of 23,000 sq.m.. (Based on the approval documents issued by Guangzhou Urban Planning Bureau)

- d. Ownership: The land ownership and development rights of property are held by Guangdong Sports Bureau and the project has been approved by Guangdong Sports Bureau to develop or to lease. After the completion of the project, Party B has the right to use, operate, lease and sublease Guangzhou Diwang Shopping Arcade for 20 years.

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- e. Lease term: 20 years from 16 April 2002 and renewable for another 20 years.
- f. Payment of rental: The operation income belongs to Party B and Party B agreed to pay an annual rental to Party A with agreed payment terms as follows:
- | | |
|---------------------|--------------|
| 1st year: | RMB3,000,000 |
| 2nd to 10th years: | RMB3,240,000 |
| 11th to 20th years: | RMB3,629,000 |
| 21st to 30th years: | RMB4,282,000 |
| 31st to 40th years: | RMB5,224,000 |
- (2) According to a lease registration certificate, the tenancy of the property has been duly registered in the relevant government authority;
- (3) Profit rent attributable to the Party B for the property has been assessed due to the following conditions:
- (i) Permission of sublease clause;
- (ii) A long lease term; and
- (iii) The rental payable is lower than the market rent
- (4) According to Construction Land Planning Permit No. (2001) 117 issued by Guangzhou Urban Planning Bureau dated 29 May 2001, the details are as follows:
- | | |
|-----------------------|---|
| Construction Party: | Guangdong Bureau |
| Construction Project: | Commercial and Plaza |
| Location: | East of Jiaochangxi Road and north of Guangdong People’s Stadium, Dongshan District |
| Site Area: | 10,396 sq.m. |
- (5) According to Construction Works Planning Permit No. (1997) 274 issued by Guangzhou Urban Planning Bureau on 15 February 2001, the details are as follows:
- | | |
|-----------------------|---|
| Construction Party: | Guangdong Athletic Sports Committee |
| Location: | South of Hero Plaza and north of Guangdong People’s Stadium, <u>Zhongshan</u> San Road, Dongshan District |
| Construction Project: | Shopping Mall |
| No. of Storeys: | 3-storeys under ground |
| Gross Floor Area: | 21,069 sq.m. |
- (6) According to Business Licence No.4401011108824 dated 16 April 2002, Guangzhou Guixin Industrial Co., Ltd. (廣州桂鑫實業有限公司) became a wholly foreign owned enterprise with a registered capital of RMB3,000,000.
- (7) We have been provided with the legal opinion on the property prepared by the Group’s legal advisor, which contains, inter alia, the following information:
- (i) The lease agreement and its supplemental agreement entered into between Guangdong People’s Stadium (廣東省人民體育場) and Guangzhou Guixin Industrial Co., Ltd. (廣州桂鑫實業有限公司) have been registered and they are legal and enforceable. The obligations and responsibilities under such agreement are enforceable under the PRC laws;

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- (ii)

The lessor has obtained the construction works completion certification of the property and relevant approval for leasing the property;
- (iii)

Guangzhou Guixin Industrial Co., Ltd. has the right to sub-lease the property and is entitled to receive rental income in accordance with the sub-lease contracts.
- (8)

The status of the title and grant of major approvals and licences in accordance with the information provided by the Group are as follows:
Agreement Letter	Yes
Construction Land Planning Permit	Yes
Approval Letter about the Application of Construction Works	Yes
Business Licence	Yes

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PROPERTY VALUATION

	Property	Description and particulars of occupancy	Capital value in existing state as at 31 August 2009
38.	Unit 9, North of 2nd Floor, New Energy Building (新能源大厦), Nanyou Avenue, Nanshan District, Shenzhen, The PRC	The property comprises one office units on 2nd floor of a 11-storey commercial building completed in 1996. The property comprising a total gross floor area of approximately 85 sq.m. is currently leased to Shenzhen Dongrun Investment Consultancy Co., Ltd. (深圳東潤澤投資顧問有限公司) for office use with a term of 4 year from 1 June 2008 to 30 May 2013 at a monthly rent of RMB2,550. According to the PRC legal opinion, the lessor is entitled to lease the property. The lease has been registered in the relevant authority and is legal, valid, binding on both parties and enforceable.	No commercial value
39.	North of 2nd Floor, New Energy Building (新能源大厦), Nanyou Avenue, Nanshan District, Shenzhen, The PRC	The property comprises an office unit on 2nd floor of a 11-storey commercial building completed in 1996. The property having a floor area of approximately 120 sq.m. is currently leased to Shenzhen Excellence Property Management Co., Ltd. (深圳市卓越物業管理有限公司) for office use with a term of 4 year from 22 March 2008 to 21 March 2013 at a monthly rent of RMB3,600. According to the PRC legal opinion, the lessor is entitled to lease the property. The lease has been registered in the relevant authority and is legal, valid, binding on both parties and enforceable.	No commercial value
40.	Unit 12, North of 2nd Floor, New Energy Building (新能源大厦), Nanyou Avenue, Nanshan District, Shenzhen, The PRC	The property comprises one office units on 2nd floor of a 11-storey commercial building completed in 1996. The property comprising a total gross floor area of approximately 48 sq.m. is currently leased to Shenzhen Bangye Hotel Management Co., Ltd. (深圳邦業酒店經營管理有限公司) for office use with a term of 4 year from 21 July 2008 to 20 July 2012 at a monthly rent of RMB1,440. According to the PRC legal opinion, the lessor is entitled to lease the property. The lease has been registered in the relevant authority and is legal, valid, binding on both parties and enforceable.	No commercial value
41.	Unit Nos. 9, 10 and 11, New World Trade Building (新世紀國貿大廈), No.568 Jianshe Avenue, Hankou Wuhan, The PRC	The property comprises 3 office units on 18th floor of a 55-storey office building completed in 2005. The property comprising a total gross floor area of approximately 523.58 sq.m. is currently leased to Wuhan Excellence Real Development Co., Ltd. (武漢卓越房地產開發有限公司) for office use, with a term of 4 year from 1 February 2006 to 31 January 2010 at a monthly rent of RMB27,479.05. According to the PRC legal opinion, the lessor is entitled to lease the property. The lease has been registered in the relevant authority and is legal, valid, binding on both parties and enforceable.	No commercial value
Group VIII-Property leased to the Group in Hong Kong			
42.	Suite. 3603, 36th Floor, Citibank Tower, No.3 Garden Road, Hong Kong	The property comprises on office unit on the 36th floor of a 47-storey commercial building completed in 1992. The property has a total lettable area of approximately 817 sq.ft. and is occupied by the Group as an office. The property is leased to the Group for a term of two years from 1 April 2008 to 31 March 2011 at a monthly rent of HK\$93,955 exclusive of management fee and other outgoings.	No Commercial Value

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TAXATION

The following discussion is a summary of some anticipated tax consequences of our operations and of your investment in our Shares under tax laws of mainland China, Hong Kong and the Cayman Islands. The discussion does not deal with all possible tax consequences relating to our operations or to your investment in our Shares. In particular, the discussion does not address the tax consequences under provincial, local and other (e.g. non-PRC, non-Hong Kong and non-Cayman Islands) tax laws. Accordingly, you should consult your tax advisor regarding your particular tax consequences of an investment in our Shares. The following discussion is based upon laws and their interpretations in effect as of the date of this document, all of which are subject to change.

MAINLAND CHINA TAXATION

Because we are not incorporated in mainland China, your investment in our Shares is largely exempt from PRC tax laws. But because virtually all of our business operations are in mainland China and we carry out these business operations through operating subsidiaries and joint ventures organized under the PRC law, we confirm that our PRC operations and our operating subsidiaries and joint ventures in mainland China are subject to the following PRC tax laws and regulations at the disclosed tax rates, which indirectly affect your investment in our Shares.

Dividends from Our PRC Operations

Under the PRC tax laws effective prior to January 1, 2008, dividends paid by our PRC subsidiaries or joint ventures to us were exempt from PRC income tax. However, pursuant to the PRC Enterprise Income Tax Law 《中華人民共和國企業所得稅法》 and its implementation rules that became effective on January 1, 2008, dividends payable by foreign invested enterprises, such as subsidiaries and joint ventures in China, to their foreign investors are subject to a withholding tax at a rate of 10%.

Under the new PRC Enterprise Income Tax Law and its implementation rules, enterprises established under the laws of foreign jurisdictions but whose “de facto management body” is located in China are treated as “resident enterprises” for PRC tax purposes, and will be subject to PRC income tax on their worldwide income. For such PRC tax purposes, dividends from PRC subsidiaries to their foreign shareholders are excluded from such taxable worldwide income. Under the implementation rules of the new PRC Enterprise Income Tax Law, “de facto management bodies” is defined as the bodies that have material and overall management control over the business, personnel, accounts and properties of an enterprise. Because this tax law is new and its implementation rules are newly issued, there is uncertainty as to how this new law and its implementation rules will be interpreted or implemented by relevant tax bureaus.

On February 22, 2008, the Ministry of Finance and State Tax Bureau jointly issued the No. 1 2008 circular which further stated that for foreign owned enterprises, all profits that accumulated up to December 31, 2007 will be exempt from withholding tax when they are distributed to foreign shareholders in the future. Accordingly, the requirements on withholding tax do not impact our financial statements as of December 31, 2007.

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Dividends We Pay to You

Because we are not incorporated in mainland China, under the PRC tax laws effective prior to January 1, 2008, even though we had significant operating subsidiaries and joint ventures in mainland China, our distribution of dividends to our overseas investors was not subject to PRC tax. The new PRC Enterprise Income Tax Law and its implementation rules, however, impose a withholding tax at the rate of 10% on dividends paid to investors that are “non-resident enterprises,” to the extent such dividends are sourced within China. It is not clear whether you will be subject to such PRC withholding taxes as a result. A non-resident enterprise for such tax purposes is defined to include any non-PRC incorporated enterprise that does not have an establishment or place of business in China. Although a foreign investor has such establishment or place of business in China, such withholding is not applicable if the relevant income is not effectively connected with its establishment or place of business in China. Due to these new provisions in the PRC Enterprise Income Tax Law, despite many uncertainties with respect to their actual intentions and practical effects, if we are considered a PRC resident enterprise, the dividends we pay with respect to our Shares may be treated as income derived from sources within China and be subject to the PRC withholding tax.

Transfer or Disposition of Our Shares

As we are not incorporated in mainland China, under the PRC tax laws, any transfer or disposition of our Shares by an overseas investor did not trigger PRC tax liabilities. The new PRC Enterprise Income Tax Law and its implementation rules, however, impose a withholding tax at the rate of 10% on capital gains realized by investors that are “non-resident enterprises,” to the extent such gains are sourced within China. It is not clear whether you will be subject to such PRC withholding taxes as a result. A non-resident enterprise for such tax purposes is defined to include any non-PRC incorporated enterprise that does not have an establishment or place of business in China. Any gain realized on the transfer of Shares by such investors is subject to 10% PRC income tax if such gain is regarded as income derived from sources within China. Due to these new provisions in the PRC Enterprise Income Tax Law, despite many uncertainties with respect to their actual intentions and practical effects, if we are considered a PRC resident enterprise, the gain you may realize from the transfer of our Shares, may be treated as income derived from sources within China and be subject to the PRC income tax.

Our Operations in Mainland China

Our subsidiaries and joint ventures through which we conduct our business operations in mainland China are subject to PRC tax laws and regulations.

Deed Tax. Under the PRC Interim Regulation on Deed Tax 《中華人民共和國契稅暫行條例》 a deed tax is chargeable to transferees of land use rights and/or ownership in real properties within the territory of mainland China. These taxable transfers include:

- grant of use right of state-owned land;
- sale, gift and exchange of land use rights, other than transfer of right to manage rural collective land; and

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- sale, gift and exchange of real properties.

Deed tax rate is between 3% to 5% subject to determination by local governments at the provincial level in light of the local conditions.

Corporate Income Tax. Prior to the new PRC Enterprise Income Tax Law effective January 1, 2008, our PRC subsidiaries and joint ventures were generally subject to a 33% corporate income tax. Under the new PRC Enterprise Income Tax Law, effective from January 1, 2008, a unified enterprise income tax rate is set at 25% for both domestic enterprises and foreign-invested enterprises, with the exception of those enterprises that enjoy preferential tax treatment according to current laws and regulations. However, there will be a five-year transition period for enterprises currently enjoying a preferential income tax rate under the current tax laws and administrative regulations. In addition, dividends from PRC subsidiaries to their foreign shareholders will be subject to a withholding tax at a rate of 10%. However, under the new PRC Enterprise Income Tax Law, enterprises established under the laws of foreign jurisdictions but whose “de facto management body” is located in China are treated as “resident enterprises” for PRC tax purposes, and will be subject to PRC income tax on their worldwide income. Dividends from PRC subsidiaries to their foreign shareholders are excluded from such taxable worldwide income. Under the implementation rules of the new PRC Enterprise Income Tax Law, “de facto management bodies” is defined as the bodies that have material and overall management control over the business, personnel, accounts and properties of an enterprise. Because this tax law is new and its implementation rules are newly issued, there is uncertainty as to how this new law and its implementation rules will be interpreted or implemented by relevant tax bureaus.

Business Tax. Under the PRC Interim Regulation on Business Tax 《中華人民共和國營業稅暫行條例》 of 1994, services in mainland China are subject to business tax. Taxable services include sale of real estate in mainland China. Business tax rate is between 3% to 20% depending on the type of services provided. Sale of real properties and other improvements on the land attract a business tax at the rate of 5% of the turnover of the selling enterprise payable to the relevant local tax authorities.

On June 6, 2006, the State Administration of Taxation and the Ministry of Finance jointly issued a Notice on Adjusting the Relevant Policies for Real Estate Business Taxes 《關於調整房地產營業稅有關政策的通知》. According to the notice, from June 1, 2006, business tax will be imposed on the full amount of the sale income, upon the transfer of a residential house by an individual within five years from the purchase date. In the case of a house other than an ordinary residential house, business tax will be imposed on the difference between the sale income and the purchase price, provided that the transfer occurs after five years from the purchase date. 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. According to the circular, effective January 1, 2009, the Notice on Adjusting the Relevant Policies for Real Estate Business Taxes has been abolished.

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Land Appreciation Tax. Under the PRC Interim Regulation on Land Appreciation Tax 《中華人民共和國土地增值稅暫行條例》 of 1994 and its implementing rules of 1995, LAT applies to both domestic and foreign investors in real properties in mainland China, irrespective of whether they are corporate entities or individuals. The tax is payable by a taxpayer on the appreciation value derived from the transfer of land use rights, buildings or other facilities on such land, after deducting the “deductible items” that include the following:

- payment made to acquire land use rights;
- costs and charges incurred in connection with land development;
- construction costs and charges in the case of newly constructed buildings and facilities;
- assessed value in the case of old buildings and facilities;
- taxes paid or payable in connection with the transfer of land use rights, buildings or other facilities on such land; and
- other items allowed by the Ministry of Finance.

The tax rate is progressive and ranges from 30% to 60% of the appreciation value as compared to the “deductible items” as follows:

Appreciation value	LAT rate
Portion not exceeding 50% of deductible items	30%
Portion over 50% but not more than 100% of deductible items	40%
Portion over 100% but not more than 200% of deductible items	50%
Portion over 200% of deductible items.....	60%

Exemption from LAT is available to the following cases:

- Taxpayers constructing ordinary residential properties for sale (i.e. the residences built in accordance with the local standard for residential properties used by the general population, excluding deluxe apartments, villas, resorts etc.), where the appreciation amount does not exceed 20% of the sum of deductible items;
- Real estate taken over and repossessed according to laws due to the construction requirements of the state; and
- Due to redeployment of work or improvement of living standard, transfers by individuals of originally self-used residential properties, with five years or longer of self-used residence and with tax authorities’ approval.

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According to a notice issued by the Ministry of Finance in January 1995, the LAT regulation does not apply to the following transfers of land use rights:

- real estate transfer contracts executed before January 1, 1994; and
- first time transfers of land use rights and/or premises and buildings during the five years commencing on January 1, 1994 if the land grant contracts were executed or the development projects were approved before January 1, 1994 and the capital has been injected for the development in compliance with the relevant regulations.

After the enactment of the PRC Interim Regulation on Land Appreciation Tax and the implementation rules in 1994 and 1995, respectively, due to the long period of time typically required for real estate developments and their transfers, many jurisdictions, while implementing these regulations and rules, did not require real estate development enterprises to declare and pay the LAT as they did other taxes. Therefore, in order to assist the local tax authorities in the collection of LAT, the Ministry of Finance, State Administration of Taxation, Ministry of Construction and State Land Administration Bureau separately and jointly issued several notices to reiterate that, after the assignments are signed, the taxpayers should declare the tax to the local tax authorities where the real estate is located, and pay the LAT in accordance with the amount as calculated by the tax authority and within the time period as required. For those who fail to acquire proof as regards the tax paid or the tax exemption from the tax authorities, the real estate administration authority will not process the relevant title change procedures, and will not issue the property ownership certificates.

The State Administration of Taxation issued a further notice in July 2002 to require local tax authorities to require prepayment of LAT on basis of proceeds from pre-sale of real estate.

In December 2006, the State Administration of Taxation issued a Notice on the Administration of the Settlement of Land Appreciation Tax of Property Development Enterprises 《關於房地產開發企業土地增值稅清算管理有關問題的通知》, which came into effect on February 1, 2007. The notice required settlement of LAT liabilities by real estate developers. Provincial tax authorities are given authority to formulate their implementation rules according to the notice and their local situation.

Urban Land Use Tax. Pursuant to the Interim Regulations of the People’s Republic of China on Land Use Tax in respect of Urban Land 《中華人民共和國城鎮土地使用稅暫行條例》 promulgated by the State Council in September 1988, the land use tax in respect of urban land is levied according to the area of relevant land. The annual tax on urban land was between Rmb 0.2 and Rmb 10 per square meter. An amendment by the State Council in December 2006 changed the annual tax rate to between Rmb 0.6 and Rmb 30 per square meter of urban land.

Buildings Tax. Under the Interim Regulations of the People’s Republic of China on Buildings Tax 《中華人民共和國房產稅暫行條例》 promulgated by the State Council in September 1986, buildings tax applicable to domestic enterprises is 1.2% if it is calculated on the basis of the residual value of a building and 12% if it is calculated on the basis of the rental.

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Urban Real Estate Tax. Under the Interim Regulations of the People's Republic of China on Urban Real Estate Tax 《中華人民共和國城市房地產稅暫行條例》 issued by the State Council in August 1951, enterprises with foreign investment are subject to urban real estate tax, and the tax rate is 1.5% calculated on the basis of the value of a building with the land use rights and 15% calculated on the basis of the rental for rental properties. On December 31, 2008, the State Council announced that as of January 1, 2009, the Interim Regulations of the People's Republic of China on Urban Real Estate Tax is repealed.

Stamp Duty. Under 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 in August 1988, for property transfer instruments, including those in respect of property ownership transfers, the duty rate is 0.05% of the amount stated therein; for permits and certificates relating to rights, including property ownership certificates and land use rights certificates, stamp duty is levied on an item-by-item basis of Rmb 5 per item.

Municipal Maintenance Tax. Under the 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 in 1985, taxpayer, whether an individual or otherwise, of product tax, value-added tax or business tax are required to pay municipal maintenance tax calculated on the basis of product tax, value-added tax and business tax. The tax rate is 7% for a taxpayer whose domicile is in an urban area, 5% for a taxpayer whose domicile is in a county or a town, and 1% for a taxpayer whose domicile is not in any urban area or county or town. Under the Circular Concerning Temporary Exemption from Municipal Maintenance Tax and Education Surcharge For Enterprises with Foreign Investment and Foreign Enterprises 《關於外商投資企業和國外企業暫不徵收城市維護建設稅和教育費附加的通知》 issued by the State Administration of Taxation in February 1994, the municipal maintenance tax is not applicable to foreign invested enterprises 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 and the Decision on Amendment to 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 respectively in April 1986 and as amended in June 1990 and August 2005, any taxpayer, whether an individual or otherwise, of value-added tax, business tax or consumption tax is liable for an education surcharge, unless such taxpayer is required to pay a rural area education surcharge as provided by the Notice of the State Council on Raising Funds for Schools in Rural Areas 《國務院關於籌措農村學校辦學經費的通知》. The Education Surcharge rate is 3% calculated on the basis of consumption tax, value-added tax and business tax. Under the Circular Concerning Temporary Exemption from Municipal Maintenance Tax and Education Surcharge For Enterprises with Foreign Investment and Foreign Enterprises issued by the State Administration of Taxation in February 1994 and the Supplementary Circular 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 in October 1994, the education surcharge is not applicable to foreign invested enterprises the time being.

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HONG KONG TAXATION

Dividends

Under the current practice of the Inland Revenue Department, no tax is payable in Hong Kong in respect of dividends we pay to our shareholders. Dividends distributed to our shareholders are free of withholding taxes in Hong Kong.

Capital Gains and Profit Tax

No tax is imposed in Hong Kong in respect of capital gains from the sale of our Shares. Trading gains from the sale of our Shares by persons carrying on a business in Hong Kong, where such gains are sourced in Hong Kong and arise from such business, will be chargeable to Hong Kong profits tax. Currently, profits tax is imposed on corporations at the rate of 16.5% and on individuals at a maximum rate of 15.0%. Gains from sale of our Shares effected on the Stock Exchange will be considered to be sourced in Hong Kong. Liability for Hong Kong profits tax would thus arise in respect of trading gains from sale of our Shares effected on the Stock Exchange realized by persons carrying on a business of trading or dealing in securities in Hong Kong.

Stamp duty

Hong Kong stamp duty will be payable by the purchaser on every purchase, and by the seller on every sale, of our Shares. The duty is charged at the ad valorem rate of 0.1% of the consideration for, or (if greater) the value of, our Shares transferred on each sale and purchase. In other words, a total of 0.2% of stamp duty is currently payable on a typical sale and purchase transaction of our Shares. In addition, any instrument of transfer (if required) will be subject to a flat rate of stamp duty of HK\$5. Where a sale or purchase of our Shares is effected by a non-Hong Kong resident and any stamp duty payable on the contract notes is not paid, the relevant instrument of transfer (if any) will be chargeable with such duty, together with the duty otherwise chargeable thereon, and the transferee will be liable to pay such duty.

CAYMAN TAXATION

Pursuant to section 6 of the Tax Concessions Law (1999 Revision) of the Cayman Islands, We have obtained an undertaking from the Governor in Cabinet:

- (a) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits or income or gains or appreciation will apply to us or our operations; and
- (b) in addition, that no tax to be levied on profits, income gains or appreciations or which is in the nature of estate duty or inheritance tax will be payable by us:
 - (i) on or in respect of our shares, debentures or other obligations; or

APPENDIX V**TAXATION**

- (ii) by way of withholding in whole or in part of any relevant payment as defined in Section 6(3) of the Tax Concession Law (1999 Revision).

The undertaking is for a period of 20 years from July 4, 2006.

The Cayman Islands currently levies 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 us 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 is not a party to any double tax treaties.

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands. We do not hold, and do not intend to hold, any interest in land in the Cayman Islands.

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ESTABLISHMENT OF A REAL ESTATE DEVELOPMENT ENTERPRISE

According to the Law of the People’s Republic of China on Administration of Urban Real Estate 《中華人民共和國城市房地產管理法》 (“Urban Real Estate Administration Law”) promulgated by the National People’s Congress, effective on January 1, 1995, as amended in August 2007, a real estate developer is defined as an enterprise that engages in the development and operation of real estate for the purpose of making profits. Under the Regulations on Administration of Development of Urban Real Estate 《城市房地產開發經營管理條例》 promulgated by the State Council in July 1998 (the “Development Regulations”), an enterprise that is to engage in development of real estate must satisfy the following requirements:

- its registered capital must be Rmb 1 million or more; and
- it must have (i) four or more full-time professionals who hold the relevant certificates in real estate development or construction engineering and (ii) two or more full-time accounting officers who hold the relevant certificates.

The local government of a province, autonomous region or municipality directly under the PRC central government may, depending on local circumstances, impose more stringent requirements on the registered capital and the professional personnel of a real estate developer.

Pursuant to the Regulations on Real Estate Developments of Guangdong Province 《廣東省房地產開發經營條例》, revised by the Standing Committee of Guangdong Provincial People’s Congress and enforced on October 16, 1997, the self-owned working capital of a real estate development enterprise in the Guangdong Province shall not be less than Rmb 3 million, and real estate development enterprises with different qualification classifications should comply with the relevant requirements on full-time professional technicians applicable to such enterprises.

Pursuant to the Regulations on Property Development of Hunan Province 《湖南省城市房地產開發經營管理辦法》, enacted by the People’s Government of Hunan Province on April 12, 2006 and enforced on June 1, 2006, the registered capital of a property development enterprise in Hunan Province shall not be less than Rmb 4 million, and property development enterprises with different qualification classification should comply with the relevant requirements on full-time professional technicians applicable to such enterprises.

To establish a real estate development enterprise, the developer must apply for registration with the administration for industry and commerce. The developer must also report its establishment to the real estate development authority in the location of its registration, within 30 days of the receipt of its business license. Where a foreign-invested enterprise is to be established to engage in the development and operation of real estate, it must also comply with the relevant requirements under the PRC laws and regulations regarding foreign-invested enterprises and apply for approvals relating to foreign investments in China.

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Under the Foreign Investment Industrial Guidance Catalogue 《外商投資產業指導目錄》 promulgated by the MOFCOM and the NDRC in November 2004,

- the development and construction of ordinary residential properties falls within the category of industries in which foreign investment is encouraged,
- the comprehensive development of tracts of land (limited to equity joint ventures or cooperative joint ventures), the construction and operation of high-end hotels, villas, premium office buildings, international conference and exhibition centers and large theme parks falls within the category of industries in which foreign investment is subject to restrictions,
- other real estate development falls within the category of industries in which foreign investment is permitted.

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 shall be removed from the category of industries in which foreign investment is encouraged, whereas the trading and brokering of real properties in the secondary market will fall under the category of industries in which foreign investment is subject to restrictions.

A foreign investor intending to engage in the development and sale of real estate in China may establish an equity joint venture, a cooperative joint venture or a wholly foreign-owned enterprise by the foreign investor in accordance with the PRC laws and administrative regulations regarding foreign-invested enterprises.

Under the Notice on Adjusting the Portion of Capital Fund for Fixed Assets Investment of Certain Industries 《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 in April 2004, the minimum capital ratio of real estate projects (excluding affordable housing projects) has been increased from 20% to 35%. On May 25, 2009, the State Council issued the new Notice on Adjusting the Portion of Capital Fund for Fixed Assets Investment 《國務院關於調整固定資產投資項目資本金比例的通知》, under which the minimum capital ratio of low-to-mid-income housing and ordinary commodity housing projects shall be 20% and the minimum capital ratio of other real estate projects shall be 30%.

On July 11, 2006, the Ministry of Construction, the MOFCOM, the NDRC, the PBOC, the State Administration of Industry and Commerce ("the SAIC") and SAFE jointly promulgated 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》. According to this Circular, the access and administration of foreign capital in the property market must comply with the following requirements:

- Foreign institutions or individuals who buy real properties not for their own use in China should follow the principle of commercial presence and apply for the establishment of

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foreign-invested enterprises pursuant to the regulations of foreign investment in real properties. After obtaining the approvals from relevant authorities and upon completion of the relevant registrations, foreign institutions and individuals can then conduct business pursuant to their approved business scope.

- 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.
- For establishment of a foreign-invested property enterprise, the commerce authorities and the administration for industry and commerce shall be responsible for the approval and registration of the foreign-invested property enterprise and the issuance of a temporary approval certificate for a foreign-invested enterprise (which is effective for one year) and a temporary business license. Upon full payment of the land premium for the land-use rights, the foreign-invested property enterprise should apply for the Certificate of Land-Use Rights. With such Certificate of Land-Use Rights, it can obtain a formal Approval Certificate for a Foreign-Invested Enterprise from the commerce authorities and a formal business license which has the same approved business term as the formal Approval Certificate for Foreign-Invested Enterprise.
- Transfers of projects of 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 compliance with State-owned Land-Use Rights Grant Contract, Construction Land Planning Permit and Construction Work Planning Permit; b) Certificate of Land-Use Rights; c) documents evidencing the filing for modification with the relevant construction authorities; and d) documents evidencing the payment of tax provided by relevant tax authorities.
- 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 placing employees and handling debts owed to banks, and pay the transfer consideration in one single payment with its own funds. Foreign investors with records of improper activities shall not be allowed to conduct such acquisition activities.

On August 14, 2006, the General Office of MOFCOM enacted the Notice on Relevant Issues Concerning the Carrying out Opinion on Regulatory the Access 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

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capital must not be less than 70% of the total estimated investment. When a foreign investor acquires a domestic property development enterprise by equity transfer, the entire consideration for the transfer must be fully paid in one single payment with its own funds within three months of the earlier of the issuance of the business license or the effective date of the equity transfer agreement.

On May 23, 2007 the MOFCOM and the SAFE jointly issued the Notice on Further Strengthening and Regulating the Approval and Supervision of 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》 which provides the following requirements for approval and supervision of foreign investment in real estate:

- foreign investment in the real estate sector in China relating to high-end properties should be strictly controlled;
- before obtaining approval for the establishment of real estate enterprises with foreign investment, (i) both the land use right 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;
- enterprises which have been set up with foreign investment need to obtain approval before they expand their business operations into the real estate sector and enterprises which have been set up for real estate development need to obtain new approval in case they expand their real estate business operations;
- acquisitions of real estate enterprises and foreign investment in real estate sector by way of round-trip investment should be strictly regulated. Foreign investors should not evade approval procedures by changing actual controlling persons of domestic real estate enterprises;
- investors in real estate enterprises with foreign investment should not in any way guarantee a fixed investment return;
- filing shall be simultaneously made with the MOFCOM when the establishment of real estate enterprises with foreign investment is approved by local governmental authorities; and
- foreign exchange administration authorities and banks authorized to conduct foreign exchange business should not effectuate foreign exchange settlements regarding capital account items for those which fail to file with the MOFCOM or fail to pass the annual inspection.

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On July 10, 2007, the General Department of the SAFE issued the Notice Regarding the Publication of the First Group of Real Estate Enterprises 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 notice restricts the ability of foreign-invested real estate enterprises to raise funds offshore and then inject funds into the enterprises either through capital increase or by way of shareholder loans. The notice provides, among other things:

- that the SAFE will no longer process foreign debt registration or foreign debt settlement for real estate enterprises with foreign investment that obtained authorization certificate from and registered with the MOFCOM on or after June 1, 2007; and
- that the SAFE will no longer process foreign exchange registration (or change of such registration) or application for sale and purchase of foreign exchange for real estate enterprises with foreign investment that obtained approval certificates from local commerce authorities on or after June 1, 2007 but have not registered with the MOFCOM.

QUALIFICATIONS OF A REAL ESTATE DEVELOPER

Under the Provisions on Administration of Qualifications of Real Estate Developers 《房地產開發企業資質管理規定》 (the “Provisions on Administration of Qualifications”) promulgated by the Ministry of Construction in March 2000, a real estate developer must apply for registration of its qualifications according to such Provisions on Administration of Qualifications. An enterprise may not engage in property development without a qualification classification certificate for real estate development. The Ministry of Construction oversees the qualifications of real estate developers with national operations, and local real estate development authorities at or above the county level oversee the qualifications of local real estate developers.

In accordance with the Provisions on Administration of Qualifications, real estate developers are classified into four classes.

- Class 1 qualifications are subject to preliminary examination by the construction authorities at the provincial level and final approval of the Ministry of Construction. A class 1 real estate developer is not restricted as to the scale of its real estate projects and may undertake a real estate development anywhere in the country.
- Class 2 or lower qualifications are regulated by the construction authorities at the provincial level. A real estate developer of class 2 or lower may undertake a project with a gross floor area of less than 250,000 square meters subject to confirmation by the construction authorities at the provincial level.

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Under the relevant PRC laws and regulations, the real estate development authorities will examine applications for registration of qualifications submitted by real estate developers by considering their professional personnel, financial condition and operating results. A real estate developer that passes the qualification examination will be issued a qualification certificate of the relevant class by the qualification examination authority. A developer of any qualification classification may only engage in the development and sale of real estate within its approved scope of business and may not engage in business which is limited to another classification.

For a newly established real estate developer, the real estate development authority will issue a provisional qualification certificate, if it is an eligible developer, within 30 days of receipt by the authority of the application. The provisional qualification certificate will be effective for one year from its date of issuance and may be extended for not more than two additional year with the approval of the real estate development authority. The real estate developer must apply for qualification classification to the real estate development authority within one month before expiration of the provisional qualification certificate.

Under the Regulations on Property Development of Hunan Province 《湖南省城市房地產開發經營管理辦法》, the qualifications of property development enterprises are classified into class 1, class 2, class 3, class 4 and provisional qualification. The class 1 qualification shall be subject to preliminary assessment by the property development authority under the provincial government and final approval by the construction authority under the State Council; Classes, 2, 3 and 4 and the provisional qualifications shall be assessed by the property development authority under the provincial government. For classes 3 and 4 and the provisional qualification, the property development authority under the provincial government can entrust the property development authority under the local governments of a lower level to assess the qualifications and report to the relevant provincial governments. The qualification certificates for classes 1 through 4 valid for three years. The provisional qualification certificate is valid for one year. The relevant authorities can extend the validity period of provisional qualification certificate for not more than two years after considering the actual business situation of the enterprise.

Under the Regulations on Property Development of Hunan Province, the gross floor area of a project to be developed by a class 1 property developer is not restricted. The gross floor area of project to be developed by a class 2 property developer should be less than 250,000 square meters. A class 3 property developer may undertake a project with a gross floor area of less than 150,000 square meters. The gross floor area of project to be developed by a property developer of class 4 and with provisional qualification should be less than 50,000 square meters.

The Regulations on Property Development of Chongqing City 《重慶市城市房地產開發經營管理條例》, which came into effect on July 1, 2000, provide that the qualifications of property development enterprises are classified into four classes with different requirements for each class. Property enterprises of class 1 can develop residential communities of various types. Property enterprises of

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class 2 can develop residential communities with a gross floor area of less than 250,000 square metres. Property enterprises of class 3 can develop residential communities with a gross floor area of less than 100,000 square metres. Property enterprises of class 4 can develop residential communities with a gross floor area of less than 20,000 square metres.

Pursuant to the Provisions on Administration of the Qualifications of Urban Property Development Enterprises of Shandong Province 《山東省城市房地產開發企業資質管理規定》 implemented on March 8, 2005, the qualifications of property development enterprises are classified into four classes and provisional qualification. For enterprises of class 1, the registered capital shall not be less than Rmb 50 million. For enterprises of class 2, the registered capital shall not be less than Rmb 30 million. For enterprises of class 3, the registered capital shall not be less than Rmb 18 million. For enterprises of class 4 and enterprises with provisional qualifications, the registered capital shall not be less than Rmb 10 million. Property development enterprises of other provinces which are engaged in property development in Shandong Province shall be enterprises of class 1. Local property development enterprises which are engaged in trans-city property development shall be enterprises of class 3 or above.

Pursuant to the Rules for Implementation of the Provisions on Administration of the Qualifications of Property Development Enterprises in Jiangsu Province 《江蘇省實施《房地產開發企業資質管理規定》細則》 implemented on August 6, 2001, when property development enterprises are engaged in trans-provincial, trans-regional and trans-municipal (municipalities under the direct control of the provincial government) property development, they shall apply to the local competent property development authorities for registration.

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 government of the relevant province, autonomous region or municipality.

DEVELOPMENT OF A REAL ESTATE PROJECT

Commencement of Development with Respect to a Property Project and the Idle Land

Under the Urban Real Estate Administration Law, those who have obtained the land use rights by grant must develop and use the land in accordance with the requirements of the land grant contract. According to the Measures on Disposing Idle Land 《閒置土地處置辦法》 promulgated and implemented 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:

- after obtaining the land-use rights, the development and construction of the land has not begun within the time limit required for commencement of the development without the consent of the government that originally approved the use of the land;

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- the Contract on Lease of the Right to Use State-Owned Land or the Approval Letter on Land Used for Construction does not stipulate the commencement date for the development and construction, and the development and construction of the land has not begun at the expiry of one year from the date when the Contract on Lease of the Right to Use State-owned Land became effective or when the land administrative authorities issued the Approval Letter on Land Used for Construction;
- the development and construction of the land has begun, but the area of the development and construction is less than one third of the total area to be developed or the invested amount is less than 25% of the total amount of investment, and the development and construction has discontinued for one year without approval; or
- other circumstances provided by laws and administrative regulations.

The municipality or county-level administrative authority shall, with regard to an identified piece of idle land, give notice to the land user and draft a proposal on disposing the idle land, including, but not limited to, extending the time period for development and construction (provided that it shall be no longer than one year), changing the use of the land, arranging for temporary use and ascertaining the new land user by competitive bidding, public auction or listing-for-sale. The land administrative authority under the government of municipality or county level shall, after the government that originally approved the use of the land approves the proposal on disposal, arrange for the implementation of the proposal. With respect to land which is obtained by grant and is within the scope of city planning, if the construction work has not yet started after one year from the construction commencement date as stipulated in the land grant contract, a fine for idle land which is equivalent to less than 20% of the land premium may be imposed on the land user. If the construction work has not begun after two years have elapsed, the right to use the land can be taken back by the government without any compensation. However, the above sanctions shall not apply when the delay in commencement of construction is caused by force majeure or acts of government or indispensable preliminary work before commencement of construction.

On January 3, 2008, the State Council issued a Notice of the State Council on Promoting the Land Saving and Intensive Use (關於促進節約集約用地的通知) with respect to the collection of additional land premium, establishment of a land utilization priority planning scheme and the formulation of a system for assessing the optimal use of land and other measures. The notice emphasizes the enforcement of the current rules on land idle fee for any land left idle for over one year but less than two years, with such land idle fee charged at 20% of the land grant premium. 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.

Planning of a Property Project

According to the City Planning Law of the People’s Republic of China 《中華人民共和國城市規劃法》 promulgated by the Standing Committee of the NPC on December 26, 1989 and implemented on April 1, 1990, the Measures for Control and Administration of Assignment and Transfer of the

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Right to Use Urban State-owned Land 《城市國有土地使用權出讓轉讓規劃管理辦法》 promulgated by the Ministry of Construction on December 4, 1992 and implemented on January 1, 1993 and the Notice of the Ministry of Construction on Strengthening the Planning Administration of Assignment and Transfer of the Right to Use State-owned Land 《建設部關於加強國有土地使用權出讓規劃管理工作的通知》 promulgated and implemented by the Ministry of Construction on December 26, 2002, after execution the land grant contract, a property developer shall apply for a Position Paper of Construction Project's Site Selection and a Construction Land Planning Permit from the relevant city planning authority. After obtaining a Construction Land Planning Permit, a property developer shall organize the necessary planning and design work in accordance with planning and design requirements and apply for a Construction Work Planning Permit from the city planning authority.

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, the competent planning authorities of a city or county shall, before granting land use rights in planning area, set forth such planning requirements as location, usage, extent of development, which shall be included in land grant contracts. After executing the land grant contract, a real estate developer shall submit relevant documents to planning authorities and apply for Construction Land Planning Permit. The competent planning authorities of a city or county shall not, at their discretion, alter the planning requirements which are included in the land grant contract. If the planning requirements are not incorporated into a land grant contract, such contract is invalid. If any land has been occupied, such land shall be returned promptly. According to the City and Countryside Planning Law of People's Republic of China, effective January 1, 2008, the City Planning Law of the People's Republic of China has been abolished.

Construction of a Property Project

After obtaining the Construction Work Planning Permit, a property developer shall apply for a Construction Permit from the construction authority under the local government of county level or above according to the Measures for the Administration of Construction Permits for Construction Projects 《建築工程施工許可管理辦法》 promulgated by the Ministry of Construction on October 15, 1999 and as amended and implemented on July 4, 2001.

Demolishment and Resettlement

In accordance with the Regulations for the Administration of Demolishment and Removal of Urban Housing 《城市房屋拆遷管理條例》 promulgated by the State Council in June 2001, if demolition of existing structures and resettlement of existing residents on the construction site need to be conducted before commencement of construction of the real estate project contemplated, the developer may apply to the local municipal, district or county level government in the place where the real estate is located for a permit for demolition and resettlement. Upon approval, the local government will issue a demolition and resettlement permit and post a demolition and resettlement notice to inform the existing residents of the area subject to demolition.

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During the demolition and resettlement period announced by the department in charge of demolition and removal, the demolition and resettlement party and the parties subject to demolition and resettlement will enter into a written agreement for compensation and resettlement in respect of the demolition and resettlement.

Compensation for demolition and resettlement may be effected by way of monetary compensation or exchange of property rights. In addition to paying the demolition and resettlement compensation, the demolition and resettlement party will also pay resettlement allowance to the parties subject to demolition and resettlement.

Completion of a Property Project

According to the Development Regulations, the Regulation on the Quality Management of Construction Projects 《建設工程質量管理規定》 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竣工驗收備案暫行辦法》 promulgated by the Ministry of Construction 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竣工驗收暫行規定》 promulgated and enforced by the Ministry of Construction 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 government of county level or above and report details of the acceptance examination, upon which a Record of Acceptance Examination upon Project Completion will be issued.

LAND FOR PROPERTY DEVELOPMENT

In April 1988, the National People’s Congress amended the PRC Constitution 《中華人民共和國憲法》 to permit the transfer of land use rights for value. In December 1988, the National People’s Congress amended the Land Administration Law 《土地管理法》 to permit the transfer of land use rights for value.

Under current PRC laws and regulations on land administration, land for property development may be obtained through government grant and land acquisitions from secondary market. Under the Regulations on the Grant of State-owned Land Use Rights Through Public Tender, Auction and Listing-for-Sale 《招標拍賣掛牌出讓國有土地使用權規定》 promulgated by the Ministry of Land and Resources in May 2002, land for commercial use, tourism, entertainment and commodity housing development must be obtained through public tender, auction or listing-for-sale. Under these regulations, the relevant land administration authority at city or county level, or the grantor, is responsible for preparing the public tender or auction documents and must make an announcement 20 days prior to the date of public tender or auction with respect to the particulars of the land parcel and the time and venue of the public tender or auction. The grantor must also conduct a qualification verification of the bidding and auction applicants, hold an open public auction to determine the winning tender or hold an auction to ascertain a winning bidder. The grantor and the winning tender

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or bidder will then enter into a confirmation followed by the execution of a contract for grant of state-owned land use rights. Over the years, the Ministry of Land and Resources has promulgated further rules and regulations to define the various circumstances under which the state-owned land use rights may be granted by means of public tender, auction and listing-for-sale or by agreement.

Pursuant to the Regulations on the Grant of Land Use Rights Through Tender and Auction in Shenzhen Special Economic Zone 《深圳經濟特區土地使用權招標、拍賣規定》 promulgated by the People’s Government of Shenzhen on February 6, 1998, save as required by the laws and regulations, the following land use rights shall be granted through tender and auction: (I) residential use: (1) land used for villas, (2) land used for mutli-storey residential buildings, (3) land used for mid-to-high-rise residential buildings, (4) land for commercial and residential uses, and (5) land for office and apartment uses; (II) commercial use: (1) land used for catering, (2) land for commercial and office uses, (3) land used for the wholesale and retailing of merchandises, (4) land used for the wholesale and retailing of daily utilities, (5) land used for the wholesale and retailing of materials used for production, (6) land used for the operation of enterprises, (7) leisure and recreational uses; (III) land use for petrol station; (IV) other land which the bid inviter or the auctioneer consider to be appropriate to grant by means of bidding or auction. The tender inviter or the auctioneer may, having taken into consideration of the market environment, grant the land use right for the above land uses by bidding or auction.

On May 21, 2001, the Shanghai Municipal Government 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 on July 1, 2001 as amended in November 27, 2008, effective on January 1, 2009. According to 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 rather than by way of agreement unless approved by Shanghai Municipal Government under exceptional circumstances. 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》 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.

In March 2007, the National People’s Congress adopted the Property Rights Law of the People’s Republic of China 《中華人民共和國物權法》 (“Property Rights Law”), which became effective on October 1, 2007. According to the Property Rights Law, when the term of the right to use construction land for residential (but not other) purposes expires, it will be renewed automatically. Unless it is otherwise provided by any law, the owner of construction land use rights has the right to transfer, exchange, donate, mortgage the land use rights or use such land use rights as equity contributions. If the government expropriate the houses or other real estate owned by entities or individuals for public benefit, it shall provide relocation compensation in accordance with relevant regulations and protect the lawful rights and interests of the owners.

On September 28, 2007, the Ministry of Land and Resources further promulgated the Regulations on the Grant of State-owned Construction Land Use Rights through Public Tender, Auction and Listing-for-sale 《招標拍賣掛牌出讓國有建設用地使用權規定》, which requires that, for acquisition

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of state-owned land for commercial use, tourism, entertainment, commodity housing development and industrial use (except land for mining) in the primary market, the parties must also comply with the tender-auction-listing rule. Only after the grantee has paid the land premium in full pursuant to the land grant contract, can the grantee apply for the land registration and obtain the land use right certificates. Furthermore, land use rights certificates may not be issued separately in proportion to the land premium paid under the land-grant contract.

SALE OF COMMODITY PROPERTIES

Under the Measures for Administration of Sale of Commodity Properties 《商品房銷售管理辦法》 promulgated by the Ministry of Construction in April 2001, sale of commodity properties includes both sale before the completion of the properties, or pre-sale, and sale after the completion of the properties.

Any pre-sale of commodity properties must be conducted in accordance with the Measures for Administration of Pre-sale of Commodity Properties 《城市商品房預售管理辦法》 promulgated by the Ministry of Construction in November 1995, as amended in August 2001 and July 2004, and the other related regulations. According to the current PRC laws and regulations, a pre-sale permit must be in place before commodity properties may be put to pre-sale. Specifically, a developer intending to sell a commodity building before its completion must apply to the real estate development authorities for a pre-sale permit. Commodity properties may be sold before completion only if:

- the land premium has been paid in full for the grant of land use rights involved and a land use rights certificate has been properly obtained;
- a construction planning permit and a construction permit have been properly obtained;
- 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 properly ascertained; and
- a pre-sale permit has been obtained.

Pursuant to the Regulations on Transfer of Property of Shenzhen Special Economic Zone 《深圳經濟特區房地產轉讓條例》, the following conditions shall be fulfilled for pre-sale of commodity properties by the property developer: (1) land use rights have been registered in accordance with relevant regulations and the land use rights certificate has been obtained; (2) a Construction Commencement Permit and Construction Permit have been obtained; (3) in addition to the full payment of land premium, the funds invested in the development of the construction shall represent 25% or more of the total investment budget of the developer and have been verified by a registered accountant; (4) the pre-sale payment escrow agreement has been signed by the property developer and relevant financial institution; and (5) land use rights have not been mortgaged or have been released from mortgage.

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Pursuant to the Regulations on Property Development of Hunan Province 《湖南省城市房地產開發經營管理辦法》, the following conditions shall be fulfilled for pre-sale of commodity properties in Hunan province: (1) the Land Use Right Certificate, the Construction Work Planning Permit and the Permit for Construction of Work have been obtained; (2) the progress of high-rise construction projects has reached or has exceeded one-third of the design's progress, the progress of other construction projects has reached or has exceeded one-half of the design's progress; (3) the construction schedule and the date for completion and delivery have been determined. Under the Regulations on Administration of Dealings in Urban Property of Changsha City 《長沙市城市房地產交易辦法》 enacted by the government of Changsha city on January 19, 2004 and enforced on March 1, 2004, to acquire a Permit for Pre-Sale of Commodity Properties, a Changsha property developer must fulfill the following requirements: (1) the Land Use Rights Certificate has been obtained; (2) the Construction Work Planning Permit and the Permit for Construction of Work of the commodity properties have been obtained; (3) 50% or more of the civil engineering construction work has been finished or the roofs of the multi-story buildings have been completed or the 10th floor of the high-rise building has been completed, and the construction schedule and the date for completion and delivery have been determined (including the environmental and supporting facilities construction); (4) the plan on pre-sale of commodity properties has been set down; (5) a bank account for monitoring the pre-sale proceeds has been opened in Changsha and the agreement for monitoring the pre-sale proceeds with the bank has been signed; (6) the plan of property management has been made.

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覆》 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 use rights must be acquired by way of grant and the land premium must have been 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; (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.

Pursuant to the Regulations on Administration of City and Town Real Estate Transaction in Chongqing 《重慶市城鎮房地產交易管理條例》 promulgated on June 7, 2002 and implemented on August 1, 2002, the prerequisites for a developer to obtain pre-sale permit are as below: (1) the developer is in possession of valid business license and qualification certificate; (2) the developer is

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in possession of land use rights permission documents, and when land use rights are obtained by grant, it shall have paid the land premium in full and obtained land use rights certificate; (3) the developer is in possession of construction work planning permit and permit for construction of work; (4) in relation to commodity properties for pre-sale, more than 25% of the projected total investment has been invested for the development. And if the pre-sale units are in a multi-storey building, the roofs of the building have been completed and if the re-sale units are in a high-rise building, the completed floor area shall exceed one-third of the floor area in accordance with the planning approval; (5) the plan for pre-sale of the commodity properties shall specify the commodity properties’ location, fitment standard, progress of construction, date of completion and delivery, total floor area of pre-sale, property management after delivery, together with other documents required; (6) the developer shall have opened a bank account for the pre-sale proceeds with commercial banks in the area of the development, and also signed monitoring agreements with the banks; (7) if the development involves demolition, the developer shall obtain the permit for demolition issued by the relevant administrative authority; (8) there shall be no mortgage on the commodity properties for pre-sale and the relevant land use rights; and (9) other conditions set forth by laws and regulations.

The pre-sale proceeds of commodity properties must be used to develop the relevant project so pre-sold.

Commodity properties may be put to post-completion sale and delivery after they have passed the clearance examination and otherwise satisfy the various preconditions for such sale. Before the post-completion sale of commodity properties, the developer must, among other things, submit the Real Estate Development Project Manual and other documents relating to the project evidencing the satisfaction of the preconditions for post-completion sale to the real estate development authority for its record.

TRANSFER OF REAL ESTATE

According to the PRC laws and the Provisions on Administration of Transfer of Urban Real Estate 《城市房地產轉讓管理規定》 promulgated by the Ministry of Construction in August 1995, as amended in August 2001, real estate owners may transfer real estate by trading, bestowing or other legal methods. When transferring a building, the ownership of the building and the land use rights to the site on which the building is situated are transferred together. The parties to a real estate transfer must enter into a real estate transfer contract in writing and register the transfer with the real estate administration authority in the place where the real estate is located within 90 days after the execution of the transfer contract.

Where the land use rights were originally obtained by grant, the property may only be transferred on the condition that:

- the land premium has been paid in full for the grant of the land use rights as required by the land grant contract and the land use rights certificate has been properly obtained; and
- in the case of a project in which buildings are being developed, development representing more than 25% of the total investment has been completed; or

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- in case of a comprehensive development project of tracts of land, construction work has been carried out as planned, water supply, sewerage, electricity supply, heat supply, access roads, telecommunications and other infrastructure or utilities have been made available, and the site has been leveled and made ready for industrial or other construction purposes.

If the land use rights were originally obtained by grant, the term of the land use rights after transfer of the real estate will be the remaining portion of the original term in the land grant contract. In the event that the transferee intends to change the use of the land provided in the land grant contract, consent must first be obtained from the original land use rights grantor and the relevant planning administration authority of city or county level and an agreement to amend the land grant contract or a new land grant contract must be signed in order to change the use of the land and adjust the land premium accordingly.

If the land use rights were originally obtained by allocation, approval of applicable government authorities must be obtained when the real estate is to be transferred. Upon such approval, the transferee shall complete the required procedures for the grant of the land use rights and pay the land premium according to the relevant laws and regulations.

Pursuant to the Regulations on Transfer of Property of Shenzhen Special Economic Zone 《深圳經濟特區房地產轉讓條例》 promulgated by the Standing Committee of the People's Congress of Shenzhen on August 21, 1993 and amended on June 30, 1999, the following real estates shall be transferred only upon the approval of the administrative authority and full payment of land premium: (1) land use right is obtained by administrative allocation; (2) land premium has been reduced when obtaining the land use right; (3) otherwise as required by laws and regulations. The following real estates shall not be transferred: (1) land use right is revoked by the municipal government in accordance with the urban planning; (2) the land use right is ordered or decided to be attached or otherwise restricted by relevant judicial authority or administrative authority; (3) jointly-owned real estate, without the written consent of the other joint owner(s); (4) mortgaged real estate, without the consent of mortgagee; (5) the ownership is in dispute; (6) other situation under which the transfer is forbidden by the laws, regulations or provisions of municipal governments.

Pursuant to the Regulations on Property Development of Chongqing City 《重慶市城市房地產開發經營管理條例》 which came into effect on July 1, 2000, the following conditions shall be satisfied for the transfer of property development projects: (1) The transferor holds the relevant documents evidencing approvals of the project by the relevant administrative authorities; (2) the transferor has fully paid the land premium; (3) the transferor has paid the taxes and fees incurred in the initial stages; (4) the transferor has completed more than 25% of the total investment amount for the development of the project; (5) the transferee has the corresponding property development qualifications; (6) the transferee has project capital representing more than 25% of the remaining outstanding investment amount for the project; and (7) other conditions as provided by laws and regulations. A property development project shall not be transferred until it is jointly considered and approved by the relevant administrative authorities in charge of construction, planning, land and housing, etc.

Pursuant to the Regulations on Property Development of Shandong Province 《山東省城市房地產開發經營管理條例》 which was promulgated on October 12, 1995 and amended in July 2002 and November 2004 respectively, a written contract shall be executed for the transfer of properties. The transfer contract shall be submitted to the competent property development authority and the property ownership administration for registration.

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LEASES OF BUILDINGS

Under the PRC laws and the Measures for Administration of Leases of Buildings in Urban Areas 《城市房屋租賃管理辦法》 promulgated by the Ministry of Construction in May 1995, parties to a lease of a building must enter into a lease contract in writing. China has adopted a system to register the leases of real properties. When a lease agreement is signed, amended or terminated, the parties must register the details with the real estate administration authority at the city or county in which the building is situated.

Pursuant to the Regulations on House Leasing of Shenzhen Special Economic Zone 《深圳經濟特區房屋租賃條例》 promulgated by the Standing Committee of the People’s Congress of Shenzhen on May 1, 1993 and amended on April 16, 2004, and its implementation rules, the property lease market is centrally administered by the property administration authorities of the People’s Government of Shenzhen. The parties to a lease shall register and submit the lease agreement with the local administrative authority in respect of the entry into or the alteration of the lease agreement within 10 days from the signing of the lease agreement. Local administrative authority shall register such lease agreement within 5 days from the date of registration application. Lessors who have registered the lease agreement in respect of the property leased shall pay the management fee for the property lease which represents 2% of the monthly rent to the local administrative authority. Lessors who have made filing to the lease of property shall pay the management fee for the property lease which represents 3% of the monthly rent to the local administrative authority. Where the parties to a lease violate the requirements and have not registered or filed in registration in respect of the property leased, a one-time penalty amounting to 20% of the total rent provided in the lease agreement will be imposed on the lessor or sub-lessor during the term of lease agreement and the management fee for the property lease and delinquency charges will be demanded. A penalty amounting to 10% of the rent will be imposed on the lessee or sub-lessee at fault.

MORTGAGES OF REAL ESTATE

Under the PRC Urban Real Estate Administration Law, the PRC Security Law 《中華人民共和國擔保法》 promulgated by the National People’s Congress in June 1995, and the Measures for Administration of Mortgages of Urban Real Estate 《城市房地產抵押管理辦法》 promulgated by the Ministry of Construction in May 1997, as amended in August 2001, when a mortgage is created on the ownership of a building legally obtained, a mortgage shall be simultaneously created on the land use rights of the land on which the building is situated. The mortgagor and the mortgagee must sign a mortgage contract in writing. China has adopted a system to register mortgages of real estate. After a real estate mortgage contract has been signed, the parties to the mortgage must register the mortgage with the real estate administration authority at the location where the real estate is situated. A real estate mortgage contract will become effective on the date of registration of the mortgage. If a mortgage is created on the real estate in respect of which a property ownership certificate has been obtained legally, the registration authority will, when registering the mortgage, make an entry under “third party rights” on the original property ownership certificate and then issue a certificate of third party rights to the mortgagee. If a mortgage is created on the commodity properties put to pre-sale or

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on work in progress, the registration authority will, when registering the mortgage, record the details on the mortgage contract. If construction of a property is completed during the term of a mortgage, the parties involved will re-register the mortgage of the property after issuance of the certificates evidencing the rights and ownership to the real estate.

The PRC Property Rights Law adopted in March 2007 further widens the scope of assets that can be mortgaged, allowing for any asset associated with property rights to be mortgaged as collateral unless specifically prohibited under other laws or regulations.

According to the PBOC Notice on Regulating Home Financing Business 《中國人民銀行關於規範住房金融業務的通知》 promulgated in June 2001, all banks must comply with the following requirements before granting residential development loans, individual home mortgage loans and individual commercial property mortgage loans:

- Property development loans from banks may only be granted to real estate developers with development qualification and credit ratings in the higher categories. Such loans may be offered to residential projects with good market potential. While the borrowing enterprise’s own capital may not be less than 30% of the total investment required for the project, the project itself must have been issued the land use rights certificate, construction land planning permit, construction works planning permit and construction permit.
- In respect of the grant of individual home mortgage loans, the ratio between the loan amount and actual value of the collateral may not exceed 80%. Where an individual applies for a home purchase loan to buy a pre-sale property, the property must have achieved the following stages: (i) for multi-storey buildings, the roofs of the main structure have been completed, and (ii) for high-rise buildings, two thirds of the total investment has been completed.
- In respect of the grant of individual mortgage loans for properties for commercial use, the ratio between the loan amount and actual value of the collateral may not exceed 60%, the maximum loan period is 10 years and the subject properties must have been completed.

The PBOC issued the Circular on Further Strengthening the Management of Loans for Property Business 《關於進一步加強房地產產業信貸業務管理的通知》 on June 5, 2003 to specify the requirements for banks to provide loans for the purposes of residential development, individual home mortgage and individual commodity properties as follows:

- Commercial banks may grant only property development loans to property enterprises, and the grant of working capital loans and loans of other type are strictly prohibited. No loans shall be granted for the projects which have not obtained Land-Use Rights Certificates, Construction Land Planning Permits, Construction Planning Permits and Construction Permits;
- Commercial banks shall not grant loans to property developers to pay off land premium; and

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- Commercial banks may only provide home loans to individual buyers when the roofs of the main structure of the buildings have been completed. When a borrower applies for individual home loans for his or her first residential unit, the minimum first instalment remains 20% of the total purchase price. In respect of a borrower's loan application for additional purchase of residential unit(s), the minimum percentage of the first instalment shall be increased.

Pursuant to the Guidance on Risk Management of Property Loans of Commercial Banks 《商業銀行房地產貸款風險管理指引》 issued by the CBRC on September 2, 2004, any property developer applying for property development loans shall have at least 35% of the capital required for the development.

According to the Notice of the People's Bank of China on the Adjustment of Commercial Bank Housing Credit Policies and the Interest Rate of Excess Reserve Deposit 《中國人民銀行關於調整商業銀行住房信貸政策和超額存款準備金存款利率的通知》, promulgated by the PBOC on March 16, 2005, from March 17, 2005, in the cities and areas where the housing prices grow too fast, the minimum percentage of first instalment of individual home loans increases from 20% to 30%. The commercial banks can independently determine the specific cities or areas for such adjustment according to special situations in different cities or areas.

On May 24, 2006, State Council issued the Opinions of the Ministry of Construction and other Departments on Adjusting the Housing Supply Structure and Stabilizing the Housing Prices 《關於調整住房供應結構穩定住房價格的意見》, which provides that:

- Tighten credit conditions on property development. In order to restrain property development enterprises from stocking up land and houses by use of bank loans, commercial banks shall not provide loans to those property enterprises whose project capital ratio is less than 35%. For property development enterprises that have sizable idle land and vacant commodity properties, the commercial banks shall, following the principle of prudent operations, strictly control the renewal of loans or any form of revolving credit. The commercial banks shall not accept any commodity property that has been idle for more than three years as collateral for loans; and
- From June 1, 2006, the ratio of initial payment of individual home mortgage loans shall not be lower than 30%. However, considering the demands for housing by the low-to-mid-income population, the minimum ratio for purchase of housing for self-use with gross floor area no more than 90 square meters is still 20%.

According to the Circular on Standardizing 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》 effective July 11, 2006, foreign-invested property enterprises which have not paid up their registered capital, or failed to obtain a Land-Use Rights Certificate, or with less than 35% of the capital for the project, will be prohibited from obtaining a loan inside or outside China, and the SAFE shall not approve the registration of foreign loans by such enterprises.

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On July 10, 2007, the SAFE issued a notice indicating that it will no longer process foreign debt registration or foreign debt settlement for real estate enterprises with foreign investment that obtained authorization certificates from and registered with the MOFCOM on or after June 1, 2007.

In September 2007, the PBOC and CBRC promulgated a Circular on Strengthening the Administration of Commercial Real-estate Credit Loans 《關於加強商業性房地產信貸管理的通知》. The circular aims to tighten the control over real estate loans from commercial banks to prevent excessive credit granting. The measures adopted include:

- for a first-time home owner, increasing the minimum amount of down payment to 30% of the purchase price of the underlying property if the underlying property has an unit floor area of 90 square meters or more and the purchaser is buying the property as its own residence;
- for a second-time home buyer (unless the buyer has paid off its outstanding loans on his or her first property), 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;
- 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, (iv) limiting the terms of such bank loans to no more than 10 years, although the commercial banks are allowed flexibility based on its 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 to be decided by reference to commercial properties; and
- prohibiting commercial banks from providing loans to real estate developers who have been found by relevant government authorities to be stocking up land and properties.

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 number of mortgage loans should be calculated on a family basis. Pursuant to the circular, family includes the borrower and the borrower's spouse and minor children.

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On December 20, 2008, the General Office of the State Council issued Certain Opinions on Promoting the Healthy Development of Real Estate Market 《國務院辦公廳關於促進房地產市場健康發展的若干意見》 to expand domestic demand and promote the healthy development of real estate. The opinion provides that, among other things:

- while the policy of preferential treatments on mortgage rate and down-payment percentage applies to those who purchase ordinary housing for their own use on first mortgage, similar policy may be, with necessary changes, applied to those whose living space is below local average standard and who apply for mortgage to purchase a second ordinary housing unit to improve living condition. For others who purchase their second or more housing units, mortgage rate will be determined by commercial banks based on benchmark interest rate with consideration of relevant risk factors.
- while the current business tax exemption applies to transfer of ordinary housing that has been held over 5 years (including 5 years) by the individual who purchased such housing, the new business tax exemption will apply to transfer of ordinary housing that has been held over 2 years (including 2 years). For those who transfer ordinary housing that has been purchased for less than 2 years, the current business tax calculation is based on the total proceeds from the transfer. This base will be changed to the total proceeds minus such housing's original purchase price. The current business tax on transfer of non-ordinary housing by individuals is calculated based on the proceeds from the transfer minus such housing's original purchase price, and it applies to those housing purchased for more than 5 years (including 5 years). The new business tax will be modified to apply to those housing purchased for more than 2 years (including 2 years). For transfer of non-ordinary housing purchased for less than 2 years, business tax calculation will still be based on the total proceeds from the transfer. The policies above will be effective until December 31, 2009.

MAJOR TAXES APPLICABLE TO PROPERTY DEVELOPERS

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 the National People's Congress 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 shall be computed on the taxable income at the rate of 30%, and local income tax shall be computed on the taxable income at the rate of 3%, whereas foreign-invested enterprises established in economic special zones (including the Shenzhen Economic Special Zone) shall be entitled to a preferential income tax rate of 15%.

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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 (the "MOF") on February 4, 1994, the income tax rate applicable to Chinese enterprises other than foreign-invested enterprises and foreign enterprises is 33%.

Under the Rules Regarding to Issues on Enterprise Taxation Policies of the Shenzhen Economic Special Zone 《關於深圳特區企業稅收政策若干問題的規定》 issued by the People's Government of Shenzhen on August 1, 1988 and effective September 1, 1988 and the Notice to Forward the Provisional Regulations of the People's Republic of China on Enterprise Income Tax and the Detailed Implementation Rules on the Provisional Regulations of The People's Republic of China on Enterprise Income Tax 《關於轉發《中華人民共和國企業所得稅暫行條例》和《中華人民共和國企業所得稅暫行條例實施細則》的通知》 issued by the local tax bureau of Shenzhen on March 14, 1994, enterprises established within the Shenzhen Economic Special Zone shall be entitled to a preferential income tax rate of 15%.

According to the PRC Enterprise Income Tax Law 《中華人民共和國企業所得稅法》 enacted by the National People's Congress on March 16, 2007 and effective since January 1, 2008, a uniform income tax rate of 25% should be applied to foreign-invested enterprises and foreign enterprises which have set up institutions or facilities in China 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 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 PRC Enterprise Income Tax 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 China, unless there exists a tax treaty between China and the relevant jurisdictions in which such non-PRC enterprise shareholders reside. In such case, the relevant tax may be reduced or exempted pursuant to such tax treaty. In accordance with the PRC Enterprise Income Tax 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 PRC Enterprise Income Tax 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

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Preferential Policies for the Enterprise Income Tax, which provides that, 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% for 2008, 2009, 2010, 2011 and 2012, respectively.

Business Tax

Pursuant to the Interim 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》 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 tax rate for the transfer of real properties, their superstructures and attachments is 5%.

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 (the “Land Appreciation Tax Detailed Implementation Rules”) 《中華人民共和國土地增值稅暫行條例實施細則》 which was promulgated by the 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:

- amount paid for obtaining the land use rights;
- costs and expenses for development of land;
- costs and expenses of new buildings and ancillary facilities, or estimated prices of old buildings and constructions;
- related tax payable for transfer of property;
- other deductible items as specified by the Ministry of Finance.

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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:

- taxpayers construct ordinary standard residences for sale (i.e., residences built in accordance with the local standard used as residential properties. Deluxe apartments, villas, resorts, etc., do not fall within the category of ordinary standard residences) and the appreciation amount does not exceed 20% of the sum of deductible items;
- property is taken back and repossessed according to laws due to the construction requirements by relevant authorities;
- 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;
- transfers of real properties under property transfer contracts signed before January 1, 1994, regardless of when the properties are transferred;
- 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, 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 comprehensive development of tracts 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 last bullet point 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 local authorities, while 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, Ministry of Construction 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,

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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 《關於認真做好土地增值稅徵收管理工作的通知》 on July 10, 2002. The Notice 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, the preferential 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 on Strengthening of Administration of the Collection of Land Appreciation Tax 《關於加強土地增值稅管理工作的通知》 and 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 《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 separately on August 2, 2004 and August 5, 2004 by State Administration of Taxation.

According to the Approval on Issues Concerning Starting Levying Land Appreciation Tax 《關於我市開徵土地增值稅有關問題的批復》 issued by the general office of the People's Government of Shenzhen on October 25, 2005, the Notice on Starting Levying Land Appreciation Tax 《關於我市開徵土地增值稅的通告》 and the Provisional Regulation on Administration of Land Appreciation Tax of Property Developer in Shenzhen 《深圳市房地產開發企業土地增值稅征收管理暫行辦法》 issued by the local taxation bureau of Shenzhen respectively on November 2, 2005 and on November 9, 2005, since November 1, 2005, LAT shall apply to any property developer engaging in property development to gain appreciation in Shenzhen.

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 residences built by taxpayers as well as in the transfer of ordinary residences by individual residents.*

The notice sets out the standards for ordinary standard residences. Where any developers build ordinary residences as well as other commercial properties, 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 residences that has been filed to the tax authority at the locality of the property, especially any ordinary standard residences which have been given the treatment of exemption from LAT upon examination according to the standards for ordinary standard residences as determined by the government of a province, autonomous region or municipality directly under the central government, no adjustment shall be retroactively made.

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ii) *As to the advance collection and settlement of LAT*

- 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 residences, non-ordinary standard residences and commercial properties. After a project is completed, the relevant settlement shall be handled in a timely manner, with any overpayment refunded or any underpayment made up;
- 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 date 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;
- 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 items 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
- 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 properties 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 Notice on the Administration of the Settlement of Land Appreciation Tax of Property Development Enterprises 《關於房地產開發企業土地增值稅清算管理有關問題的通知》 which came into effect on February 1, 2007. Pursuant to the Notice, a property developer shall settle and clear the LAT payment of its 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.

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Deed Tax

Pursuant to the Interim Regulations of the People's Republic of China on Deed Tax 《中華人民共和國契稅暫行條例》 promulgated by the State Council on July 7, 1997 and implemented on October 1, 1997, the transferee, whether an individual or otherwise, of the title to a land parcel or building in the PRC shall be the obliged taxpayer for deed tax. The rate of deed tax is 3% to 5%. The governments of provinces, autonomous regions and municipalities directly under the central government may, within the aforesaid range, determine and report their effective tax rates to the Ministry of Finance and the State Administration of Taxation for the record.

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 Rmb 0.2 and Rmb 10 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 Rmb 0.6 and Rmb 30.0.

Buildings Tax

Under the Interim Regulations of the People's Republic of China on Building 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, building 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.

On December 31, 2008, the State Council announced that as of January 1, 2009, buildings tax will be levied on foreign invested enterprises and foreign individuals. On January 12, 2009, the Ministry of Finance and State Administration of Taxation jointly issued the Notice About the Relevant Issues Regarding Levying Building Tax on Foreign Invested Enterprises and Foreign Individuals 《關於對外資企業及外籍個人徵收房產稅有關問題的通知》.

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Stamp Duty

Under 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, 1988, for property transfer instruments, including those in respect of property ownership transfer, the stamp duty rate shall be 0.05% of the amount stated therein. For permits and certificates relating to rights, including property title certificates and land-use rights certificates, stamp duty shall be levied on an item basis of RMB5 per item.

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 apply to foreign-invested enterprises 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 September 14, 2005, respectively, the education surcharge shall not apply to foreign-invested enterprises until further explicit stipulations are issued by the State Council.

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REAL ESTATE MANAGEMENT

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, a qualification system is implemented in monitoring the property management enterprises.

Under the Measures for the Administration of Qualifications of Property Service Enterprises 《物業服務企業資質管理辦法》 promulgated by the Ministry of Construction in March 2004 and as amended on November 26, 2007, a property service enterprise must apply for assessment of its qualification by the relevant qualification approval authority. An enterprise which passes such qualification assessment will be issued a qualification certificate. No enterprise may engage in property management without undertaking a qualification assessment conducted by the relevant authority and obtaining a qualification certificate.

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 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 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 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 undertake the property management business of residential management projects of less than 300,000 square meters and the non-residential management projects of less than 80,000 square meters. The property service enterprises with the class three qualification may undertake the property management business of residence projects of less than 200,000 square meters and non-residential projects under 50,000 square meters. An annual inspection system shall be implemented on the qualifications of property service enterprises.

The annual inspection on the property service enterprises of various classes of qualifications shall be conducted by the corresponding departments of qualification examination and approval.

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INSURANCE

There is no mandatory provision in PRC laws, regulations and government rules which require a property developer to take out insurance policies for its real estate developments. According to the common practice of the property industry in China, construction companies are usually required to submit insurance proposals in the course of tendering and bidding for construction projects. Construction companies must pay for the insurance premium at their own costs and take out insurance to cover their liabilities, such as third party’s liability risk, employer’s liability risk, risk of non-performance of contract in the course of construction and other kinds of risks associated with the construction and installation works throughout the construction period. The insurance coverage for all these risks will cease immediately after the completion and acceptance upon inspection of construction.

MEASURES ON STABILIZING HOUSING PRICE

The General Office of the State Council promulgated a Circular on Stabilizing Housing Price 《關於切實穩定住房價格的通知》 in March 2005, introducing measures to be taken to restrain the housing price from increasing too fast and to promote a stable development of the real estate market. In April 2005, the Ministry of Construction, NDRC, the Ministry of Finance, the Ministry of Land and Resources, the PBOC, the State Taxation Bureau and the CBRC jointly issued an Opinions on Stabilizing Housing Prices 《關於做好穩定住房價格工作的意見》 containing the following guidance:

- Where the housing price is growing too fast, while the supply of ordinary commodity houses at medium or low prices and low-cost affordable houses is insufficient, the housing construction should mainly involve projects of ordinary commodity houses at medium or low prices and low-cost affordable houses. The construction of low-density, high-end houses should be strictly controlled. The relevant local government authorities are authorized to impose conditions on planning and design such as building height, plot ratio and green space and to impose such requirements as sale price, type and gross floor area as preconditions on land assignment.
- Where the price of land for residential use and the price for residential housing are growing too fast, the proportion of land supply for residential use to the total land supply should be appropriately raised, and the land supply for the construction of ordinary commodity houses at medium or low prices and low-cost affordable houses should be especially increased. Land supply for villa construction should continue to be suspended, and land supply for high-end housing property construction should be strictly restricted.
- Land idle fee must be imposed on land that has not been developed for one year from the contractual construction commencement date. Land use rights of land that has not been developed for two years must be forfeited without compensation.

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- Commencing from June 1, 2005, a business tax upon transfer of a residential house by an individual within two years from his/her purchase will be levied on the gain from such sale. For an individual to transfer an ordinary residential house after two years from his/her purchase, the business tax will be exempted. For an individual to transfer a property other than an ordinary residential house after two years from his/her purchase, the business tax will be levied on the difference between the price of such sale and the original purchase price.
- Transfer of uncompleted commodity properties by any pre-sale purchaser is forbidden. In addition, purchasers are required to buy properties in their real names. Any commodity property pre-sale contract must also be filed with the relevant government agencies electronically immediately after its execution.

In May 2006, the Ministry of Construction, the NDRC, the PBOC and other relevant PRC government authorities jointly issued their Opinions on Adjusting the Housing Supply Structure and Stabilizing the Housing Prices 《關於調整住房供應結構穩定住房價格的意見》. Such opinions reiterated the existing measures and ushered additional measures that aim to further curb rapid increases in property prices in large cities and to promote healthy development of the PRC property market. These measures include:

- requiring that at least 70% of the land supply approved by a local government for residential property development for any given year must be used for developing low-to medium-cost and small- to medium-size units and low-cost rental properties;
- requiring that at least 70% of residential projects approved or constructed on or after June 1, 2006 must consist of units with a unit floor area of less than 90 square meters per unit and that projects which have received approvals prior to this date but have not obtained construction permits must adjust their planning in order to be in conformity with this new requirement, with the exception that municipalities under direct administration of the PRC central government, provincial capitals and certain other cities may deviate from such ratio under special circumstances upon approval from the Ministry of Construction;
- increasing the minimum amount of down-payment from 20% to 30% of the purchase price of the underlying property if the underlying property has a unit floor area of 90 square meters or more, effective from June 1, 2006;
- prohibiting commercial banks from lending to real estate developers with an internal capital ratio, calculated by dividing the internal funds by the total project capital required for the relevant projects, of less than 35%, restricting the grant or extension of revolving credit facilities to property developers holding a large amount of idle land and vacant commodity properties, and prohibiting commercial banks from accepting commodity properties which have been vacant for more than three years as security for their loans; and

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- imposing a business tax levy on the entire sales proceeds from re-sale of properties if the holding period is shorter than five years, effective from June 1, 2006, as opposed to two years when such levy was initially implemented in June 2005, and allowing such business tax to be levied on the difference between the price for such re-sale and the original purchase price in the event that an individual transfers a property other than an ordinary residential property after five years from his/her date of purchase.

On September 27, 2007, the PBOC and the CBRC further tightened mortgage lending by PRC commercial banks, by increasing the amount of down payment a property purchase must make before seeking mortgage financing.

On December 20, 2008, the General Office of the State Council issued Certain Opinions on Promoting the Healthy Development of Real Estate Market 《國務院辦公廳關於促進房地產市場健康發展的若干意見》 to increase domestic demand and promote the healthy development of real estate. The opinion provides that, among other things:

- while the policy of preferential treatments on mortgage rate and down-payment percentage applies to those who purchase ordinary housing used for themselves on first mortgage, similar policy may be, with necessary changes, applied to those living space is below the local standard and who apply mortgage for a second ordinary housing unit to improve living condition. For others who purchase their second or more housing units, mortgage rate will be determined by commercial banks based on benchmark interest rate with consideration of relevant risk factors.
- from January 1, 2009 to December 31, 2009 the business tax exemption will apply to purchases of ordinary housing over 2 years (including 2 years). For those who transfer ordinary housing purchased within 2 years, the business tax will be levied on the proceed minus the cost of the original purchase. The business tax on transfer of non-ordinary housing by individuals whose holding has been purchased for 2 years or more will be calculated based on the proceed of the transfer minus the cost of the original purchase. For transfer of non-ordinary housing purchased for less than 2 years, business tax calculation will still be based on the total proceed of the transfer.

Urban Redevelopment in Shenzhen

In accordance with the “Interim Rules on Redevelopment of Inner-City Villages of Shenzhen” 《深圳市城中村(舊村)改造暫行規定》 issued by the People’s Government of Shenzhen on October 22, 2004 and effective November 1, 2004, competitive institutions are encouraged to conduct or anticipate in the redevelopment of old city area in Shenzhen through tender procedures. The district government shall elect the entities to conduct redevelopment of inner-city villages (城中村改造項目) through public tender or listing-for-sale jointly with relevant land authorities except that the cooperative

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enterprises (城中村內現有股份合作企業) of the inner-city villages to be redeveloped choose to conduct the redevelopment on its own or jointly with other entities subject to the approval of the district government. For the villages’ housing within the old city area, the compensation may be in property exchange or the combination of property exchange and cash. The enterprises engaging in redevelopment are responsible for demolition and relocation of the area to be redeveloped and bear the relocation and compensation expenses. The compensation for redevelopment of old city area shall be in cash in principle. For the compensation by way of property exchange, the gross floor area of the compensated residential properties for every family shall be less than 480 sq.m. in principle. The enterprises shall enter into the demolition and compensation agreements with the villages. In order to further regulate the administration of redevelopment of old city area in Shenzhen, the People’s Government of Shenzhen issued the “Circular on Carrying out the Interim Rules on Redevelopment of Inner-City Villages of Shenzhen” 《關於深圳市城中村(舊村)改造暫行規定的實施意見》. The “Circular on Carrying out the Interim Rules on Redevelopment of Inner-City Villages of Shenzhen” stipulates among others, the objectives, policy-making and rules for handling affairs, the determination of the scope of redevelopment, the classification of the redevelopment mode, the preparation and approval of the redevelopment plan, admittance system in respect of the redevelopment of old city areas. Pursuant to the “Circular on Carrying out the Interim Rules on Redevelopment of Inner-City Villages of Shenzhen”, the scope of redevelopment of inner-city villages are built-up areas within the scope of non-agricultural construction land retained for use by villagers and succeeding units of original village collective economic organizations. The admittance system for the redevelopment of old city areas is developed and implemented by regional governments. Meanwhile, regional governments may determine the number of households subject to relocation and compensation and develop the standards for relocation and compensation in accordance with the relevant laws, regulations and regulatory documents.

On October 8, 2007, the general office of the People’s Government of Shenzhen promulgated the Notice on Issues Concerning Redevelopment of Inner-City Villages of Shenzhen 《關於開展城中村(舊村)改造工作有關事項的通知》, which clarifies the following:

- For the inner-city villages redevelopment projects implemented in accordance with the relevant rules and policies such as the “Interim Rules on Redevelopment of Inner-City Villages of Shenzhen”, all buildings that will be demolished and reconstructed (other than political housing) are commercial housings in the market if they are subject to the payment of land premium or if the premium is reduced or exempt;
- For the “one household, one house” buildings reconstructed for original villagers in the inner-city villages redevelopment projects, reconstructed housings with an area of less than 480 square metres per household are not included in the dwelling ratio. The remaining portion shall be subject to the relevant national and local requirements on the dwelling ratio;

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- For buildings used for relocation and settlement, authorities in charge of state-owned land and housing shall not be issued “Real Estate Pre-sale Permit”. Instead, the redevelopment entity and the party subject to demolition shall apply to the authorities in charge of state-owned land and housing for the registration of the transfer of secondary property rights pursuant to the relocation and compensation agreement entered into between them according to law;
- Regional government shall formulate steps to implement the inner-city villages redevelopment projects in stages in accordance with the practical situation of redevelopment so as to ensure the successful implementation of the old city area redevelopment projects.

The Circular on Carrying out the Interim Rules on Redevelopment of Inner-City Villages of Shenzhen and the Notice on Issues Concerning Redevelopment of Inner-City Villages of Shenzhen further regulate and clarify the redevelopment of inner-city villages in Shenzhen on the basis of the Interim Rules on Redevelopment of Inner-City Villages of Shenzhen. Companies which intend to proceed with the redevelopment of inner-city villages in Shenzhen shall comply with the above regulations. We have complied with all relevant regulations in our urban redevelopment projects.

We have yet to acquire land use rights through such inner-city village redevelopment programs. Therefore, for the time being, the Circular on Carrying out the Interim Rules on Redevelopment of Inner-City Villages of Shenzhen and Notice on Issues Concerning Redevelopment of Inner-City Villages of Shenzhen will have limited impact on our overall business operations although such impact may increase over time.

Primary Land Development in Beijing

Pursuant to the Interim Measures of Beijing Municipality on Administration of Land Reserve and Primary Land Development 《北京市土地儲備和一級開發暫行辦法》, jointly issued by Beijing Municipal Bureau of Land and Resources, Beijing Municipal Commission of Development and Reform, Beijing Municipal Commission of Urban Planning and Beijing Municipal Commission of Housing and Urban-Rural Development and effective on August 3, 2005, land reserve and primary land development refer to reserve of state-owned construction land by the government through such means as acquisition, reclamation and expropriation, and implementation of house demolishment and construction of municipal infrastructure, to meet conditions for land supply. Land reserve and primary land development can be undertaken by the land reserve authorities or property developers with relevant qualifications and selected through bidding process.

Pursuant to the Interim Measures of Beijing Municipality on Administration of Land Reserve and Primary Land Development, in case that the land reserve authorities are responsible for organizing and implementing primary land development, they should undertake such matters as raising funds, applying for planning and project approval, land expropriation, house demolishment and construction of large-scale municipal infrastructure. If a property developer is selected through bidding process to manage primary land development, an entrustment management contract with respect to primary land development shall be entered into by the property developer and the land reserve authority. The

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management fees paid to the property developer should not exceed 2% of the total cost of land reserve and primary land development. In case that a property developer is selected through bidding process to organize and implement primary land development, the property developer should undertake the same matters as land reserve authorities would undertake with respect to land primary development. The profit margin for the property developer shall not exceed 8% of the estimated total cost of land reserve and primary land development.

Pursuant to the Interim Measures of Beijing Municipality on Bidding of Primary Land Development Project 《北京市土地一級開發項目招標投標暫行辦法》 issued by Beijing Municipal Bureau of Land and Resources and effective on May 20, 2006, except for major projects determined by the municipal government and the primary land development by an entity of the land owned by itself, any other primary land development projects shall be conducted by an entity selected through an open bidding process. A bidder who intends to participate in primary land development should meet the following conditions: (i) holding a qualification certificate for property development in Beijing; (ii) no negative credit record on the part of the bidder and its major shareholders; (iii) owning a certain amount of project capital; and (iv) other conditions stipulated in the bidding documents.

OVERSEAS LISTING

In August 2006, the MOFCOM, the State Assets Supervision and Administration Commission, the State Taxation Bureau, the State Administration of Industry and Commerce, the China Securities Regulatory Commission, and the SAFE jointly adopted the Regulations on Mergers and Acquisitions of Domestic Enterprises by Foreign Investors 《關於外國投資者併購境內企業的規定》, or the New M&A Rule, which became effective on September 8, 2006 and was amended on June 22, 2009. This New M&A Rule requires, among other things, that offshore special purpose vehicles, formed for overseas listing purposes through acquisitions of PRC domestic companies controlled by PRC companies or individuals, obtain the approval of the China Securities Regulatory Commission prior to publicly listing their securities on an overseas stock exchange. In September 2006, China Securities Regulatory Commission published a notice on its official website specifying documents and materials required to be submitted to it by special purpose vehicles seeking China Securities Regulatory Commission approval of their overseas listings.

ENVIRONMENTAL PROTECTION

The laws and regulations governing the environmental protection requirements for real estate development in China include the PRC Environmental Protection Law 《中華人民共和國環境保護法》, the PRC Prevention and Control of Noise Pollution Law 《中華人民共和國環境噪聲污染防治法》, the PRC Environmental Impact Assessment Law 《中華人民共和國環境影響評價法》 and the PRC 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 report, an environmental impact analysis table or an environmental impact registration form must be submitted by a developer before the relevant

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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 protection standards and regulations before the property can be delivered to the purchasers.

FOREIGN EXCHANGE CONTROLS

Under the PRC Foreign Currency Administration Rules 《中華人民共和國外匯管理條例》 promulgated in 1996 and revised in 1997 and various regulations issued by the SAFE and other relevant PRC government authorities, Renminbi is convertible into other currencies for the purpose of current account items, such as trade related receipts and payments and the payment interest and dividend. The conversion of Renminbi into other currencies and remittance of the converted foreign currency outside China for the purpose of capital account items, such as direct equity investments, loans and repatriation of investment, requires the prior approval from SAFE or its local office. Payments for transactions that take place within China must be made in Renminbi. Unless otherwise approved, PRC companies must repatriate foreign currency payments received from abroad. Foreign-invested enterprises may retain foreign exchange in accounts with designated foreign exchange banks subject to a cap set by the SAFE or its local office. Unless otherwise approved, domestic enterprises must convert all of their foreign currency proceeds into Renminbi.

In October 2005, the SAFE issued a 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》. According to the notice, a special purpose company refers to an offshore company established or indirectly controlled by PRC residents for the special purpose of carrying out financing of their assets or equity interest in PRC domestic enterprises. Prior to establishing or assuming control of a 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. These PRC residents must also amend the registration with the relevant SAFE branch in the following circumstances: (1) the PRC residents have completed the injection of equity investment or assets of a domestic company into the special purpose company; (2) the overseas funding of the special purpose company has been completed; (3) there is a material change in the capital of the special purpose company. Under the rules, failure to comply with the foreign exchange registration procedures may result in restrictions being imposed on the foreign exchange activities of the violator, including restrictions on the payment of dividends and other distributions to its offshore parent company, and may also subject the violators to penalties under the PRC foreign exchange administration regulations.

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Set out below is a summary of certain provisions of our Memorandum and Articles of Association and of certain aspects of Cayman company law.

Our company was incorporated in the Cayman Islands as an exempted company with limited liability on June 4, 2009 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 our constitution.

1. MEMORANDUM OF ASSOCIATION

- (a) The Memorandum states, inter alia, that the liability of members of the Company is limited to the amount, if any, for the time being unpaid on the Shares respectively held by them 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 functions of a natural person of full capacity irrespective of any question of corporate benefit, as provided in section 27(2) of the Companies Law and in view of the fact that the Company is an exempted company that 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 14, 2009 conditionally. 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,

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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 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 favour 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 realised 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;

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- (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;
 - (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

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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 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

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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;
- (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.

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(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.

(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;

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- (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 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 on a poll to one vote for every such share held by him, and any holder of shares of the class present in person or by proxy may demand a poll.

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 authorized representatives or, where proxies are allowed, by proxy at a general meeting of which not less than twenty-one (21) clear days' notice, specifying the intention to propose the resolution as a special resolution, has been duly given. Provided that, 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 (95) per cent.

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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 less than twenty-one (21) clear days' notice 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 authorized representatives or, where proxies are allowed, by proxy at a general meeting held in accordance with the Articles.

(f) Voting rights (generally and on a poll) and right to demand a poll

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 authorized 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. Notwithstanding anything contained in the Articles, where more than one proxy is appointed by a member which is a clearing house (or its nominee(s)), each such proxy shall have one vote on a show of hands. 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.

At any general meeting a resolution put to the vote of the meeting shall be decided by way of poll.

If a recognised clearing house (or its nominee(s)) is a member of the Company it may authorize 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 authorized, the authorisation shall specify the number and class of shares in respect of which each such person is so authorized. A person authorized pursuant to this provision shall be deemed to have been duly authorized without further evidence of the facts and be entitled to exercise the same powers on behalf of the recognised 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.

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(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 15 months after the holding of the last preceding annual general meeting or a period of 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 authorized 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 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.

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(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 meetings 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, 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 (95) per cent 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;
- (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 (20) per cent in nominal value of its existing issued share capital; and

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- (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.

The board may decline to recognise 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).

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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, realised or unrealised, 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 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 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

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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.

(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 authorized representative) or by proxy.

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(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 (20) per cent. 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 (20) per cent. per annum as the board determines.

(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.

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(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 authorized 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 authorized 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 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

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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 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.

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 authorized share capital.

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(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 authorized 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.

(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).

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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 authorized by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a shareholder. In addition, such a company may, if authorized to do so by its articles of association, purchase its own shares, including any redeemable shares. However, if the articles of association do not authorize the manner or purchase, a company cannot purchase any of its own shares unless the manner of purchase has first been authorized by an ordinary resolution of the company. At no time may a company redeem or purchase its shares unless they are fully paid. A company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any member of the company holding shares. A payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

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.

(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).

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(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.

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.

(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.

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(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.

(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.

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(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 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.

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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 (75) per cent. 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 months of the offer, the holders of not less than ninety (90) per cent. of the shares which are the subject of the offer accept, the offeror may at any time within two months after the expiration of the said four months, by notice 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 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.

(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 IX. 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.

APPENDIX VIII

STATUTORY AND GENERAL INFORMATION

A. FURTHER INFORMATION ABOUT OUR COMPANY AND ITS SUBSIDIARIES

1. Incorporation

Our company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on June 4, 2007. Our company has established a place of business in Hong Kong at Suite 3603, 36th Floor, Citibank Tower, 3 Garden Road, Hong Kong and was registered with the Registrar of Companies in Hong Kong as an overseas company under Part XI of the Companies Ordinance, with Leung Yau Bong, appointed as the authorized representative of our company for the acceptance of service of process in Hong Kong.

As our company was incorporated in the Cayman Islands, it operates subject to the Companies Law and to its constitution comprising a memorandum of association and the articles of association. A summary of certain provisions of the articles of association of our company and relevant aspects of the Companies Law is set out in Appendices VII to this document.

2. Change in share capital

The authorized share capital of our company as at the date of its incorporation was US\$50,000 divided into 50,000 Shares of US\$1.00 each. Upon its incorporation, 47,500 Shares and 2,500 Shares were allotted and issued to Li Wa and Li Xiaoping, respectively.

Pursuant to the written resolutions of the shareholders of our company passed on January 18, 2008, our authorized share capital was increased from US\$50,000 to US\$1,000,000 divided into 1,000,000 shares of US\$1.00 each by the creation of an additional 950,000 shares.

Pursuant to the resolutions in writing of the shareholders of our company passed on October 14, 2009, we re-denominated our shares from U.S. dollars to H.K. dollars by way of:

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

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Save for aforesaid and as mentioned in the paragraph headed “Resolutions in writing of the shareholders of our company passed on October 14, 2009” below, there has been no alteration in the share capital of our company since its incorporation.

3. Written resolutions of the shareholders of our company

- (i) Pursuant to written resolutions of the shareholders of our company passed on October 14, 2009:
 - (a) our company approved and adopted the Articles of Association;
 - (b) our share capital was re-denominated from U.S. dollars into H.K. dollars and our authorized share capital was fixed at HK\$5,000,000,000 divided into 500,000,000,000 Shares;

4. Corporate reorganization

The Reorganization involved the following:

- (i) *Incorporation of holding companies for the interests of Li Wa and Li Xiaoping in our group*
 - (a) Sparkle Century was set up on June 21, 2007 in the British Virgin Islands to act as the holding company for the interest of Li Wa in our company. The issued share capital of Sparkle Century is US\$50,000 divided into 50,000 shares of US\$1.00 each, and is held as to 100% by Li Wa.
 - (b) Broad Ocean was set up on June 21, 2007 in the British Virgin Islands to act as the holding company for the interest of Li Xiaoping in our company. The issued share capital of Broad Ocean is US\$50,000 divided into 50,000 shares of US\$1.00 each, and is held as to 100% by Li Xiaoping.
- (ii) *Incorporation of our company*

We were incorporated in the Cayman Islands on June 4, 2007 to act as [●] for our group. The initial authorized share capital of our company was US\$50,000 divided into 50,000 shares of US\$1.00 each. Upon incorporation, 47,500 shares and 2,500 shares were allotted and issued to Li Wa and Li Xiaoping, respectively.

- (iii) *Reorganization of domestic companies*

- (a) Chongqing Wanshang

Prior to the Reorganization, Chongqing Wanshang was held as to 70% by Li Wa, as to 29% by Li Xiaohong, who held such interest for Li Wa, and as to 1% by Zhang

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Guohua, an independent third party. Pursuant to the Reorganization, each of Li Wa, Li Xiaohong and Zhang Guohua transferred their respective registered interests in Chongqing Wanshang to Excellence China. After completion of the transfers, Chongqing Wanshang became a wholly owned subsidiary of Excellence China.

(b) Wuhan Excellence

Prior to the Reorganization, Wuhan Excellence was held as to 72% by Excellence China and as to 28% by Wuhan Huayuan, an independent third party. Pursuant to the Reorganization, Wuhan Huayuan transferred its 28% interest in Wuhan Excellence to Excellence China. After completion of the transfer, Wuhan Excellence became a wholly owned subsidiary of Excellence China.

(c) Hunan Lushan

Prior to the Reorganization, Hunan Lushan was held as to 90% by Excellence China and as to 10% by Hunan Kaida, an independent third party. Pursuant to the Reorganization, Hunan Kaida transferred its 10% interest in Hunan Lushan to Excellence China. After completion of the transfer, Hunan Lushan became a wholly owned subsidiary of Excellence China.

(d) Changsha Excellence

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

(e) Excellence Property Management

Prior to the Reorganization, Excellence Property Management was held as to 60% by Excellence China and as to 40% by Shenzhen Shengce. Pursuant to the Reorganization, Shenzhen Shengce transferred its 40% interest in Excellence Property Management to Excellence China. After completion of the transfer, Excellence Property Management became a wholly owned subsidiary of Excellence China.

(f) Excellence Commercial

Prior to Reorganization, Excellence Commercial was held as to 70% by Excellence China and as to 30% by Li Wa. Pursuant to the Reorganization, Excellence Commercial increased its registered capital from Rmb 100,000,000 to Rmb 460,000,000, the additional capital is to be contributed by Excellence Hong Kong. At

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the same time, Li Wa transferred his 30% interest in Excellence Commercial to Excellence Hong Kong. After completion of the transfer and the increase in registered capital, Excellence Commercial will be held as to 15.22% by Excellence China and 84.78% by Excellence Hong Kong.

(g) Excellence Weigang

Prior to the Reorganization, Excellence Weigang was held as to 99% by Excellence China and 1% by Shenzhen Shekou, an independent third party. Pursuant to the Reorganization, Excellence Century City contributed land and increased the registered capital of Excellence Weigang from Rmb 30,000,000 to Rmb 40,000,000. After such increase, the registered capital of Excellence Weigang was held as to 74.25% by Excellence China, as to 25% by Excellence Century City and as to 0.75% by Shenzhen Shekou. Pursuant to the share transfer agreement dated July 22, 2008 entered into between Excellence Century City and Excellence China, Excellence Century City transferred its 25% interest in the registered capital of Excellence Weigang to Excellence China. After completion of the transfer, Excellence Weigang is held as to 99.25% by Excellence China and 0.75% by Shenzhen Shekou.

(h) Guangzhou Guixin

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

(i) Excellence Century City

Prior to the Reorganization, Excellence Century City was held as to 27% by Excellence Hong Kong and as to 73% by Excellence China. Pursuant to the Reorganization, Excellence Century City increased its registered capital from HK\$100,000,000 to HK\$488,000,000 in August 2007. After such increase, the registered capital of Excellence Century City was held as to 85% by Excellence Hong Kong and 15% by Excellence China.

(j) Shenzhen Excellence

Prior to Reorganization, Shenzhen Excellence was held as to 75% by Excellence China and as to 25% by Excellence Hong Kong. Pursuant to the Reorganization, Shenzhen Excellence increased its registered capital from HK\$128,000,000 to HK\$516,000,000. With the additional capital contributed by Excellence Hong Kong. After the increase of registered capital, Shenzhen Excellence was held as to 18.6% by Excellence China and 81.4% by Excellence Hong Kong.

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(k) Shenzhen Qi’nian

Prior to Reorganization, Shenzhen Qi’nian was held as to 100% by Excellence Commercial. Pursuant to the Reorganization, Excellence Commercial transferred its 100% interest in Shenzhen Qi’nian to Shenzhen Kangyue in April 2008, and Shenzhen Kangyue transferred its 100% interest in Shenzhen Qi’nian to Shenzhen Xinjinze in July 2008. After completion of the transfers, Shenzhen Qi’nian became a wholly owned subsidiary of Shenzhen Xinjinze.

(l) Huizhou Luofu Shan

Pursuant to the Reorganization, Huizhou Luofu Shan was established in the PRC on October 19, 2007 and was held as to 70% by Excellence China, as to 15% by Huizhou Loufu Shan Jiabaotian Country Club Company Limited (惠州市羅浮山嘉寶田鄉村俱樂部有限公司), an independent third party and as to 15% by Liao Qiang (廖強).

(m) Lianyungang Tianqian

Prior to Reorganization, Lianyungang Tianqian was held as to 100% by Lianyungang Jiatai. Pursuant to the Reorganization, Lianyungang Jiatai transferred its 100% interest in Lianyungang Tianqian to Excellence Hong Kong. After completion of the transfer, Lianyungang Tianqian became a wholly owned subsidiary of Excellence Hong Kong.

(n) Lianyungang Tianjun

Prior to Reorganization, Lianyungang Tianjun was held as to 100% by Lianyungang Jiatai. Pursuant to the Reorganization, Lianyungang Jiatai transferred its 100% interest in Lianyungang Tianjun to Excellence Hong Kong. After completion of the transfer, Lianyungang Tianjun became a wholly owned subsidiary of Excellence Hong Kong.

(o) Qingdao Excellence Real Estate

Pursuant to the Reorganization, Qingdao Excellence Real Estate was established in the PRC on September 17, 2007 and was held as to 60% by Excellence China and as to 40% by Qingdao Construction Investment Holding Co., Ltd. (青島政建投資集團有限公司).

(p) Qingdao Excellence Industrial

Pursuant to the Reorganization, Qingdao Excellence Industrial was established in the PRC on August 17, 2007 and was a wholly owned subsidiary of Excellence China.

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(q) Shenzhen Xinweiran

Pursuant to the Reorganization, Shenzhen Xinweiran was established in the PRC on June 4, 2008 and was a wholly owned subsidiary of Sapphire Nature.

(r) Shenzhen Xinjinze

Pursuant to the Reorganization, Shenzhen Xinjinze was established in the PRC on May 23, 2008 and was a wholly owned subsidiary of Splendid Profit.

(s) Shenzhen Dongrunze

Pursuant to the Reorganization, Shenzhen Dongrunze was established in the PRC on October 15, 2008 and was a wholly owned subsidiary of Oriental Rich.

(t) Shenzhen Bangye

Pursuant to the Reorganization, Shenzhen Bangye was established in the PRC on October 29, 2008 and was a wholly owned subsidiary of Success State.

(u) Excellence Qingdao Real Property

Pursuant to the Reorganization, Excellence Qingdao Real Property was incorporated in the PRC on September 21, 2009 and is a wholly owned subsidiary of Excellence China.

(v) Shenzhen Jinliju

Prior to the Reorganisation, Shenzhen Jinliju was held as to 49% by Shenzhen Ruican Industrial Co., Ltd. (深圳市瑞燦實業有限公司), as to 51% by Shenzhen Citic Kawah Real Estate Investment Co., Ltd. (深圳市中信嘉華置業投資有限公司). Pursuant to the Reorganisation, Excellence China acquired 51% interest in Shenzhen Jinliju from Shenzhen Citic Kawah Real Estate Investment Co., Ltd. (深圳市中信嘉華置業投資有限公司) in October 2007, Excellence Century City acquired 49% interest in Shenzhen Jinliju from Shenzhen Ruican Industrial Co., Ltd. (深圳市瑞燦實業有限公司) in November 2007, and Excellence China acquired 49% interest in Shenzhen Jinliju from Excellence Century City in July 2008. After the completion of the transfers, Shenzhen Jinliju became a wholly owned subsidiary of Excellence China.

(w) Shenzhen Xianghua

Pursuant to the Reorganization, Shenzhen Xianghua was established in the PRC on December 4, 2007 and was a wholly owned subsidiary of Excellence China.

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(x) Huizhou Baisheng

Pursuant to the Reorganization, Huizhou Baisheng was established in the PRC on November 30, 2007 and was a wholly owned subsidiary of Excellence China.

(y) Shenzhen Kangyue

Shenzhen Kangyue was established on December 4, 2007 as a company with limited liability wholly owned by Excellence China. Upon its establishment, Shenzhen Kangyue was wholly owned by Shenzhen Excellence which transferred its entire interest in Shenzhen Kangyue to Shenzhen Xinjinze in July 2008, which in turn transferred its entire interest in Shenzhen Kangyue to Excellence China in August 2008.

(z) Lianyungang Tianxingjian

Prior to the Reorganization, Lianyungang Tianxingjian was held as to 100% by Lianyungang Jiatai. Pursuant to the Reorganization, Lianyungang Jiatai transferred its 100% interest in Lianyungang Tianxingjian to Shenzhen Pengyue. After completion of the transfer, Lianyungang Tianxingjian became a wholly owned subsidiary of Shenzhen Pengyue.

(aa) Lianyungang Ruihao

Prior to the Reorganization, Lianyungang Ruihao was held as to 100% by Lianyungang Jiatai. Pursuant to the Reorganization, Lianyungang Jiatai transferred its 100% interest in Lianyungang Ruihao to Shenzhen Pengyue. After completion of the transfer, Lianyungang Ruihao became a wholly owned subsidiary of Shenzhen Pengyue.

(bb) Shenzhen Dabaihui

Prior to the Reorganization, Shenzhen Dabaihui was held as to 90% by Dabaihui Industrial Group Co., Ltd. (大百滙實業集團有限公司) and as to 10% by 溫純青. Pursuant to the Reorganization, Dabaihui Industrial Group Co., Ltd. (大百滙實業集團有限公司) transferred its 51% interest in Shenzhen Dabaihui to Shenzhen Excellence. After completion of the transfer, Shenzhen Dabaihui was held as to 49% by Dabaihui Industrial Group Co., Ltd. (大百滙實業集團有限公司) and as to 51% by Shenzhen Excellence.

(cc) Shenzhen Pengrun

Prior to the Reorganization, Shenzhen Pengrun was held as to 90% by Li Suru (李素茹) and as to 10% by Gan Quanqun (甘全軍). Pursuant to the Reorganization, Li Suru (李素茹) and Gan Quanqun (甘全軍) transferred their 90% and 10% interests in Shenzhen Pengrun to Shenzhen Dabaihui. After completion of the transfers, Shenzhen Pengrun became a wholly owned subsidiary of Shenzhen Dabaihui.

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(dd) Hangzhou Hengxing

Prior to the Reorganisation, Hangzhou Hengxing was held as to 20% by Hangzhou Binjiang Area Changhe Road Jiangsan Village Economic Cooperation Zone (杭州市濱江區長河街道江三村經濟合作社), 30% by Chen Qishui (陳其水) and 50% by Huang Miaofu (黃妙福). Pursuant to the Reorganisation, Excellence Commercial acquired 50% interest in Hangzhou Hengxing from Huang Miaofu (黃妙福) and 20% interest in Hangzhou Hengxing from Hangzhou Binjiang Area Changhe Road Jiangsan Village Economic Cooperation Zone (杭州市濱江區長河街道江三村經濟合作社) in January 2008. After completion of the transfers, Hangzhou Hengxing is held as to 70% by Excellence Commercial and 30% by Chen Qishu (陳其水).

(iv) *Reorganization of offshore companies*

(a) Joyrun

Pursuant to the Reorganization, Joyrun was incorporated in the British Virgin Islands on July 8, 2008 and is a wholly owned subsidiary of our company.

(b) Jolly Park

Pursuant to the Reorganization, Jolly Park was incorporated in the British Virgin Islands on January 16, 2008 and is a wholly owned subsidiary of Excellence China.

(c) Excellence Effort HK

Pursuant to the Reorganization, Excellence Effort HK was incorporated in Hong Kong on July 9, 2008 and is a wholly owned subsidiary of Excellence Effort BVI.

(d) Early State

Pursuant to the Reorganization, Early State was incorporated in the British Virgin Islands on January 15, 2008 and is a wholly owned subsidiary of Jolly Park.

(e) Merry Wave

Pursuant to the Reorganization, Merry Wave was incorporated in the British Virgin Islands on April 25, 2008 and is a wholly owned subsidiary of Jolly Park.

(f) Universe Asia

Pursuant to the Reorganization, Universe Asia was incorporated in Hong Kong on July 8, 2008 and is a wholly owned subsidiary of Early State.

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(g) Best Group

Pursuant to the Reorganization, Best Group was incorporated in Hong Kong on July 11, 2008 and is a wholly owned subsidiary of Merry Wave.

(h) Luck Sea

Pursuant to the Reorganization, Luck Sea was incorporated in the British Virgin Islands on February 12, 2008 and is a wholly owned subsidiary of Excellence BVI.

(i) Sapphire Nature

Pursuant to the Reorganization, Sapphire Nature was incorporated in Hong Kong on January 30, 2008 and is a wholly owned subsidiary of Luck Sea.

(j) South Smart

Pursuant to the Reorganization, South Smart was incorporated in the British Virgin Islands on November 30, 2007 and is a wholly owned subsidiary of Excellence BVI.

(k) Splendid Profit

Pursuant to the Reorganization, Splendid Profit was incorporated in Hong Kong on January 30, 2008 and is a wholly owned subsidiary of South Smart.

(l) Top Gate

Pursuant to the Reorganization, Top Gate was incorporated in the British Virgin Islands on April 2, 2008 and is a wholly owned subsidiary of Excellence BVI.

(m) Oriental Rich

Prior to Reorganization, Oriental Rich was held as to 100% by Shenzhen Excellence. Pursuant to the Reorganization, Shenzhen Excellence transferred its 100% interest in Oriental Rich to Top Gate. After completion of the transfer, Oriental Rich is wholly owned by Top Gate.

(n) Success State International

Pursuant to the Reorganization, Success State International was incorporated in the British Virgin Islands on January 30, 2008 and is a wholly owned subsidiary of Excellence BVI.

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(o) Success State

Pursuant to the Reorganization, Success State was incorporated in Hong Kong on April 18, 2008 and is a wholly owned subsidiary of Success State International.

(p) Grand Way

Pursuant to the Reorganization, Grand Way was incorporated in Hong Kong on May 31, 2007 and is a wholly owned subsidiary of Excellence Hong Kong.

(q) Wellto Investment

Pursuant to the Reorganization, Excellence Century City transferred its entire interest in Wellto Investment to Pine Full Investment Group Limited in August 2009 at a consideration of HK\$10,000.

(r) Excellence Real Estate

Upon incorporation, Excellence Real Estate was wholly owned by Excellence China. In March 2009, Excellence Real Estate increased its authorized share capital, and allotted and issued additional shares in the capital of Excellence Real Estate to Excellence Hong Kong. As a result of such increase in the share capital, and the allotment of shares, Excellence Real Estate is held as to 5.56% by Excellence China and as to 94.44% by Excellence Hong Kong.

(s) Excellence Effort BVI

Pursuant to the Reorganization, Excellence Effort BVI was incorporated in the British Virgin Islands on March 11, 2008 and is owned as to 50% by Excellence BVI and 50% by Deng Jia Gui.

(v) *Acquisition of Excellence BVI by our company*

On September 21, 2007, we acquired the entire issued share capital of Excellence BVI from its original shareholders by the allotment and issue of 902,500 shares to Li Wa and 47,500 shares to Li Xiaoping. In order to facilitate such allotment and issue of shares, our authorized share capital was increased from US\$50,000 to US\$1,000,000 divided into 1,000,000 shares of US\$1.00 each by the creation of an additional 950,000 shares.

(vi) *Acquisition of Excellence Hong Kong by Excellence BVI*

(a) On January 18, 2008, Li Wa transferred his 47,500 shares in our company to Sparkle Century and Li Xiaoping transferred his 2,500 shares in our company to Broad Ocean.

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- (b) On January 18, 2008, Excellence BVI acquired the entire issued share capital of Excellence Hong Kong for a consideration of HK\$383,849,804 to be satisfied by our company allotting and issuing 902,500 shares to Sparkle Century at the direction of Li Wa and 47,500 shares to Broad Ocean at the direction of Li Xiaoping, respectively [and crediting the 47,000 and 2,500 nil-paid shares as fully paid.]

(vii) *Increase of Authorized Share Capital and Share Sub-division*

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

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

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

5. Changes in share capital of subsidiaries

Our company’s subsidiaries are referred to in the Accountant’s Report, the text of which is set out in Appendix IA to this document. Save as disclosed below, there has been no alteration in the share capital of any of the subsidiaries of our company within the two years immediately preceding the date of this document:

- (a) on February 19, 2008, Excellence Real Estate increased its share capital from HK\$1,000,000 to HK\$3,900,000. On March 9, 2009, it has further increased its share capital from HK\$3,900,000 to HK\$70,200,000.

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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 our company or any of its subsidiaries within the two years preceding the date of this document and are or may be material:

- (a) a share transfer agreement dated October 31, 2007 entered into between Excellence China and Shenzhen Citic Ka Wah Real Estate Investment Co., Ltd. (深圳市中信嘉華置業投資有限公司) pursuant to which Shenzhen Citic Ka Wah Real Estate Investment Co., Ltd. transferred its 51% interest in Shenzhen Jinliju to Excellence China for a consideration of Rmb 99,331,250;
- (b) a share transfer agreement dated October 31, 2007 entered into between Excellence Century City and Shenzhen Ruican Industrial Co., Ltd. (深圳市瑞燦實業有限公司) pursuant to which Shenzhen Ruican Industrial Co., Ltd. transferred its 49% interest in Shenzhen Jinliju to Excellence Century City for a consideration of Rmb 99,331,250;
- (c) a share transfer agreement dated November 12, 2007 entered into between Excellence China and 深圳卓越栢盛顧問管理有限公司 pursuant to which Excellence China transferred its 35% interest in Shenzhen Property Guaranty to 深圳卓越栢盛顧問管理有限公司 for a consideration of Rmb 35,000,000;
- (d) a share transfer agreement dated November 13, 2007 entered into between Excellence China and Shenzhen Shengce pursuant to which Shenzhen Shengce transferred its 40% interest in Excellence Property Management to Excellence China for a consideration of [Rmb 2,000,000];
- (e) a share transfer agreement dated November 26, 2007 entered into between Excellence China, Excellence Property Management, Shenzhen Shengce, Xiao Xingping (肖興萍) and 深圳市盛迪地產策劃顧問有限公司 pursuant to which Excellence China, Excellence Property Management, Shenzhen Shengce and Xiao Xingping (肖興萍) transferred their 25%, 22%, 20% and 20% interest, respectively, in Shenzhen Excellence Property Consultancy to 深圳市盛迪地產策劃顧問有限公司 for a consideration of Rmb 500,000, Rmb 440,000, Rmb 400,000 and Rmb 1, respectively;
- (f) a share transfer agreement dated December 6, 2007 entered into between Lianyungang Jiatai and Shenzhen Pengyue pursuant to which Lianyungang Jiatai transferred its 100% interest in Lianyungang Ruihao and Lianyungang Tianxinjian to Shenzhen Pengyue for a consideration representing the aggregate of the assets of Lianyungang Ruihao and Lianyungang Tianxinjian and a premium of Rmb 60,750,000 minus the liabilities of Lianyungang Ruihao and Lianyungang Tianxinjian;
- (g) a supplemental share transfer agreement dated December 6, 2007 entered into between Lianyungang Jiatai and Shenzhen Pengyue amending the payment method of the consideration set out in the share transfer agreement mentioned in paragraph (f) above;

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- (h) an agreement dated January 8, 2009 by and among Lianyungang Jiatai, Excellence Hong Kong, Excellence China, Shenzhen Excellence, Lianyungang Tianqian and Lianyungang Tianjun being a supplemental agreement to the share transfer agreement dated August 4, 2007 (as supplemented), pursuant to which, among other things, the date of payment of the premium of Rmb 55,450,000 was extended;
- (i) an agreement dated January 8, 2009 by and among Lianyungang Jiatai, Shenzhen Pengyue, Excellence China, Lianyungang Tianxingjian and Lianyungang Ruihao being a supplemental agreement to the share transfer agreement mentioned in paragraph (f) above and the supplemental share transfer agreement mentioned in paragraph (g) above pursuant to which, among other things, the date of payment of the premium of Rmb 60,750,000 was extended;
- (j) a share transfer agreement dated December 18, 2007 entered into between Wuhan Huayuan and Excellence China pursuant to which Wuhan Huayuan transferred its 28% interest in Wuhan Excellence to Excellence China for a consideration of Rmb 28 million;
- (k) a share transfer agreement dated January 8, 2008 entered into between Huang Miaofu (黃妙福) and Excellence Commercial pursuant to which Huang Miaofu (黃妙福) transferred his 50% interest in Hangzhou Hengxing to Excellence Commercial for a consideration of Rmb 10,000,000;
- (l) a share transfer agreement dated January 11, 2008 entered into between Hangzhou Binjiang Area Changhe Road Jiangsan Village Economic Cooperation Zone (杭州市濱江區長河街道江三村經濟合作社) and Excellence Commercial pursuant to which Hangzhou Binjiang Area Changhe Road Jiangsan Village Economic Cooperation Zone transferred its 20% interest in Hangzhou Hengxing to Excellence Commercial for a consideration of Rmb 4,000,000;
- (m) a sale and purchase agreement dated January 18, 2008 entered into between Excellence BVI, Li Wa and Li Xiaoping pursuant to which Excellence BVI acquired 950,000 shares and 50,000 shares in Excellence Hong Kong held by Li Wa and Li Xiaoping, respectively, for a total consideration of HK\$383,849,804.00 which was satisfied by the allotment of 902,500 shares and 47,500 shares in our company to Li Wa and Li Xiaoping, respectively;
- (n) an instrument of transfer and bought and sold notes both dated January 18, 2008 for the transfer of 950,000 shares in Excellence Hong Kong by Li Wa to Excellence BVI for a consideration as per the sale and purchase agreement dated January 18, 2008 entered into between Excellence BVI, Li Wa and Li Xiaoping;
- (o) an instrument of transfer and bought and sold notes both dated January 18, 2008 for the transfer of 50,000 shares in Excellence Hong Kong by Li Xiaoping to Excellence BVI for a consideration as per the sale and purchase agreement dated January 18, 2008 entered into between Excellence BVI, Li Wa and Li Xiaoping;

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- (p) an instrument of transfer and bought and sold notes both dated March 5, 2008 for the transfer of 1 share in Sapphire Nature by Success Nominee Secretarial Limited to Excellence Hong Kong for a consideration of HK\$1;
- (q) an instrument of transfer and bought and sold notes both dated March 5, 2008 for the transfer of 1 share in Splendid Profit by Success Nominee Secretarial Limited to Excellence Hong Kong for a consideration of HK\$1;
- (r) a share transfer agreement dated March 28, 2008 entered into between Hunan Kaida and Excellence China pursuant to which Hunan Kaida transferred its 10% interest in Hunan Lushan to Excellence China for a consideration of Rmb 26,700,000;
- (s) a share transfer agreement dated April 15, 2008 entered into between Excellence Commercial and Shenzhen Kangyue pursuant to which Excellence Commercial transferred its 100% interest in Shenzhen Qi'nian to Shenzhen Kangyue for a consideration of Rmb 20,000,000;
- (t) an instrument of transfer and bought and sold notes both dated April 28, 2008 for the transfer of 10,000 shares in Oriental Rich by Shenzhen Excellence to Top Gate for a consideration of HK\$10,000;
- (u) a share transfer agreement dated June 30, 2008 entered into between Shenzhen Excellence and Shenzhen Xinjinze pursuant to which Shenzhen Excellence transferred its 100% interest in Shenzhen Kangyue to Shenzhen Xinjinze for a consideration of Rmb 10,000,000;
- (v) a share transfer agreement dated July 22, 2008 entered into between Shenzhen Kangyue and Shenzhen Xinjinze pursuant to which Shenzhen Kangyue transferred its 100% interest in Shenzhen Qi'nian to Shenzhen Xinjinze for a consideration of Rmb 20,000,000;
- (w) a share transfer agreement dated July 22, 2008 entered into between Excellence Century City and Excellence China pursuant to which Excellence Century City transferred its 25% interest in Excellence Weigang to Excellence China for a consideration of Rmb 10,000,000;
- (x) a share transfer agreement dated July 22, 2008 entered into between Excellence Century City and Excellence China pursuant to which Excellence Century City transferred its 49% interest in Shenzhen Jinliju to Excellence China for a consideration of Rmb 24,500,000;
- (y) a share transfer agreement dated August 8, 2008 entered into between Shenzhen Xinjinze and Excellence China pursuant to which Shenzhen Xinjinze transferred its 100% interest in Shenzhen Kangyue to Excellence China for a consideration of Rmb 10,000,000;
- (z) a letter of credit dated August 11, 2009 entered into between Excellence Century City and Bank of China Limited Shenzhen Branch for an insured amount of US\$10,100,000;

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- (aa) an additional letter of credit dated August 11, 2009 entered into between Excellence Century City and Bank of China Limited Shenzhen Branch for an insured amount of US\$10,100,000;
- (bb) a share transfer agreement dated August 31, 2008 entered into between Excellence China and Chen Huaide (陳懷德) pursuant to which Chen Huaide transferred his 10% interest in Guangzhou Guixin to Excellence China for a consideration of Rmb 14,800,000;
- (cc) an instrument of transfer and bought and sold notes both dated September 3, 2008 for the transfer of 1 share in Universe Asia by Smart Secretarial Limited to Early State for a consideration of HK\$1;
- (dd) an instrument of transfer and bought and sold notes both dated September 3, 2008 for the transfer of 1 share in Best Group by Topworld Registrations Limited to Merry Wave for a consideration of HK\$1;
- (ee) a letter of credit dated September 8, 2009 entered into between Excellence Century City and Bank of China Limited Shenzhen Branch for an insured amount of US\$10,100,000;
- (ff) a letter of credit dated September 8, 2009 entered into between Excellence Century City and Bank of China Limited Shenzhen Branch for an insured amount of US\$5,000,000;
- (gg) a letter of credit dated September 8, 2009 entered into between Excellence Century City and Bank of China Limited Shenzhen Branch for an insured amount of US\$5,100,000;
- (hh) a share transfer agreement dated September 9, 2008 entered into between Excellence China, Chen Huaide (陳懷德) and Shenzhen Yuelang pursuant to which Chen Huaide transferred his 10% interest in Guangzhou Guixin to Shenzhen Yuelang; Shenzhen Yuelang then transferred its 10% interest in Guangzhou Guixin to Excellence China (for the purpose of Guangzhou Guixin becoming a wholly-owned subsidiary of Excellence China) for a consideration of Rmb 20,300,000;
- (ii) a share pledge agreement dated September 18, 2008 entered into between Excellence Hong Kong, Excellence Century City, Excellence China and Industrial and Commercial Bank of China (Asia) Limited pursuant to which Excellence Hong Kong pledged its 27% interest in Excellence Century City with Industrial and Commercial Bank of China (Asia) Limited;
- (jj) a share pledge agreement dated September 18, 2008 entered into between Excellence Hong Kong, Excellence China and Industrial and Commercial Bank of China (Asia) Limited pursuant to which Excellence Hong Kong pledged its 62.67% interest in Excellence China with Industrial and Commercial Bank of China (Asia) Limited;

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- (kk) a deed of share charge dated September 18, 2008 entered into between Excellence BVI, Excellence Hong Kong and Industrial and Commercial Bank of China (Asia) Limited pursuant to which Excellence BVI charged its 100% interest in Excellence Hong Kong in favor of Industrial and Commercial Bank of China (Asia) Limited;
- (ll) a debenture dated September 18, 2008 entered into between Excellence Hong Kong as chargor and Industrial and Commercial Bank of China (Asia) Limited as chargee pursuant to which Excellence Hong Kong charged, inter alia, all its books, other debts, amounts receivable, securities for money by way of first fixed charge and all stocks, shares, bonds and securities and all other interests by way of floating charge in favor of Industrial and Commercial Bank of China (Asia) Limited;
- (mm) a charge over account dated September 18, 2008 entered into between Excellence Hong Kong as chargor and Industrial and Commercial Bank of China (Asia) Limited as chargee pursuant to which Excellence Hong Kong charged all its rights, title and interests in and to the deposits in a bank account in favor of Industrial and Commercial Bank of China (Asia) Limited;
- (nn) a guarantee dated September 18, 2008 entered into between our company and Industrial and Commercial Bank of China (Asia) Limited in respect of and for securing certain obligations of Excellence Hong Kong;
- (oo) a share transfer agreement dated October 18, 2008 entered into between Shenzhen Yuelang and Excellence China pursuant to which Shenzhen Yuelang transferred its 10% interest in Guangzhou Guixin to Excellence China for a consideration of Rmb 20,300,000;
- (pp) an instrument of transfer and bought and sold notes both dated November 3, 2008 for the transfer of 5,000 shares in Excellent Effort HK by Excellence BVI to Excellence Effort BVI for a consideration of HK\$5,000;
- (qq) an instrument of transfer and bought and sold notes both dated November 3, 2008 for the transfer of 5,000 shares in Excellent Effort HK by Deng Jia Gui to Excellence Effort BVI for a consideration of HK\$5,000;
- (rr) a co-operation agreement dated December 13, 2008 entered into between Shenzhen Excellence, Dabaihui Industrial Group Co., Ltd. (大百匯實業集團有限公司), 溫純青 and Li Wa pursuant to which Dabaihui Industrial Group Co., Ltd. transferred its 51% interest in Shenzhen Dabaihui to Shenzhen Excellence for a consideration of Rmb 5,100,000;
- (ss) a share transfer agreement dated December 24, 2008 entered into between Li Suru (李素茹) and Shenzhen Dabaihui pursuant to which Li Suru transferred her 90% interest in Shenzhen Pengrun to Shenzhen Dabaihui for a consideration of Rmb 9,000,000;

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- (tt) a share transfer agreement dated December 24, 2008 entered into between Gan Qunjun (甘全軍) and Shenzhen Dabaihui pursuant to which Gan Qunjun transferred his 10% interest in Shenzhen Pengrun to Shenzhen Dabaihui for a consideration of Rmb 1,000,000;
- (uu) a share transfer agreement dated December 24, 2008 entered into between Wen Yuqing (溫育青) and Dabaihui Industrial Group Co., Ltd (大百匯實業集團有限公司) pursuant to which Wen Yuqing transferred his 10% interest in Shenzhen Dabaihui to Dabaihui Industrial Group Co., Ltd for a consideration of Rmb 1,000,000;
- (vv) a share transfer agreement dated December 24, 2008 entered into between Dabaihui Industrial Group Co., Ltd. (大百匯實業集團有限公司) and Shenzhen Excellence pursuant to which Dabaihui Industrial Group Co., Ltd. transferred its 51% interest in Shenzhen Dabaihui to Shenzhen Excellence for a consideration of Rmb 5,100,000;
- (ww) a share pledge agreement dated January 9, 2009 entered into between Dabaihui Industrial Group Co., Ltd. (大百匯實業集團有限公司) and Shenzhen Excellence pursuant to which Dabaihui Industrial Group Co., Ltd. pledged its 49% interest in Shenzhen Dabaihui to Shenzhen Excellence;
- (xx) a share pledge agreement dated February 13, 2009 entered into between Excellence Hong Kong, Excellence Century City, Excellence China and Industrial and Commercial Bank of China (Asia) Limited pursuant to which Excellence Hong Kong pledged its 85% interest in Excellence Century City with Industrial and Commercial Bank of China (Asia) Limited;
- (yy) an asset distribution agreement dated February 24, 2009 entered into between Yantai Riyang Huayuan Real Estate Development Company Limited (煙台日櫻花園房地產開發有限公司) and Excellence China in relation to the distribution of the assets of Shandong Excellence;
- (zz) a pledge agreement dated August 11, 2009 entered into between Excellence Century City as pledgor and Bank of China Limited Shenzhen Branch as pledgee;
- (aaa) a pledge agreement dated August 11, 2009 entered into between Excellence Century City as pledgor and Bank of China Limited Shenzhen Branch as pledgee;
- (bbb) an instrument of transfer and bought and sold notes both dated August 13, 2009 for the transfer of 10,000 shares in Wellto Investment by Excellence Century City to Pine Full Investment Group Limited for a consideration of HK\$10,000.00;
- (ccc) a share transfer agreement dated August 17, 2009 entered into between Shanghai Jia Cheng Investment Management Co., Ltd. (上海嘉誠投資管理有限公司) and Shanghai Huiheng Investment Management Co., Ltd. (上海慧恒投資管理有限公司) as transferors, Excellence China as transferee, Qiao Xiaohui and Li Wa as guarantors pursuant to which the transferors agreed to transfer 100% of Shanghai Detian Real Estate Co., Limited (上海德天置業有限公司) to the transferees at a consideration of Rmb 100,000,000;

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(ddd) a share transfer agreement dated August 2009 entered into between Shenzhen Jingji Haiwan Hotel Management Co., Ltd. (深圳市京基海灣酒店管理有限公司) and Shenzhen Jingji Jingdu Hotel Management Co., Ltd. (深圳市京晶都酒店管理有限公司) as transferors, Shenzhen Xianghua as transferee and Chen Hua (陳華) as guarantor pursuant to which the transferors agreed to transfer their 60% equity interest in Beijing Hengyin Real Estate Development Co., Ltd. (北京恒銀房地產開發有限公司) for a consideration of Rmb 30,000,000;

(eee) a pledge agreement dated September 8, 2009 entered into between Excellence Century City as pledgor and Bank of China Limited Shenzhen Branch as pledgee in relation to a fixed deposit in the amount of Rmb 75,000,000;

(fff) a pledge agreement dated September 8, 2009 entered into between Excellence Century City as pledgor and Bank of China Limited Shenzhen Branch as pledgee in relation to a fixed deposit in the amount of Rmb 38,000,000;

(ggg) a pledge agreement dated September 8, 2009 entered into between Excellence Century City as pledgor and Bank of China Limited Shenzhen Branch as pledgee in relation to a fixed deposit in an amount of Rmb 37,000,000;

(hhh) a share transfer agreement dated October 12, 2009 entered into between Excellence BVI as transferor and HNA Group (Hong Kong) Co., Limited (海航集團(香港)有限公司) as transferee pursuant to which Excellence BVI agreed to transfer a 99% equity interest in South Smart for a consideration of Rmb 1,158,134,510;

(iii) the deed of indemnity dated October 20, 2009 given by the Original Shareholders in favor of our group in respect of, amongst others, taxation referred to in the sub-section headed “Tax indemnity” in this Appendix; and

(jii) the Deed of Non-competition.

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2. Intellectual property rights of our group

(a) Trademarks

As at the Latest Practicable Date, our group was the registered proprietor and beneficial owner of the following trademarks:

Trademark	Place of registration	Registration number	Validity period	Class
	Hong Kong	301077787	March 25, 2008 to March 24, 2018	35; 36; 37; 42; 43; 44
	PRC	1349470	December 28, 1999 to December 27, 2009	7
	PRC	1342469	December 7, 1999 to December 6, 2009	36
Cote d’Azur (Logo)	PRC	3119910	October 7, 2003 to October 6, 2013	36
	PRC	3664283	November 21, 2005 to November 20, 2015	36
蔚藍海岸	PRC	3664292	November 21, 2005 to November 20, 2015	36
Excellence	PRC	3664653	January 21, 2006 to January 20, 2016	36
Logo	PRC	5262526	June 21, 2009 to June 20, 2019	35

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As at the Latest Practicable Date, the Group had applied for the registration of the following trademarks:

Trademark	Application number	Date of application	Country of application	Class
Excellence	5262512	April 4, 2006	PRC	37
卓越	5262515	April 4, 2006	PRC	35
卓越	5262514	April 4, 2006	PRC	37
卓越中心	5262738	April 4, 2006	PRC	36
卓越中心	5262739	April 4, 2006	PRC	35
卓越中心	5262737	April 4, 2006	PRC	37
卓越大厦	5262730	April 4, 2006	PRC	35
卓越大厦	5262729	April 4, 2006	PRC	36
卓越大厦	5262728	April 4, 2006	PRC	37
	5262510	April 4, 2006	PRC	36
	5262509	April 4, 2006	PRC	37
City Central Garden Logo	5262741	April 4, 2006	PRC	36
City Central Garden Logo	5262740	April 4, 2006	PRC	37
City Central Garden Logo	5262742	April 4, 2006	PRC	35
時代廣場	5262524	April 4, 2006	PRC	35
淺水灣	5262745	April 4, 2006	PRC	35
	5262525	April 4, 2006	PRC	37
卓越維港	6278665	September 17, 2007	PRC	19
卓越維港	6278666	September 17, 2007	PRC	35
卓越維港	6278667	September 17, 2007	PRC	36
卓越維港	6278668	September 17, 2007	PRC	37
卓越維港	6278669	September 17, 2007	PRC	39
卓越維港	6278670	September 17, 2007	PRC	41
卓越維港	6278671	September 17, 2007	PRC	42
卓越維港	6278672	September 17, 2007	PRC	44
卓越世紀中心	6278675	September 17, 2007	PRC	6
卓越世紀中心	6278676	September 17, 2007	PRC	19
卓越世紀中心	6278677	September 17, 2007	PRC	35
卓越世紀中心	6278678	September 17, 2007	PRC	36
卓越世紀中心	6278679	September 17, 2007	PRC	37
卓越世紀中心	6278680	September 17, 2007	PRC	39

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Trademark	Application number	Date of application	Country of application	Class
卓越世紀中心	6278681	September 17, 2007	PRC	41
卓越世紀中心	6278682	September 17, 2007	PRC	42
卓越世紀中心	6278683	September 17, 2007	PRC	44
卓越維港	6278684	September 17, 2007	PRC	6
維港	6278685	September 17, 2007	PRC	44
世紀中心	6278686	September 17, 2007	PRC	6
世紀中心	6278687	September 17, 2007	PRC	19
世紀中心	6278688	September 17, 2007	PRC	35
世紀中心	6278689	September 17, 2007	PRC	36
世紀中心	6278690	September 17, 2007	PRC	37
世紀中心	6278691	September 17, 2007	PRC	39
世紀中心	6278692	September 17, 2007	PRC	41
世紀中心	6278693	September 17, 2007	PRC	42
世紀中心	6278694	September 17, 2007	PRC	44
蔚藍群島	6278695	September 17, 2007	PRC	42
蔚藍群島	6278696	September 17, 2007	PRC	44
維港	6278697	September 17, 2007	PRC	6
維港	6278698	September 17, 2007	PRC	19
維港	6278699	September 17, 2007	PRC	35
維港	6278700	September 17, 2007	PRC	36
維港	6278701	September 17, 2007	PRC	37
維港	6278702	September 17, 2007	PRC	39
維港	6278703	September 17, 2007	PRC	41
維港	6278704	September 17, 2007	PRC	42
卓越蔚藍群島	6278755	September 17, 2007	PRC	35
卓越蔚藍群島	6278756	September 17, 2007	PRC	36
卓越蔚藍群島	6278757	September 17, 2007	PRC	37
卓越蔚藍群島	6278758	September 17, 2007	PRC	39
卓越蔚藍群島	6279455	September 17, 2007	PRC	41
卓越蔚藍群島	6279456	September 17, 2007	PRC	42
卓越蔚藍群島	6279457	September 17, 2007	PRC	44
蔚藍群島	6279458	September 17, 2007	PRC	6
蔚藍群島	6279459	September 17, 2007	PRC	19
蔚藍群島	6279460	September 17, 2007	PRC	35
蔚藍群島	6279461	September 17, 2007	PRC	36

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Trademark	Application number	Date of application	Country of application	Class
蔚藍群島	6279462	September 17, 2007	PRC	37
蔚藍群島	6279463	September 17, 2007	PRC	39
蔚藍群島	6279464	September 17, 2007	PRC	41
卓越蔚藍群島	6279469	September 17, 2007	PRC	6
卓越蔚藍群島	6279701	September 17, 2007	PRC	19
	6027978	April 29, 2007	PRC	36

The above trademark applications are currently in progress.

(b) *Domain Names*

As at the Latest Practicable Date, our group was the registered proprietor of the following domain name in the PRC:

Domain name	Effective period
www.exceclub.com	March 15, 2006 to March 15, 2011
www.wlha.com.cn	April 18, 2001 to April 17, 2013
<u>www.excegroup.com</u>	July 17, 2002 to July 17, 2013

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C. FURTHER INFORMATION ABOUT DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

1. Directors

- (a) *Disclosure of interest — interests and short positions of the Directors and the chief executives of our company in the Shares, underlying Shares and debentures of our company and its associated corporations*

The interest or short position of Directors or chief executives of our company in the Shares, underlying Shares and debentures of our company or its associated corporations (within the meaning of Part XV of the SFO) which will be required to be notified to our company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interest or short positions which they were taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which will be required, pursuant to Model Code for Securities Transactions by Directors of Listed Companies, to be notified to our company and [●] once the Shares are [●] are as follows:

Name of Director	Company/ associated corporation	Nature of interest	Number of securities	Number of Shares subject to [●]	Approximate percentage of interest in enlarged issue share capital of our company upon full exercise of the [●]
Li Wa (Note 1)	Company	Interest of a controlled corporation	8,550,000,000	—	71.25%
Li Xiaoping (Note 2)	Company	Interest of a controlled corporation	450,000,000	—	3.75%
Tam Lai Ling (Note 3)	Company	Beneficial	—	(i) [●] (assuming that the [●] is set at high-end of the [●] range); or (ii) [●] (assuming that the [●] is set at low-end of the [●] range).	[●]% [●]%

Notes:

- (1) These shares are held directly by Sparkle Century whose entire issued share capital is owned by Li Wa.
- (2) These shares are directly held by Broad Ocean whose entire issued share capital is owned by Li Xiaoping.
- (3) These are the [●] granted by the Company on October 14, 2009.

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(b) *Particulars of service contracts*

Each of the executive Directors has entered into a service contract with our company for a term of three years commencing from [●] (except for Tam Lai Ling, commencing on September 1, 2009) which may be terminated by not less than one months’ notice in writing served by either party on the other.

(c) *Directors’ remuneration*

Each of the executive Directors is entitled to a director’s fee. Each executive Director shall be paid a remuneration on the basis of twelve months in a year. In addition, each of the executive Directors is also entitled to a discretionary bonus. An executive Director may not vote on any resolution of our Directors regarding the amount of the bonus payable to him. The current annual director’s fees and remuneration of the executive Directors are as follows:

<u>Name</u>	<u>Annual director’s fee and remuneration (RMB)</u>
Li Wa	800,000
Li Xiaoping	2,200,000
Tam Lai Ling	3,200,000
Wang Dou	1,800,000
Xie Limin	1,900,000
Duan Shijun	1,600,000
Zhang Yuan	1,000,000

The independent non-executive Directors have been appointed for a term of one year. Our company intends to pay a director’s fee of HK\$300,000 per annum to each of the independent non-executive Directors.

The aggregate amount of remuneration and benefits in kind our Directors have received for the year ended December 31, 2008 was approximately Rmb 10,130,000.

Under the arrangement currently in force, the aggregate amount of remuneration payable to, and benefits in kind receivable by our Directors for the year ending December 31, 2009 will be approximately Rmb 13,521,000.

Further details of the terms of the above service contracts are set out in the paragraph headed “Particulars of service contracts” in the subsection headed “Directors” in this Appendix.

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2. Substantial Shareholders

So far as our Directors are aware, the following persons (other than the Directors and chief executives of our company) will have or be deemed or taken to have an interest and/or short position in the Shares or the underlying Shares which would fall to be disclosed under the provisions of Division 2 and 3 of Part XV of the SFO:

<u>Name</u>	<u>Capacity</u>	<u>Number of Shares</u>	<u>Percentage of shareholding</u>
Sparkle Century	Beneficial owner	8,550,000,000	71.25%

Notes: Sparkle Century is wholly owned by Li Wa.

In addition to the above and so far as our Directors are aware, the following persons are directly and/or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our subsidiaries:

<u>Name of our subsidiary</u>	<u>Substantial shareholder of such subsidiary</u>	<u>Percentage of shareholding</u>
Beijing Hengyin	Chen Hua (陳華)	30%
Meisha Seaview	Shenzhen Sanjiu Dalong Healthy City Company Limited (深圳三九大龍健康城有限公司)	49%
Hangzhou Hengxing	Chen Qishui (陳其水)	30%
Dongguan Zhongtian	Dongguan Xinghui Industry Co., Ltd. (東莞市星匯實業有限公司)	20%
Shenzhen Dabaihui	Dabaihui Industrial Group Co., Ltd. (大百匯實業集團有限公司)	49%

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<u>Name of our subsidiary</u>	<u>Substantial shareholder of such subsidiary</u>	<u>Percentage of shareholding</u>
Shandong Excellence	Yantai Riying Huayuan Real Estate Development Company Limited (煙台日櫻花園房地產開發有限公司)	<u>39%</u>
Qingdao Excellence Real Estate	Qingdao Construction Investment Holding Co., Ltd. (青島政建投資集團有限公司)	<u>40%</u>
Huizhou Luofu Shan	Huizhou Luofu Shan Jiabaotian Country Club Company Limited (惠州市羅浮山嘉寶田鄉村俱樂部有限公司)	<u>15%</u>
	<u>Liao Qiang (廖強)</u>	<u>15%</u>

3. Agency fees or commissions received

Save as disclosed in this document, no commissions, discounts, brokerages or other special terms were granted within the two years preceding the date of this document in connection with the issue or sale of any capital of any member of our group.

4. Disclaimers

Save as disclosed herein:

- (a) none of our Directors or chief executive of our company has any interest or short position in the Shares, underlying Shares or debentures of our company or any of its associated corporation (within the meaning of the SFO) which will have to be notified to our company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which will be required to be notified to our company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies once the Shares are listed;
- (b) none of our directors or experts referred to under the heading “Consents of experts” in this Appendix has any direct or indirect interest in the promotion of our company, or in any assets which have within the two years immediately preceding the date of this document been 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;

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- (c) none of our Directors is materially interested in any contract or arrangement subsisting at the date of this document which is significant in relation to the business of our group taken as a whole;
- (d) none of our Directors has any existing or proposed service contracts with any member of our group (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation));
- (e) none of our Directors knows of any person (not being a Director or chief executive of our company) who will have an interest or short position in the Shares or underlying Shares of our company which would fall to be disclosed to our company under the provisions of Divisions 2 and 3 of Part XV of SFO or be interested, directly or indirectly, in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of our group;
- (f) none of the experts referred to under the heading “Consents of experts” in this Appendix has any shareholding in any member of our group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our group; and
- (g) so far as is known to our Directors, none of our Directors, their respective associates (as defined under the Listing Rules) or shareholders of our company who are interested in more than 5% of the issued share capital of our company has any interests in the five largest customers or the five largest suppliers of our group.

2. Share Option Scheme

The following is a summary of the principal terms of the Share Option Scheme conditionally adopted by the written resolutions of the shareholders of our company passed on October 14, 2009. The terms of the Share Option Scheme are in accordance with the provisions of Chapter 17 of the Listing Rules.

(a) *Purpose*

The Share Option Scheme is a share incentive scheme and is established to recognise and acknowledge the contributions the Eligible Participants (as defined in paragraph (b) below) had or may have made to our group. The Share Option Scheme will provide the Eligible Participants an opportunity to have a personal stake in our company with the view to achieving the following objectives:

- (i) motivate the Eligible Participants to optimise their performance efficiency for the benefit of our group; and
- (ii) attract and retain or otherwise maintain on-going business relationship with the Eligible Participants whose contributions are or will be beneficial to the long-term growth of our group.

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(b) *Who may join*

The Board may, at its discretion, offer to grant an option to subscribe for such number of new Shares as the Board may determine at an exercise price determined in accordance with paragraph (e) below to:

- (i) any full-time or part-time employees, executives or officers of our company or any of its subsidiaries;
- (ii) any Directors (including non-executive directors and independent non-executive directors) of our company or any of its subsidiaries; and
- (iii) any advisors, consultants, suppliers, customers and agents to our company or any of its subsidiaries.

Upon acceptance of the option, the grantee shall pay HK\$1.00 to our company by way of consideration for the grant. Any offer to grant an option to subscribe for Shares may be accepted in respect of less than the number of Shares for which it is offered provided that it is accepted in respect of a board lot of dealing in Shares on the Stock Exchange or an integral multiple thereof and such number is clearly stated in the duplicate offer document constituting the acceptance of the option. To the extent that the offer to grant an option is not accepted by any prescribed acceptance date, it shall be deemed to have been irrevocably declined.

(c) *Maximum number of Shares*

The maximum number of Shares in respect of which options may be granted under the Share Option Scheme and under any other share option schemes of our company must not in aggregate exceed 10% of the total number of Shares in issue immediately, being 1,200,000,000 Shares, excluding for this purpose Shares which would have been issued on the exercise in full of options in accordance with the terms of the Share Option Scheme (or any other share option schemes of our company, but not cancelled lapsed or exercised). Subject to the issue of a circular by our company and the approval of the Shareholders in general meeting and/or such other requirements prescribed under the Listing Rules from time to time, the Board may:

- (i) renew this limit at any time to 10% of the Shares in issue as at the date of the approval by the Shareholders in general meeting; and/or
- (ii) grant options beyond the 10% limit to Eligible Participants specifically identified by the Board. The circular issued by our company to the Shareholders shall contain a generic description of the specified Eligible Participants who may be granted such options, the number and terms of the options to be granted, the purpose of granting options to the specified Eligible Participants with an explanation as to how the options serve such purpose, the information required under Rule 17.02(2)(d) and the disclaimer required under Rule 17.02(4) of the Listing Rules.

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Notwithstanding the foregoing, the Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes of our company at any time shall not exceed 30% of the Shares in issue from time to time. No options shall be granted under any schemes of our company (including the Share Option Scheme) if this will result in the 30% limit being exceeded. The maximum number of Shares in respect of which options may be granted shall be adjusted, in such manner as the auditors of our company or an approved independent financial advisor shall certify to be appropriate, fair and reasonable in the event of any alteration in the capital structure of our company in accordance with paragraph (q) below whether by way of consolidation, [●], rights issue, sub-division or reduction of the share capital of our company but in no event shall exceed the limit prescribed in this paragraph.

(d) *Maximum number of options to any one individual*

The total number of Shares issued and which may fall to be issued upon exercise of the options granted under the Share Option Scheme and any other share option schemes of our company (including both exercised and outstanding options) to each Eligible Participant in any 12-month period up to the date of grant shall not exceed 1% of the Shares in issue as at the date of grant. Any further grant of Options in excess of this 1% limit shall be subject to:

- (i) the issue of a circular by our company which shall comply with Rules 17.03(4) and 17.06 of the Listing Rules containing the identity of the Eligible Participant, the numbers of and terms of the options to be granted (and options previously granted to such participant) the information as required under Rules 17.02(2)(d) and the disclaimer required under 17.02(4) of the Listing Rules; and
- (ii) the approval of the Shareholders in general meeting and/or other requirements prescribed under the Listing Rules from time to time with such Eligible Participant and his associates (as defined in the Listing Rules) abstaining from voting. The numbers and terms (including the exercise price) of options to be granted to such participant must be fixed before the Shareholders’ approval and the date of the Board meeting at which the Board proposes to grant the options to such Eligible Participant shall be taken as the date of grant for the purpose of calculating the subscription price of the Shares. The Board shall forward to such Eligible Participant an offer document in such form as the Board may from time to time determine.

(e) *Price of Shares*

The subscription price of a Share in respect of any particular option granted under the Share Option Scheme shall be such price as the Board in its absolute discretion shall determine, save that such price will not be less than the highest of:

- (i) [●]

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(ii) [●]; and

(iii) the nominal value of a Share.

(f) *Granting options to connected persons*

Any grant of options to a director, chief executive or substantial shareholder (as defined in the Listing Rules) of our company or any of their respective associates (as defined in the Listing Rules) is required to be approved by the independent non-executive Directors (excluding any independent non-executive Director who is the grantee of the options). If the Board proposes to grant options to a substantial shareholder or any independent non-executive Director or their respective associates (as defined in the Listing Rules) which will result in the number of Shares issued and to be issued upon exercise of options granted and to be granted (including options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of such grant:

- (i) representing in aggregate over 0.1% or such other percentage as may be from time to time provided under the Listing Rules of the Shares in issue; and
- (ii) having an aggregate value in excess of HK\$5 million or such other sum as may be from time to time provided under the Listing Rules, based on [●] at the date of each grant,

such further grant of options will be subject to the issue of a circular by our company and the approval of the Shareholders in general meeting by way of a poll at which all connected persons (as defined in the Listing Rules) of our company shall abstain from voting in favour of the resolution concerning the grant of such options at the general meeting, and/or such other requirements prescribed under the Listing Rules from time to time. Any vote taken at the meeting to approve the grant of such options shall be taken as a poll.

The circular to be issued by our company to the Shareholders pursuant to the above paragraph shall contain the following information:

- (i) the details of the number and terms (including the exercise price) of the options to be granted to each selected Eligible Participant which must be fixed before the shareholders’ meeting and the date of Board meeting for proposing such further grant shall be taken as the date of grant for the purpose of calculating the exercise price of such options;
- (ii) a recommendation from the independent non-executive Directors (excluding any independent non-executive Director who is the grantee of the options) to the independent Shareholders as to voting;

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- (iii) the information required under Rule 17.02(2)(c) and (d) and the disclaimer required under Rule 17.02(4) of the Listing Rules; and

- (iv) the information required under Rule 2.17 of the Listing Rules.

(g) *Restrictions on the times of grant of Options*

A grant of options may not be made after a price sensitive event has occurred or a price sensitive matter has been the subject of a decision until such price sensitive information has been published pursuant to the requirements of the Listing Rules. In particular, no options may be granted during the period commencing one month immediately preceding the earlier of:

- (i) the date of the Board meeting (as such date to first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of our company’s annual results, half-year, quarterly or other interim period (whether or not required under the Listing Rules);
- (ii) the deadline for our company to publish an announcement of results of the Company for (i) any year or half-year period in accordance with the Listing Rules; and (ii) any quarterly or any other interim period, where the Company has elected to publish such results (whether or not required under the Listing Rules), and ending on the date of actual publication of the results for such year, half year, quarterly or interim period (as the case may be), and where the grant of options is to a director of the company;
- (iii) no options shall be granted during the period of 60 days immediately preceding the publication date of the annual results or, if shorter, the period from the end of the relevant financial year up to the publication date of the results; and
- (iv) during the period of 30 days immediately preceding the publication date of the quarterly results (if any) and half-year results or, if shorter, the period from the end of the relevant quarterly or half-year period up to the publication date of the results.

(h) *Rights are personal to grantee*

An option is personal to the grantee and may be exercised or treated as exercised, as the case may be, in whole or in part. No grantee shall in any way sell, transfer, charge, mortgage, encumber or create any interest (legal or beneficial) in favour of any third party over or in relation to any option or attempt so to do.

(i) *Time of exercise of Option and duration of the Share Option Scheme*

An option may be exercised in accordance with the terms of the Share Option Scheme at any time after the date upon which the Option is deemed to be granted and accepted and prior to the expiry of 10 years from that date. The period during which an option may be exercised will

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be determined by the Board in its absolute discretion, save that no option may be exercised more than 10 years after it has been granted. No option may be granted more than 10 years after the date of approval of the Share Option Scheme. Subject to earlier termination by our company in general meeting or by the Board, the Share Option Scheme shall be valid and effective for a period of 10 years from the date of its adoption.

(j) *Performance target*

A grantee may be required to achieve any performance targets as the Board may then specify in the grant before any options granted under the Share Option Scheme can be exercised.

(k) *Rights on ceasing employment or death*

If the grantee of an option ceases to be an employee of our company or any of its subsidiaries:

- (i) by any reason other than death, ill-health, injury, disability or termination of his employment on the grounds specified in paragraph (r)(v) below, the grantee may exercise the option up to the entitlement of the grantee as at the date of cessation (to the extent not already exercised) within a period of three months from such cessation; or
- (ii) by reason of death, ill-health, injury, disability his personal representative(s) may exercise the option within a period of 12 months from such cessation or death of such grantee,

which date of cessation shall be the last actual working day with our company or the relevant subsidiary whether salary is paid in lieu of notice or not, failing which it will lapse.

(l) *Rights on dismissal*

If the grantee of an Option ceases to be an employee of our company or any of its subsidiaries on the grounds that he has been guilty of serious misconduct, or in relation to an employee of our group (if so determined by the Board) on any other ground on which an employee would be entitled to terminate his employment at common law or pursuant to any applicable laws or under the grantee’s service contract with our group, or has been convicted of any criminal offence involving his integrity or honesty, his Option will lapse and not be exercisable after the date of termination of his employment.

(m) *Rights on takeover*

If a general offer is made to all the Shareholders (or all such Shareholders other than the offeror and/or any person controlled by the offeror and/or any person acting in concert with the

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offeror (as defined in the Takeovers Codes)) and such offer becomes or is declared unconditional during the option period of the relevant option, the grantee of an option shall be entitled to exercise the option in full (to the extent not already exercised) at any time within 14 days after the date on which the offer becomes or is declared unconditional.

(n) *Rights on winding-up*

In the event a notice is given by our company to its members to convene a general meeting for the purposes of considering, and if thought fit, approving a resolution to voluntarily wind-up our company, our company shall forthwith give notice thereof to all grantees and thereupon, each grantee (or his legal personal representative(s)) shall be entitled to exercise all or any of his options (to the extent not already exercised) at any time not later than two business days prior to the proposed general meeting of our company referred to above by giving notice in writing to our company, accompanied by a remittance for the full amount of the aggregate subscription price for the Shares in respect of which the notice is given, whereupon our company shall as soon as possible and, in any event, no later than the business day immediately prior to the date of the proposed general meeting, allot the relevant Shares to the grantee credited as fully paid.

(o) *Rights on compromise or arrangement between our company and its members or creditors*

If a compromise or arrangement between our company and its members or creditors is proposed for the purposes of a scheme for the reconstruction of our company or its amalgamation with any other companies pursuant to the laws of jurisdictions in which our company was incorporated, our company shall give notice to all the grantees of the options on the same day as it gives notice of the meeting to its members or creditors summoning the meeting to consider such a scheme of arrangement and any grantee may by notice in writing to our company accompanied by a remittance for the full amount of the aggregate subscription price for the Shares in respect of which the notice is given (such notice to be received by our company not later than two business days prior to the proposed meeting), exercise the option to its full extent or to the extent specified in the notice and our company shall as soon as possible and in any event no later than the business day immediately prior to the date of the proposed meeting, allot and issue such number of Shares to the grantee which falls to be issued on such exercise of the option credited as fully paid and register the grantee as holder thereof.

With effect from the date of such meeting, the rights of all grantees to exercise their respective options shall forthwith be suspended. Upon such compromise or arrangement becoming effective, all options shall, to the extent that they have not been exercised, lapse and determine. If for any reason such compromise or arrangement does not become effective and is terminated or lapses, the rights of grantees to exercise their respective options shall with effect from such termination be restored in full but only upon the extent not already exercised and shall become exercisable.

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(p) *Ranking of Shares*

No dividends shall be payable in relation to shares that are the subject of options that have not been exercised. The Shares to be allotted upon the exercise of an option will not carry voting rights until completion of the registration of the grantee (or any other person) as the holder thereof. Subject to the aforesaid, Shares allotted and issued on the exercise of options will rank *pari passu* in all respects and shall have the same voting, dividend, transfer and other rights, including those arising on liquidation as attached to the other fully-paid Shares in issue on the date of exercise. Shares issued on the exercise of an option shall not be entitled to any rights attaching to shares by reference to a record date preceding the date of allotment.

(q) *Effect of alterations to capital*

In the event of any alteration in the capital structure of our company whilst any option may become or remains exercisable, whether by way of [●], rights issue, open offer (if there is a price dilutive element), consolidation, sub-division or reduction of share capital of our company in accordance with applicable laws and regulatory requirements, or otherwise howsoever, such corresponding alterations (if any) shall be made in the number or nominal amount of Shares subject to any options so far as unexercised and/or the subscription price per Share of each outstanding option as the auditors of our company or an independent financial advisor shall certify in writing to the Board to be in their/his opinion fair and reasonable in compliance with Rule 17.03(13) of the Listing Rules and the note thereto and the supplementary guidance issued by the Stock Exchange on September 5, 2005 and any future guidance and interpretation of the Listing Rules issued by the Stock Exchange from time to time.

Any such alterations will be made on the basis that a grantee shall have the same proportion of the issued share capital of our company for which any grantee of an Option is entitled to subscribe pursuant to the Options held by him before such alteration and the aggregate subscription price payable on full exercise of any option is to remain as nearly as possible the same (and in any event not greater than) as it was before such event. No such alteration will be made the effect of which would be to enable a Share to be issued at less than its nominal value. The issue of securities as consideration in a transaction is not to be regarded as a circumstance requiring any such alterations.

(r) *Expiry of option*

An option shall lapse automatically and not be exercisable (to the extent not already exercised) on the earliest of:

- (i) the date of expiry of the option as may be determined by the Board;
- (ii) the expiry of any of the periods referred to in paragraphs (k), (l), (m), (n) or (o);
- (iii) the date on which the scheme of arrangement of our company referred to in paragraph (o) becomes effective;

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- (iv) subject to paragraph (n), the date of commencement of the winding-up of our company;
- (v) the date on which the grantee ceases to be an Eligible Participant by reason of the termination of his relationship with our group on any one or more of the following grounds:
 - (1) that he has been guilty of serious misconduct;
 - (2) that he has been convicted of any criminal offence involving his integrity or honesty or in relation to an employee of our group;
 - (3) that he has become insolvent, bankrupt or has made arrangements or compositions with his creditors generally; or
 - (4) on any other ground on which an employee would be entitled to terminate his employment at common law or pursuant to any applicable laws or under the grantee’s service contract with our group. A resolution of the Board to the effect that the employment of a grantee has or has not been terminated on one or more of the grounds specified in this paragraph shall be conclusive; or
- (vi) the date on which the Board shall exercise our company’s right to cancel the option at any time after the grantee commits a breach of paragraph (h) above or the options are cancelled in accordance with paragraph (t) below.

(s) *Alteration of the Share Option Scheme*

The Share Option Scheme may be altered in any respect by resolution of the Board except that:

- (i) any alteration to the advantage of the grantees or the Eligible Participants (as the case may be) in respect of the matters contained in Rule 17.03 of the Listing Rules; and
- (ii) any material alteration to the terms and conditions of the Share Option Scheme or any change to the terms of options granted,

shall first be approved by the Shareholders in general meeting provided that if the proposed alteration shall adversely affect any option granted or agreed to be granted prior to the date of alteration, such alteration shall be further subject to the grantees’ approval in accordance with the terms of the Share Option Scheme. The amended terms of the Share Option Scheme shall remain in compliance with Chapter 17 of the Listing Rules and any change to the authority of the Board in relation to any alteration to the terms of the Share Option Scheme must be approved by Shareholders in general meeting.

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(t) *Cancellation of Options*

Subject to paragraph (h) above, any cancellation of options granted but not exercised must be approved by the grantees of the relevant options in writing.

(u) *Termination of the Share Option Scheme*

Our company may by resolution in general meeting or the Board at any time terminate the Share Option Scheme and in such event no further option shall be offered but the provisions of the Share Option Scheme shall remain in force to the extent necessary to give effect to the exercise of any option granted prior thereto or otherwise as may be required in accordance with the provisions of the Share Option Scheme. Options granted prior to such termination but not yet exercised at the time of termination shall continue to be valid and exercisable in accordance with the Share Option Scheme.

(v) *Administration of the Board*

The Share Option Scheme shall be subject to the administration of the Board whose decision as to all matters arising in relation to the Share Option Scheme or its interpretation or effect (save as otherwise provided herein) shall be final and binding on all parties.

(w) *Condition of the Share Option Scheme*

The Share Option Scheme is conditional on:

- (i) [●];
- (ii) the obligations of the [●] under the [●] becoming unconditional (including, if relevant, as result of the waiver of any such condition(s)) and not being terminated in accordance with the terms of the [●] or otherwise;
- (iii) the approval of the rules of the Share Option Scheme by the Shareholders of our company in general meeting; and
- (iv) [●].

(x) *Disclosure in annual and interim reports*

Our company will disclose details of the Share Option Scheme in its annual and interim reports including the number of options, date of grant, exercise price, exercise period and vesting period during the financial year/period in the annual/interim reports in accordance with the Listing Rules in force from time to time.

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(y) *Present status of the Share Option Scheme*

As at the Latest Practicable Date, no option had been granted or agreed to be granted under the Share Option Scheme.

2. **Tax indemnity**

Our Original Shareholders have entered into a deed of indemnity with and in favor of our company (for itself and as trustee for each of its present subsidiaries) (being the contract referred to in paragraph (iii) of the subsection headed “Summary of material contracts” in this Appendix) to provide indemnities on a joint and several basis in respect of, among other matters, taxation resulting from income, profits or gains earned, accrued or received as well as any claim to which our company or any member of our group that may be subject on or before the [●] becomes unconditional (the “Effective Date”) which might be payable by any member of our group, and Hong Kong estate duty which might be payable by any member of the Group, by reason of any transfer of property (within the meaning of Section 35 of the Estate Duty Ordinance, Chapter 111 of the Laws of Hong Kong, as amended by the Revenue (Abolition of Estate Duty) Ordinance) to any member of our group on or before the Effective Date.

3. **Litigation**

As at the Latest Practicable Date, save as disclosed in this document, no member of our group was engaged in any litigation or arbitration of material importance and, so far as our Directors are aware, no litigation or claim of material importance was pending or threatened by or against any member of our group.

6. **Promoter**

There are no promoters of our company.

7. **Taxation of holders of Shares**

(a) *Hong Kong*

The sale, purchase and transfer of Shares registered with our company’s Hong Kong register of members will be subject to Hong Kong stamp duty, the current rate charged on each of the purchaser and seller is 0.1% of the consideration of, if higher, of the fair value of the Shares being sold or transferred. Profits from dealings in the Shares arising in or derived from Hong Kong may also be subject to Hong Kong profits tax. The Revenue (Abolition of Estate Duty) Ordinance 2005 came into effect on February 11, 2006 in Hong Kong. No Hong Kong estate duty is payable and no estate duty clearance papers are needed for a grant of representation in respect of holders of Shares whose death occurs on or after February 11, 2006.

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(b) *Cayman Islands*

Under present Cayman Islands law, there is no stamp duty payable in the Cayman Islands on transfers of Shares.

(c) *Consultation with professional advisers*

Potential holders of the Shares are recommended to consult their professional advisers if they are in any doubt as to the taxation implications of subscribing for, purchasing, holding or disposing of or dealing in the Shares. It is emphasised that none of our company, our Directors or the other parties involved in the [●] will accept responsibility for any tax effect on, or liabilities of, holders of Shares resulting from their subscription for, purchase, holding or disposal of or dealing in Shares or exercise of any rights attaching to them.

10. **Binding effect**

This document shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all of the provisions (other than the penal provisions) of Sections 44A and 44B of the Companies Ordinance so far as applicable.

11. **Miscellaneous**

- (a) Save as disclosed in this document, within the two years immediately preceding the date of this document:
- (i) no share or loan capital of our company or any of its subsidiaries has been issued or agreed to be issued or is proposed to be fully or partly paid either for cash or a consideration other than cash;
 - (ii) no share or loan capital of our company or any of its subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;
 - (iii) no commissions, discounts, brokerages or other special terms have been granted or agreed to be granted in connection with the issue or sale of any share or loan capital of our company or any of its subsidiaries;
 - (iv) no commission has been paid or is payable for subscription, agreeing to subscribe, procuring subscription or agreeing to procure subscription of any share in our company or any of its subsidiaries;
- (b) save as disclosed in this document, there are no founder, management or deferred shares nor any debentures in our company or any of its subsidiaries;

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- (c) none of the persons named in the sub-paragraph headed “Consents of experts” in this Appendix is interested beneficially or otherwise in any shares of any member of our group or has any right or option (whether legally enforceable or not) to subscribe for or nominate persons to subscribe for any securities in any member of our group;
- (d) our Directors confirm that there has been no material adverse change in the financial or trading position or prospects of our group since June 30, 2009 (being the date to which the latest audited consolidated financial statements of our group were made up);
- (e) there has not been any interruption in the business of our group which may have or has had a significant effect on the financial position of our group in the 12 months preceding the date of this document;
- (f) the principal register of our company will be maintained in the Cayman Islands by Butterfield Fulcrum Group (Cayman) Limited and the branch register of members of our company will be maintained in Hong Kong by Computershare Hong Kong Investor Services Limited. Unless the Directors otherwise agree, all transfer and other documents of title of the Shares must be lodged for registration with and registered by our company’s share registrar in Hong Kong. All necessary arrangements have been made to enable the Shares to be admitted to [●]; and
- (g) no company within our group is presently listed on any stock exchange or traded on any trading system.