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Web Proof Information Pack of

Longfor Properties Co. Ltd.

龍湖地產有限公司

(Incorporated in the Cayman Islands with limited liability)

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

SUMMARY

OVERVIEW

We are engaged in the property development, property investment and property management businesses in China. In Chongqing, the largest and most populous municipality in China, we were the market leader in terms of both contract sales and GFA sold of residential properties in 2006, 2007 and 2008, according to the China Index Academy¹. Leveraging our premium brand and management capabilities, we expanded into Chengdu in 2005 and Xi'an in the second half of 2007, two of the most populous and affluent cities in western China, and into Beijing in late 2005 and Shanghai in the second half of 2007. In Chengdu and Beijing, we have quickly established ourselves as a leading player in the residential property market. In Chengdu, we were ranked third in 2007 and 2008 in terms of annual contract sales of residential properties, according to the China Index Academy. In Beijing, we were ranked second in 2008 in terms of annual contract sales of residential properties, according to the China Index Academy. In 2009, we entered the Wuxi, Shenyang and Changzhou markets and we plan to continue to expand our national footprint in other selected high growth areas throughout China, including the Pan Bohai Rim and the Yangtze River Delta. Our aim is to become one of the most respected and trustworthy national market leaders in the property industry in China.

We have a wide product spectrum and a broad customer base. Our residential property development projects cover a wide range of middle-to-high end products, including high-rise apartment buildings, low-rise garden apartments (花園洋房), townhouses and luxury stand-alone houses, offering residences for the mass market, the middle class and the upper class. We have also built various middle to large scale shopping malls and other commercial properties.

We have adopted a threefold “multiple products, selected regional focus” strategy under which we initially focus on supplying a wide range of property products in the cities where we already operate. Secondly, we will selectively penetrate into other regions that are expected to have a large population inflow and in particular, locations where higher income and well-educated people prefer to reside. Finally, we aim to become a market leader in every regional market where we have a business presence. Under this strategy, we have, in the past ten years, taken a disciplined and systematic approach to accumulate experience and expertise on a wide variety of property development and property investment projects, and on building a professional management team, a decentralized corporate structure and an information technology platform that can support rapid regional expansion.

As of August 31, 2009, we had completed 15 residential and commercial projects, as well as certain phases of four residential and commercial projects, with a total GFA of approximately 5,054,792 sq.m. (including car parks). As of August 31, 2009, we had retained four shopping malls in Chongqing with a total GFA of approximately 331,843 sq.m. (including car parks), which are currently being held for investment.

1 Based on a report dated September 9, 2009. We commissioned the report by China Index Academy and paid a total of RMB150,000 for its services. China Index Academy derived this information based on data from the Housing Administration, Real Estate Exchange Centres of Chongqing, Chengdu, Xi'an, Beijing and Shanghai, and annual reports and corporate returns of listed real estate companies. According to its website, China Index Academy is a Chinese property research institution, which was integrated in 2004 with a number of China research resources, including China Real Estate Index System, Soufun Research Institute, China Villa Index System and China Real Estate Top 10 Research Team. China Index Academy is independent of our Group, its connected persons and the [●].

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As of August 31, 2009, we had 35 projects under development or held for future development (including land for which we have obtained land-use rights and land for which we have not obtained land-use rights but have obtained the State-owned Land Use Right Grant Contract or the Confirmation Letter on Tender for the Granting of State-owned Land Use Right), of which ten are in Chongqing, six in Chengdu, seven in Beijing, five in Xi'an, two in Shanghai, one in Wuxi, two in Shenyang and two in Changzhou. These projects have a total planned GFA of approximately 19,086,710 sq.m., with approximately 8,807,520 sq.m. in Chongqing, approximately 3,208,989 sq.m. in Chengdu, approximately 1,710,601 sq.m. in Beijing, approximately 1,930,210 sq.m. in Xi'an, approximately 689,476 sq.m. in Shanghai, approximately 270,657 sq.m. in Wuxi, approximately 1,705,826 sq.m. in Shenyang and approximately 763,430 sq.m. in Changzhou. We also have one primary land development project with a site area of approximately 374,736 sq.m. in Beijing. Set out below is a breakdown by GFA of our portfolio of projects under various stages of development as of August 31, 2009:

	Completed	Under Development	Future Development		
			Land Use Right Certificate Obtained	Land Use Right Certificate Not Yet Obtained	Total GFA ⁽¹⁾
	Total ⁽¹⁾	Total GFA ⁽¹⁾	(A)	(B)	(A+B)
	(sq.m)	(sq.m)	(sq.m)	(sq.m)	(sq.m)
Residential.	3,555,451	3,219,581	4,318,066	5,243,466	9,561,533
Retail	466,441	234,041	367,702	1,209,956	1,577,658
SOHO ⁽²⁾	151,585	60,080	31,678	619,697	651,375
Office.	53,973	45,473	20,280	121,937	142,217
Commercial	—	—	31,404	—	31,404
Carpark.	543,128	419,230	541,836	1,101,666	1,643,502
Others	284,214	526,404	565,095	409,118	974,213
Total⁽³⁾	<u>5,054,792</u>	<u>4,504,809</u>	<u>5,876,061</u>	<u>8,705,840</u>	<u>14,581,901</u>
Attributable GFA. . .	<u>4,468,524</u>	<u>3,413,073</u>	<u>4,453,550</u>	<u>8,047,424</u>	<u>12,500,974</u>

Notes:

- (1) Includes saleable GFA and non-saleable GFA such as amenities.
- (2) GFA for residential, retail, SOHO, office, commercial and carpark consists of saleable GFA. Others includes amenities which are non-saleable.
- (3) Includes total planned GFA of (i) 85,137 sq.m. at Huishan in Shenyang for a planned residential project for which we won an auction for the underlying land in September 2009, (ii) 1,170,392 sq.m. at Mopan Shan in Chongqing for a planned residential project for which we won an auction for the underlying land in September 2009, (iii) 1,774,955 sq.m. at University Town in Chongqing for a planned residential project for which we won an auction for the underlying land in September 2009, (iv) 910,813 sq.m. at Wukuai Shi in Chengdu for a planned residential project for which we won an auction for the underlying land in September 2009, (v) 1,620,689 sq.m. at Daoyi in Shenyang for a planned residential project for which we won an auction for the underlying land in October 2009, (vi) 418,000 sq.m. at Qinglong in Changzhou for a planned residential project for which we won an auction for the underlying land in October 2009, and (vii) 345,430 sq.m. at Qinglong II in Changzhou for a planned residential project for which we won an auction for the underlying land in October 2009.

For further information, please refer to the section of the document headed “Business — Our Business — Overview of Our Projects.”

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Our strong market position has resulted in high brand and product recognition among regulators (such as those mentioned below), customers and suppliers. Over the past ten years, we have received a multitude of recognition and awards, including the following:

- For three years (2003, 2005 and 2006) that we have been surveyed, we were consistently ranked number one in the “National Residential Customers’ Satisfaction Survey” (全國住宅用戶滿意度調查), a survey conducted by the China Association for Quality (中國質量協會). For instance, for 2006, we scored 92.3 points, out of a total of 100 points, in user satisfaction and 89.5 points in customer loyalty, the highest among the more than 20 property companies surveyed;
- In 2009, our King Land project in Chengdu was awarded the Gold Prize of the “Zhan Tianyou Prize for Excellent Residential Project Areas 2009” by the China Civil Engineering Society (2009中國土木工程詹天佑獎優秀住宅小區金獎);
- In 2008, our “Longhu” (龍湖) brand name was accredited by the State Administration for Industry and Commerce as a “Well-known Trademark in China” (中國馳名商標);
- In 2007, we were recognized as one of the “Top 10 Brand Names of the Year in the PRC Real Estate Industry” (中國房地產行業年度10佳品牌) at the “First Chinese Brand Name Festival” conducted by Brand China Industry Alliance (品牌中國產業聯盟);
- In 2007, our Crystal Town project in Chongqing was granted the “China Construction Project Luban Prize” (中國建築工程魯班獎), a prize given in recognition of the highest quality of construction work, by the Ministry of Construction and the Architecture Association of China (中國建築業協會);
- In 2007, we were recognized as one of the “Top 500 in 2006 China Enterprise Informatization” (2006年度中國企業信息化500強) by the China Electronic Commerce Association of the National Informatization Evaluation Center (國家信息化測評中心) (one of the only two real estate companies in China winning such recognition); and
- In 2004, our Chunsen Land project in Chongqing won the “Next LA Citation Award” by the American Institute of Architects, Los Angeles in connection with its design.

In 2006, 2007, 2008 and the nine months ended September 30, 2009, we entered into sales contracts for our property development projects (including those undertaken by our joint ventures) with an aggregate contract value of RMB3.5 billion, RMB9.5 billion, RMB10.2 billion and RMB13.2 billion, respectively. We believe our geographic expansion, together with the organic growth of our business in cities in which we have already established a presence, have contributed to our strong growth in contract sales and reduced the geographic concentration of our business. In 2006, we generated approximately 73.6% of our contract sales in Chongqing with the remainder generated in Chengdu. In 2007, approximately 38.9% of our contract sales were generated in Chongqing, with the remaining 29.1% and 32.0% generated in Chengdu and Beijing, respectively. In 2008, approximately 39.4% of our contract sales were generated in Beijing, with the

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remaining 33.4%, 21.8%, 3.3% and 2.1% generated in Chongqing, Chengdu, Shanghai and Xi'an, respectively. For the nine months ended September 30, 2009, approximately 33.6% of our contract sales were generated in Chongqing, with the remaining 32.1%, 19.7%, 8.8% and 5.8% generated in Beijing, Chengdu, Shanghai and Xi'an, respectively.

Prior to the [●] our Company is 58.59% owned by Charm Talent and 39.06% by Precious Full, with the remaining 2.35% owned by 550 employees via Fit All. Charm Talent is beneficially owned by the Wu Family Trust, a discretionary trust set up by Madam Wu, one of the co-founders of our Group. Precious Full is beneficially owned by the Cai Family Trust, a discretionary trust set up by Mr. Cai, the other co-founder of our Group. Fit All holds the 2.35% interest in our Company subject to the terms of the Fit All Trust, a fixed trust set up for the benefit of the said 550 employees. Furthermore, six of our senior management personnel are entitled to subscribe for Shares under the Pre-[●] Option Scheme in an aggregate amount of up to approximately 0.75% of our enlarged share capital immediately after the [●] assuming the Pre-[●] Options are exercised in full and the [●] is not exercised.

OUR STRENGTHS

We believe that our success and future prospects are supported by a combination of the following competitive strengths:

- We are a market leader in Chongqing, Chengdu and Beijing and have expanded our national footprint to other major cities in China;
- We offer a wide spectrum of high-quality property products, which gives us a broad customer base and diversifies risks;
- Our property management services are highly regarded in China's real estate industry;
- We have a premium brand as evidenced by our loyal customer base and superior pricing power;
- We have a decentralized decision-making organizational structure supported by a robust information technology system which facilitates our rapid expansion into other cities;
- Our proprietary bank of product designs enables us to expand quickly while maintaining the quality and versatility of our product offerings; and
- We have a comprehensive human resources strategy and we focus on developing a professional and entrepreneurial management team to support our rapid business growth.

OUR STRATEGY

Our strategic goal is to become one of the most respected and trustworthy national market leaders in the PRC property industry.

Given China's rapid economic growth, urbanization trends, high saving rates, increasing availability of financing options and industry consolidation, we believe the PRC property sector has excellent long term prospects. With the localized nature of the property business and the distinctive subcultures in different

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regions of China, we believe future winners in the property industry will need to have a decentralized decision-making business model, a very scalable corporate structure, an ability to recruit and retain a large pool of talent and multiple ways of acquiring land. Furthermore, given the vast land area of China and the project-based nature of real estate business, we believe future national market leaders must be able to supply a wide range of products over many regions across China.

In order to achieve our goal, we have adopted a “multiple products, selected regional focus” strategy under which we have focused initially on cultivating the capability to develop multiple types of properties in the cities where we already operate and then expand selectively into other PRC regions that are expected to have a large population inflow and in particular, locations where higher income and well-educated people prefer to reside. We will then aim to become a local market leader in every regional market we enter into by establishing a business presence in a wide range of market segments. We believe once we have a sizable market share in the targeted regional markets, we can maximize our bargaining power with suppliers and customers, attract more talented employees and be more effective in dealing with local government authorities.

We believe our strategy will be effective in exploiting the long-term growth of the PRC property market. We will continue to execute this strategy based on the following priorities:

- Consolidate and accelerate our region-by-region growth strategy;
- Shorten our property development cycle to address the latest regulatory restrictions;
- Gradually expand our investment property portfolio into selected regions;
- Further strengthen our well-recognized brand name by providing better value to our customers through innovative design; and
- Continue to align the interest of our management with those of our Shareholders and cultivate leadership and entrepreneurship qualities among our senior management team.

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SUMMARY HISTORICAL FINANCIAL INFORMATION

The following tables set forth summary audited consolidated financial data about our Group. We have derived the consolidated financial data for the years ended December 31, 2006, 2007 and 2008 and the six months ended June 30, 2008 and 2009 from our audited consolidated financial statements set forth in the Accountants’ Report in Appendix I to this document. The summary consolidated financial data should be read together with, and is qualified in its entirety by reference to, these consolidated financial statements, including the related notes.

Consolidated Statements of Comprehensive Income

	Year Ended December 31,			Six Months Ended June 30,	
	2006	2007	2008	2008	2009
	unaudited				
	(RMB in thousands)				
Revenue	2,100,666	3,498,040	4,475,199	2,230,128	5,875,808
Cost of sales	(1,380,137)	(2,307,239)	(3,321,192)	(1,601,873)	(4,035,743)
Gross profit	720,529	1,190,801	1,154,007	628,255	1,840,065
Other income	13,843	113,315	132,068	58,047	344,159
Change in fair value of investment properties .	482,177	901,113	125,100	71,200	561,000
Distribution expenses	(131,351)	(210,187)	(323,910)	(133,285)	(105,975)
Administrative expenses	(108,755)	(335,370)	(408,286)	(169,201)	(84,822)
Loss on disposal of investment held for trading	—	(131)	—	—	—
Finance costs	—	(20,579)	(61,525)	(33,415)	(41,634)
Share of results of jointly controlled entities . .	602	(13,681)	63,225	(1,938)	32,570
Profit before taxation	977,045	1,625,281	680,679	419,663	2,545,363
Income tax expense	(337,577)	(724,081)	(281,198)	(182,893)	(885,379)
Profit for the year/period	639,468	901,200	399,481	236,770	1,659,984
<i>Other comprehensive expense for the year/period</i>					
Exchange differences arising on translation . . .	(1,310)	—	—	—	—
Total comprehensive income for the year/period	638,158	901,200	399,481	236,770	1,659,984
Attributable to:					
Equity owners of the Company	370,969	749,990	331,590	198,158	1,456,061
Minority interests	268,499	151,210	67,891	38,612	203,923
Profit for the year/period.	639,468	901,200	399,481	236,770	1,659,984
Attributable to:					
Equity owners of the Company	369,659	749,990	331,590	198,158	1,456,061
Minority interests.	268,499	151,210	67,891	38,612	203,923
Total comprehensive income for the year/period	638,158	901,200	399,481	236,770	1,659,984
Earnings per share, in RMB cents					
Basic	9.2	18.7	8.3	5.0	36.4

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Consolidated Statements of Financial Position

	As of December 31,			As of June 30,
	2006	2007	2008	2009
	(RMB in thousands)			
NON-CURRENT ASSETS				
Investment properties	2,466,926	3,634,000	3,759,100	4,320,100
Property, plant and equipment	55,229	133,386	166,976	179,331
Properties under development	—	—	10,701	—
Prepaid lease payments	142,226	3,418,668	3,026,288	2,566,294
Interests in associates	1	1	1	1
Interests in jointly controlled entities	49,066	506,095	932,468	1,232,161
Available-for-sale investments	8,820	8,600	8,600	8,600
Investment in a trust fund	14,823	—	—	—
Deposits paid for acquisition of land use rights	586,475	2,249,415	845,780	89,527
Deposits paid for acquisition of subsidiaries/additional interest in a subsidiary	30,000	—	—	—
Deferred taxation assets	44,945	71,503	347,960	209,042
Amount due from a minority shareholder	—	11,153	12,490	12,423
Loan receivable	14,596	—	—	—
	<u>3,413,107</u>	<u>10,032,821</u>	<u>9,110,364</u>	<u>8,617,479</u>
CURRENT ASSETS				
Inventories	27,244	47,620	138,652	204,560
Properties under development	4,740,061	8,702,421	14,880,070	16,817,943
Properties held for sales	421,603	363,516	2,582,592	902,708
Accounts and other receivables, deposits and prepayments	426,208	686,599	1,611,597	1,038,374
Investments held for trading	1,148	—	—	—
Investment in a trust fund	—	74,863	—	—
Amounts due from related parties	159,696	147,111	107,094	74,416
Taxation recoverable	31,725	59,668	131,722	136,081
Pledged bank deposits	138,912	187,246	605,379	353,338
Bank balances and cash	<u>729,106</u>	<u>2,337,618</u>	<u>3,228,797</u>	<u>5,919,421</u>
	<u>6,675,703</u>	<u>12,606,662</u>	<u>23,285,903</u>	<u>25,446,841</u>

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	As of December 31,			As of June 30,
	2006	2007	2008	2009
	(RMB in thousands)			
CURRENT LIABILITIES				
Accounts payable, deposits received and accrued charges	3,777,580	9,096,044	13,843,721	13,464,958
Amounts due to associates	1,402	—	—	—
Amounts due to jointly controlled entities	—	117,331	19,957	226,576
Amounts due to directors	35,594	36,722	81,590	79,181
Taxation payable	381,029	687,968	935,528	1,214,349
Bank and other borrowings - due within one year	649,100	3,175,520	6,480,051	7,549,506
	<u>4,844,705</u>	<u>13,113,585</u>	<u>21,360,847</u>	<u>22,534,570</u>
NET CURRENT ASSETS (LIABILITIES)	<u>1,830,998</u>	<u>(506,923)</u>	<u>1,925,056</u>	<u>2,912,271</u>
TOTAL ASSETS LESS CURRENT LIABILITIES	<u>5,244,105</u>	<u>9,525,898</u>	<u>11,035,420</u>	<u>11,529,750</u>
CAPITAL AND RESERVES				
Share capital	2,125	2,125	351,668	351,668
Reserves	1,491,410	2,867,115	2,770,893	4,242,454
Equity attributable to equity holders of the Company	1,493,535	2,869,240	3,122,561	4,594,122
Minority interests	996,517	1,259,228	821,673	1,025,596
TOTAL EQUITY	<u>2,490,052</u>	<u>4,128,468</u>	<u>3,944,234</u>	<u>5,619,718</u>
NON-CURRENT LIABILITIES				
Bank and other borrowings - due after one year	2,450,260	4,752,930	6,359,700	4,948,494
Amount due to a minority shareholder	—	19,306	—	—
Deferred taxation liabilities.	303,793	625,194	731,486	961,538
	<u>2,754,053</u>	<u>5,397,430</u>	<u>7,091,186</u>	<u>5,910,032</u>
	<u>5,244,105</u>	<u>9,525,898</u>	<u>11,035,420</u>	<u>11,529,750</u>

For the years ended December 31, 2006, 2007 and 2008 and for the six months period ended June 30, 2009, the Group recorded an upward change in the fair value of investment properties that amounted to approximately RMB482.2 million, RMB901.1 million, RMB125.1 million and RMB561.0 million, respectively, in its consolidated statements of comprehensive income. According to IAS 40, the International Accounting Standard for investment properties issued by the IASB, investment properties may be recognized by using either the fair value model or the cost model. The directors have selected the fair value model to report the value of investment properties because they are of the view that periodic fair value adjustments in accordance with the then prevailing market conditions, irrespective of whether such market trend moves upwards or downwards, should be recorded so that the Group’s financial statements present a more updated picture of the fair value of the Group’s investment properties. However, [●] an upward change in the fair value, which reflects unrealized capital gain of the Group’s investment properties at the relevant statement of financial position dates and not profit generated from day to day rentals of the investment properties of the Group, are largely dependent on the prevailing property markets and do not generate cash inflow to the Group for dividend distribution to shareholders of the Company until such investment properties are disposed. Moreover, [●] property values are subject to market fluctuation and there can be no assurance that the Group will continue to record an upward change in the fair value of investment properties in the future. Should there be any material downward change in the fair value of the Group’s investment properties in the future, the Group’s results may be adversely affected.

SUMMARY

PROFIT FORECAST FOR THE YEAR ENDING DECEMBER 31, 2009

We have prepared our forecasted net profit for the year ending December 31, 2009. This profit forecast is based on the audited consolidated financial information for the six months ended June 30, 2009, the unaudited management accounts for the three months ended September 30, 2009 and our forecast of the consolidated results for the remaining three months ending December 31, 2009. The forecast for the year ending December 31, 2009 has been prepared on the basis of accounting policies consistent with those adopted for the purpose of the Accountant Report in Appendix I to this document and the principal assumptions set forth in the section headed “Profit Forecast” in Appendix III to this document.

	RMB (in millions, except per Share data)
Forecast net profit attributable to the equity owners of our Company ⁽¹⁾⁽²⁾⁽³⁾	not less than 2,018.7
Forecast gross fair value gains on investment properties	836.1
Less: Provision for deferred tax liabilities on fair value gains on investment properties	(209.0)
Forecast fair value gains on investment properties (net of deferred tax)	627.1
Less: minority interests on forecast fair value gains	(54.6)
Forecast fair value gains on investment properties (net of deferred tax and minority interests).	572.5
Forecast consolidated net profit attributable to the equity holders of our Company (net of fair value gains)	not less than 1,446.2
Forecast earnings per Share	
Unaudited pro forma fully diluted ⁽⁴⁾	0.4037
Weighted average ⁽⁵⁾	0.4902

(1) The above profit forecast has been prepared in accordance with the following principal assumptions:

- The existing political, legal, fiscal or economic conditions in the PRC would not have a material effect on our business;
- There will be no material change in the PRC policies governing the pricing and sales of our properties;
- There will be no material change in the prevailing banking and mortgage policies applicable to our purchasers;
- There will be no material change in the bases or rates of taxation in the PRC;
- There will be no material change in inflation and interest rates;
- Our operations, results and financial condition will not be materially and adversely affected by the risk factors set forth in the section headed “Risk Factors” in the document;
- Changes in foreign exchange rates will have no material impact on our operations; the remaining overseas capital raised from the [●] will be converted to Renminbi during the year, hence no material exchange gains or losses are taken into account in the profit forecast; and

SUMMARY

- The projected market values of our investment properties as of December 31, 2009 are estimated by our Directors with reference to the independent property valuer’s report set out in Appendix IV to the document from Savills, our independent property. The investment approach was adopted by Savills to assess the market value of our investment properties by capitalizing the net rental income derived from the existing tenancies with due allowance for reversionary incoming potential of the respective properties. Pursuant to the investment approach, the market value of a property is assessed by adding the estimated value of (i) the lease term interest of the property and (ii) the reversionary interest of the property. The estimated value of the lease term interest is derived by capitalizing a property’s contractual rental income for the relevant period, being in this case from June 30, 2009 through the end of the terms of the relevant leases. The estimated value of the reversionary interest is derived by capitalizing the property’s estimated market rental for the rest of its remaining life after the end of the terms of the relevant lease. In preparing our analysis of the effect of the increase in fair value on our profit forecast, our forecast is based on (i) the market valuation of our investment properties prepared by Savills as of June 30, 2009 and August 31, 2009 and (ii) the anticipated stable to moderately upward property-specific market trends which are estimated by Savills.
- (2) On the bases and assumptions set out above, and in the absence of unforeseen circumstances, we have forecast that the net consolidated profit attributable to the equity holders of our Company for the year ending December 31, 2009 is unlikely to be less than RMB2,018.7 million, which includes the change of RMB572.5 million in the fair value of investment properties, net of deferred tax effect and share of minority interests and the compensation received from primary development project of RMB306 million, arising from primary land development in 2009, and takes into account the staff compensation costs arising from the Pre-[●] Share Award Schemes in the amount of RMB38.3 million and the Pre-[●] Option Scheme in the amount of RMB12.5 million.

Under IFRS, movement in the valuation of investment properties will be reflected in our financial statements through our consolidated statements of comprehensive income. Gains or losses arising from changes in the fair value of our investment properties are accounted for as profit or loss on revaluation increase/decrease in investment properties in our consolidated statements of comprehensive income.

We expect the fair value of our investment properties as of December 31, 2009, and in turn any fair value gains on investment properties, to continue to be dependent on market conditions and other factors that are beyond our control, and to be based on the valuation performed by an independent professional property valuer involving the use of assumptions that are, by their nature, subjective and uncertain. See “Risk Factors — Risks Relating to Our Business — The valuation attached to our property interests contains assumptions that may or may not materialize.”

Changes in the fair value of our investment properties are dependent on market conditions and factors that are beyond our control. While we have considered for the purposes of the profit forecast what we believe is the best estimate of the fair value of our investment properties as of December 31, 2009, and our independent property valuer is of the view that the assumptions upon which the forecast is based are reasonable, the fair value of our investment properties and/or any fair value gains or losses on investment properties as of the relevant time may differ materially from (and may be materially higher or lower than) our estimate.

The revaluation gains for the year ended December 31, 2006 were attributable to the revaluation of existing investment properties in the amount of RMB107.0 million and the completion of investment properties in the amount of RMB375.2 million. The revaluation gains for the year ended December 31, 2007 were attributable to the revaluation of existing investment properties in the amount of RMB273.9 million and the completion of investment properties in the amount of RMB627.2 million. The revaluation gains for the year ended December 31, 2008 were attributable to the revaluation of existing investment properties in the amount of RMB125.1 million. The revaluation gains for the six months ended June 30, 2009 were attributable to the revaluation of existing investment properties in the amount of RMB561.0 million. The forecast revaluation gains for the year ending December 31, 2009 are attributable to the revaluation of existing investment properties, but not to the completion of investment properties currently under construction or reclassification of properties as investment properties and other gains. We currently have no intention to reclassify any of our properties held for sale as investment properties.

SUMMARY

We expect the fair value of our investment properties as at December 31, 2009, and any future fair value changes to be dependent on market conditions and other factors that are beyond our control, and to be based on trends anticipated by an independent professional valuer involving the use of assumptions that are, by their nature, subjective and uncertain.

The following table illustrates the sensitivity of the net profit attributable to our equity holders to the average selling price for the year ending December 31, 2009.

% change in average selling price	5%	10%	15%	20%	-5%	-10%	-15%	-20%
Impact on net profit to our equity holders targeted for the year 2009 (RMB in millions)	17.9	35.7	53.6	71.4	(17.9)	(35.7)	(53.6)	(71.4)
% of total net profit to our equity holders	0.9%	1.8%	2.7%	3.5%	-0.9%	-1.8%	-2.7%	-3.5%

If the average selling prices rise by 5%, the Group’s net profit for the year ending December 31, 2009 will be RMB2,036.6 million (i.e., 0.9% higher than the Group’s targeted 2009 net profit).

If the average selling prices rise by 10%, the Group’s net profit for the year ending December 31, 2009 will be RMB2,054.4 million (i.e., 1.8% higher than the Group’s targeted 2009 net profit).

If the average selling prices rise by 15%, the Group’s net profit for the year ending December 31, 2009 will be RMB2,072.3 million (i.e., 2.7% higher than the Group’s targeted 2009 net profit).

If the average selling prices rise by 20%, the Group’s net profit for the year ending December 31, 2009 will be RMB2,090.1 million (i.e., 3.5% higher than the Group’s targeted 2009 net profit).

If the average selling prices decline by 5%, the Group’s net profit for the year ending December 31, 2009 will be RMB2,000.8 million (i.e., 0.9% lower than the Group’s targeted 2009 net profit).

If the average selling prices decline by 10%, the Group’s net profit for the year ending December 31, 2009 will be RMB1,983.0 million (i.e., 1.8% lower than the Group’s targeted 2009 net profit).

If the average selling prices decline by 15%, the Group’s net profit for the year ending December 31, 2009 will be RMB1,965.1 million (i.e., 2.7% lower than the Group’s targeted 2009 net profit).

If the average selling prices decline by 20%, the Group’s net profit for the year ending December 31, 2009 will be RMB1,947.3 million (i.e., 3.5% lower than the Group’s targeted 2009 net profit).

The analysis above includes only changes in average selling prices for the 5.6% of GFA not pre-sold to purchasers as of August 31, 2009.

SUMMARY

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

% change in targeted GFA sold and delivered	-5%	-10%	-15%	-20%	-25%
Impact on net profit to our equity holders targeted for the year					
2009 (RMB in millions)	(2.4)	(4.8)	(7.1)	(9.5)	(11.9)
% of total net profit to our equity holders	-0.1%	-0.2%	-0.4%	-0.5%	-0.6%

If the targeted GFA sold and delivered declines by 5%, the Group’s net profit for the year ending December 31, 2009 will be RMB2,016.3 million (i.e., 0.1% lower than the Group’s targeted 2009 net profit).

If the targeted GFA sold and delivered declines by 10%, the Group’s net profit for the year ending December 31, 2009 will be RMB2,014.9 million (i.e., 0.2% lower than the Group’s targeted 2009 net profit).

If the targeted GFA sold and delivered declines by 15%, the Group’s net profit for the year ending December 31, 2009 will be RMB2,011.6 million (i.e., 0.4% lower than the Group’s targeted 2009 net profit).

If the targeted GFA sold and delivered declines by 20%, the Group’s net profit for the year ending December 31, 2009 will be RMB2,009.2 million (i.e., 0.5% lower than the Group’s targeted 2009 net profit).

If the targeted GFA sold and delivered declines by 25%, the Group’s net profit for the year ending December 31, 2009 will be RMB2,006.8 million (i.e., 0.6% lower than the Group’s targeted 2009 net profit).

The analysis above includes only changes in GFA to be sold and delivered for the 5.6% of GFA not pre-sold to purchasers as of August 31, 2009.

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

% change in fair value of investment properties	-5%	-10%	-15%	5%	10%	15%
Impact on net profit to our equity holders targeted for						
the year 2009 (RMB millions)	(28.6)	(57.3)	(85.9)	28.6	57.3	85.9
% of total net profit to our equity holders	-1.4%	-2.8%	-4.3%	1.4%	2.8%	4.3%

If the fair value of investment properties rises by 5%, the Group’s net profit for the year ending December 31, 2009 will be RMB2,047.3 million (i.e., 1.4% higher than the Group’s targeted 2009 net profit).

If the fair value of investment properties rises by 10%, the Group’s net profit for the year ending December 31, 2009 will be RMB2,075.9 million (i.e., 2.8% higher than the Group’s targeted 2009 net profit).

If the fair value of investment properties rises by 15%, the Group’s net profit for the year ending December 31, 2009 will be RMB2,104.6 million (i.e., 4.3% higher than the Group’s targeted 2009 net profit).

If the fair value of investment properties declines by 5%, the Group’s net profit for the year ending December 31, 2009 will be RMB1,990.1 million (i.e., 1.4% lower than the Group’s targeted 2009 net profit).

If the fair value of investment properties declines by 10%, the Group’s net profit for the year ending December 31, 2009 will be RMB1,961.4 million (i.e., 2.8% lower than the Group’s targeted 2009 net profit).

If the fair value of investment properties declines by 15%, the Group’s net profit for the year ending December 31, 2009 will be RMB1,932.8 million (i.e., 4.3% lower than the Group’s targeted 2009 net profit).

SUMMARY

The above illustrations are intended to be for reference only and any 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 average selling price, targeted GFA sold and delivered, and fair value changes of investment properties for the year ending December 31, 2009, the average selling price, GFA sold and delivered, and fair value changes of investment properties as at the relevant time may differ materially from our estimate and are dependent on market conditions and other factors which are beyond our control.

- (3) Our directors believe that our profit forecast for the year ending December 31, 2009 is reasonable, realistic and up-to-date and will not be materially impacted by the current market conditions and the PRC government’s tightening policies. The presale of our properties has been consistently strong. As of August 31, 2009, we had contracted or pre-sold approximately 94.4% of our GFA to be booked in 2009. As of August 31, 2009, the construction progress of our projects to be delivered to purchasers in the second half of 2009 is as follows: the decoration and installation of Peace Hill County II has been completed and the development is currently undergoing landscape finetuning. Most of the construction work relating to Chunsen Land I, Wisdom Town, Sunshine Riverside, Beijing Rose and Gingko Villa, Beijing Chianti, Blossom Chianti, Elegance Loft and Qujiang Glory has been completed. These projects are now undergoing decoration and installation. Our marketing plan for these projects in the second half of 2009 is consistent with our past marketing practices. In general, our sales are marginally higher in the spring and fall of each year.
- (4) The calculation of the forecast earnings per Share on a pro forma fully diluted basis is based on the forecast consolidated profit attributable to the equity owners of the Company for the year ending December 31, 2009 assuming that our Company had been [●] since January 1, 2009 and a total of 5,000,000,000 Shares were in issue during the entire year. This calculation is based on the [●] and 5,000,000,000 Shares assumed to be in issue immediately following the completion of the [●] without taking into account any shares which may be issued upon the exercise of the [●], Pre-[●] Option Scheme and the Pre-[●] Share Award Schemes.
- (5) The calculation of the forecast earnings per Share on a weighted average basis is based on the forecast consolidated profit attributable to equity owners of the Company for the year ending December 31, 2009, and a weighted average number of approximately 4,117,808,219 Shares were in issue during the entire year, assuming no exercise of the Over-allotment Option, Pre-[●] Option Scheme and the Pre-[●] Share Award Schemes.
- (6) GFA and changes in fair value for each project are shown as follows:

		Fair Value as at December	Fair Value Change	Fair Value as at December	Fair Value Change	Fair Value as at December
	GFA (sq.m.)	31, 2007		31, 2008		31, 2009
(RMB in thousands, except GFA)						
North Paradise Walk Mall . . .	146,262	2,120,000	76,000	2,196,000	663,000	2,859,000
Chongqing Fairy Castle	29,413	357,000	12,400	369,400	6,900	376,300
Crystal Constellation of						
Crystal Town	44,514	180,000	4,700	184,700	7,200	191,900
West Paradise Walk	111,654	977,000	32,000	1,009,000	159,000	1,168,000
Total	331,843	3,634,000	125,100	3,759,100	836,100	4,595,200

DIVIDENDS

Considering our financial position, our Board currently intends, subject to the limitations described in “Financial Information — Dividends,” and in the absence of any circumstances which might reduce the

SUMMARY

amount of available distributable reserves, whether by losses or otherwise, to distribute to our Shareholders no less than 20% of any distributable profit (excluding net fair value gains or losses on investment properties). There is, however, no assurance that dividends of such amount or any amount will be declared or distributed each year or in any year.

Our directors will declare dividends, if any, in Hong Kong dollars with respect to Shares on a per Share basis and will pay such dividends in Hong Kong dollars. Any final dividend for a fiscal year will be subject to our Shareholders’ approval.

PRC laws require that dividends be paid out of the net profit calculated according to PRC accounting principles, which differ in certain aspects from IFRS. PRC laws also require enterprises located in the PRC to set aside part of their net profit as statutory reserves before they distribute the net proceeds. These statutory reserves are not available for distribution as cash dividends. Distributions from our subsidiary companies may also be restricted if they incur losses.

For 2006, 2007, and 2008 and the six months ended June 30, 2009, we declared dividends in the total amount of RMB138,408,000 to our Shareholders.

We declared one-off and non-recurring dividends of HK\$100 million, which are conditional upon the [●], to our Shareholders, namely Charm Talent, Precious Full and Fit All, in October 2009 and plan to distribute such dividends shortly after the [●]. Please refer to the section headed “Financial Information — Dividends” for a more detailed discussion of our dividend policy and limitations on our ability to declare dividends.

RISK FACTORS

There are certain risks relating to an investment in the [●]. Some of the particular risks in investing in the [●] are further described in the section headed “Risk Factors” of this document. You should read that section carefully before you decide to invest in the [●].

Risks Relating to Our Business

- Our financial results for each of the three financial years ended December 31, 2006, 2007 and 2008 and the six months ended June 30, 2009 included changes in the fair value of investment properties and our results may fluctuate due to such changes in the fair value of our investment properties.
- We are heavily dependent on the performance of the PRC property market, particularly in Chongqing, Chengdu, Beijing, Shanghai and Xi’an. Any market downturn or implementation of government regulations or control measures affecting medium to high-end properties in the PRC may have an adverse impact on us.
- Our operations could be affected by the global economic crisis and the slowdown in world markets.

SUMMARY

- Our future growth depends on our ability to develop our business in other areas of the PRC.
- Our business relies on the availability of suitable land sites at commercially acceptable prices and our ability to identify and acquire suitable sites for future development.
- Our business is capital intensive. We had negative operating cashflow in the financial years ended 31 December, 2006 and 2008 and may not be able to obtain sufficient funding for our business expansion.
- Our revenue depends on the availability of mortgages to our prospective customers and their ability to procure mortgages.
- We guarantee the mortgages provided by financial institutions to our purchasers and, consequently, we are liable to the mortgagees if our purchasers default.
- We generate revenue principally from the sale of properties which in turn depends on the schedule of development of our property projects. Our operational performance may therefore vary significantly from period to period.
- We rely on external contractors for the construction of our property development projects. Our operational performance and financial condition may be adversely affected by the breach of their contractual obligations.
- If our provisions for LAT prove to be insufficient, our financial results would be adversely affected.
- We are financially dependent on distributions of dividends from our subsidiaries. Any changes in PRC policies on dividend distributions and enterprise income tax may adversely affect our ability in paying dividends and financial condition.
- Our engagement as the provider of property management services may be terminated by property owners at their discretion.
- We have entered into two letters of intent and a framework agreement with the local governments in the PRC, and the land developments contemplated under such letters of intent and framework agreement may not be implemented.
- If we fail to develop land according to the land use right grant terms, our land use right may be subject to repossession by the PRC Government.
- Our business, operational performance and financial condition may be adversely affected if we fail to obtain, or if there is any material delay in obtaining, any of the relevant PRC Government approvals for our development projects.
- Failure on the part of any of our project companies to obtain or renew their qualification certificates on time or at all may adversely affect our business, operational performance and financial condition.

SUMMARY

- Compliance with PRC laws and regulations regarding environmental protection or preservation of antiquities and monuments could result in substantial costs.
- Final GFA of any of our completed property development projects that exceeds the permitted GFA is subject to governmental approvals and may result in additional payments on our part.
- We may encounter delay in issuance and delivery of title documents after sale and such delay may in turn give rise to claims from our customers.
- We do not have adequate insurance to cover certain kinds of losses and claims in our operations.
- Third party infringement of our intellectual property rights may damage our reputation and adversely affect our business, operational performance and financial condition. Registration in Hong Kong of certain trademarks is still pending.
- We depend on our management team for our continuous development.
- The interests of our Controlling Shareholders may not align with those of our other Shareholders.
- Disputes with our joint venture partners may adversely affect our operations.
- The valuation attached to our property interests contains assumptions that may or may not materialize.
- Our forecast of the net profit attributable to equity holders of the Company for the year ending December 31, 2009 will involve gains that may arise due to revaluation of our investment properties, and our profit forecast involves estimates and assumptions in this regard as well as other assumptions and estimates which may prove to be incorrect.
- Certain leased properties occupied by us have defective titles.

Risks Relating to the PRC Real Estate Industry

- The PRC property market is highly regulated and subject to frequent introduction of new legislation which may adversely affect property developers.
- The PRC property market, which is at an early stage of development, is volatile as it continues to evolve. We operate subject to the risks associated with the PRC property industry.
- There is fierce competition among real estate developers for land and property buyers.
- Resettlement negotiations may add costs or cause delays to our development projects.

SUMMARY

Risks Relating to the PRC

- Our business may be adversely affected by changes in the PRC’s political, economic and social conditions, laws, regulations and policies. Our operations are subject to the uncertainties of the PRC legal system.
- Our business and in particular our ability to remit dividends may be adversely affected by changes in PRC foreign exchange regulations and fluctuation in the value of the Renminbi.
- Judgments obtained from non-PRC courts may be difficult to enforce in the PRC.

DEFINITIONS

In this document, unless the context requires otherwise, the following terms and expressions shall have the following meanings:-

“Articles of Association” or “Articles”	the articles of association of our Company as amended from time to time
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Audit Committee”	the audit committee of our Board
“Beijing Longhu Chengheng”	Beijing Longhu Chengheng Decoration Co., Ltd. (北京龍湖成恒裝飾有限公司), a limited liability company established in the PRC on May 16, 2008 and owned as to 100% by Beijing Huisheng Investment Ltd. (北京匯晟投資有限公司)
“Beijing Longhu Property Service”	Beijing Longhu Property Service Co., Ltd. (北京龍湖物業服務有限公司), a limited liability company established in the PRC on October 18, 2006 and owned as to 5% by Chongqing Longhu Development and 95% by Beijing Longhu Properties
“Beijing Longhu Properties”	Beijing Longhu Properties Co., Ltd. (北京龍湖置業有限公司), a limited liability company (invested by foreign invested enterprise) established in the PRC on December 11, 2002 and owned as to 98.5% by Chongqing Longhu Development, 0.3% by He Tiantao (何天濤) and 1.2% by Beijing Huachuan Xinrun Investment Co. Ltd. (北京華川欣潤投資有限公司)
“Beijing Longhu Qinghua”	Beijing Longhu Qinghua Properties Co., Ltd. (北京龍湖慶華置業有限公司), a limited liability company (invested by foreign invested enterprise) established in the PRC on April 14, 2006 and owned as to 98% by Chongqing Longhu Development and 2% by Beijing Longhu Properties
“Beijing Longhu Shidai”	Beijing Longhu Shidai Properties Co., Ltd. (北京龍湖時代置業有限公司), a limited liability company established in the PRC on January 3, 2008 and owned as to 99.29% by Chongqing Longhu Properties and 0.71% by Beijing Longhu Zhongbai
“Beijing Longhu Tianxing”	Beijing Longhu Tianxing Properties Co. Ltd. (北京龍湖天行置業有限公司), a limited liability company established in the PRC on February 25, 2008 and owned as to 90% by Chongqing Longhu Properties and 10% by Beijing Longhu Zhongbai (北京龍湖中佰置業有限公司)

DEFINITIONS

“Beijing Longhu Zhongbai”	Beijing Longhu Zhongbai Co. Ltd. (北京龍湖中佰置業有限公司), a limited liability company established in the PRC on October 24, 2007 and wholly-owned by Chongqing Longhu Properties
“Board”	the board of directors of the Company
“BVI”	the British Virgin Islands
“CAGR”	compound annual growth rate
“Cai Family Trust”	the Cai Family Trust, a discretionary trust set up by Mr. Cai of which HSBC International Trustee acts as the trustee and the beneficiaries of which are certain family members of Mr. Cai and Fit All
“CBRC”	China Banking Regulatory Commission (中國銀行業監督管理委員會)
“Changzhou Jia’nan”	Changzhou Jia’nan Properties Co., Ltd. (常州嘉南置業有限公司), a limited liability company established in the PRC on 16 October 2009 and owned as to 91% by Shanghai Hengchi, 8% by Changzhou Changfa Agricultural Equipment Co., Ltd. (常州常發農業裝備有限公司) and 1% by Jiangsu Changfa Properties Co. Ltd.(江蘇常發地產股份有限公司)
“Charm Talent”	Charm Talent International Limited, a limited liability company incorporated in the BVI on October 30, 2007 which is wholly-owned by Silver Sea and holds a 58.6% interest in the Company as at the date of this document
“Chengdu Huixin”	Chengdu Huixin Real Estate Co., Ltd. (成都滙新置業有限公司), a sino-foreign cooperative joint venture established in the PRC with limited liability on October 24, 2007 and owned as to 32.05% by Chengdu Jiaxun and 67.95% by Sunny Champ Group Limited
“Chengdu Jia’nan”	Chengdu Jia’nan Real Estate Co., Ltd. (成都嘉南置業有限公司), a sino-foreign cooperative joint venture established in the PRC with limited liability on October 24, 2007 and owned as to 92.16% by ING COF I and 7.84% by Chengdu Jiaxun
“Chengdu Jiaxun”	Chengdu Jiaxun Investment Co., Ltd. (成都佳遜投資有限公司), a limited liability company established in the PRC on July 13, 2007 and owned as to 100% by Chongqing Longhu Development
“Chengdu Jinghui”	Chengdu Jinghui Real Estate Co., Ltd. (成都景滙置業有限公司), a sino-foreign cooperative joint venture established in the PRC with limited liability on October 24, 2007 and owned as to 95.41% by COF I (HK) and 4.59% by Chengdu Jiaxun

DEFINITIONS

“Chengdu Longhu Jincheng”	Chengdu Longhu Jincheng Real Estate Co., Ltd. (成都龍湖錦城置業有限公司) (formerly known as Chengdu Shiyun Real Estate Development Co., Ltd. (成都市時運房地產開發有限責任公司)), a limited liability company established in the PRC on August 18, 2005 and owned as to 4.44% by Chengdu Longhu Jinhua and 95.56% by Chongqing Longhu Development
“Chengdu Longhu Jinhua”	Chengdu Longhu Jinhua Real Estate Co., Ltd. (成都龍湖錦華置業有限公司) (formerly known as Chengdu Longhu Properties Co., Ltd. (成都龍湖地產發展有限公司)), a sino-foreign equity joint venture established in the PRC with limited liability on November 10, 2004 and owned as to 67% by Chongqing Longhu Development and 25% by Juntion Development and 8% by Topper Industrial
“Chengdu Longhu Property Service”	Chengdu Longhu Property Service Co., Ltd. (成都龍湖物業服務有限公司), a limited liability company established in the PRC on April 13, 2006 and owned as to 5% by Chengdu Longhu Jinhua and 95% by Chongqing Longhu Development
“Chengdu Longhu Tongjin”	Chengdu Longhu Tongjin Real Estate Co., Ltd. (成都龍湖同晉置業有限公司), a sino-foreign cooperative joint venture established in the PRC with limited liability on April 19, 2007 and owned as to 51% by Chongqing Longhu Development, 24% by Chengdu Jiaxun and 25% by ING COF
“Chengdu Tuosheng”	Chengdu Tuosheng Real Estate Co., Ltd. (成都拓晟置業有限公司), a sino-foreign cooperative joint venture established in the PRC with limited liability on October 24, 2007 and owned as to 95.26% by Front Harbour and 4.74% by Chengdu Jiaxun
“Chengdu Xixi”	Chengdu Xixi Real Estate Co., Ltd. (成都西璽置業有限公司), a limited liability company established in the PRC on January 24, 2008 and wholly owned by Chengdu Jiaxun
“Chengdu Xixiang”	Chengdu Xixiang Real Estate Co., Ltd. (成都西祥置業有限公司), a limited liability company established in the PRC on January 24, 2008 and wholly owned by Chengdu Jiaxun
“Chongqing Beilonghu”	Chongqing Beilonghu Property Co., Ltd. (重慶北龍湖置地發展有限公司), a limited liability company established in the PRC on May 12, 2004 and owned as to 51% by Chongqing Longhu Properties and 49% by Chongqing Longhu Development
“Chongqing International Trust Investment”	Chongqing International Trust Investment Co., Ltd. (重慶國際信托投資有限公司), a company incorporated in the PRC, which is an Independent Third Party

DEFINITIONS

“Chongqing Juntion”	Chongqing Juntion Real Estate Development Inc. (重慶嘉遜地產開發有限公司), a sino-foreign equity joint venture established in the PRC on November 24, 2003 and owned as to 74.92% by Chongqing Longhu Properties and 25.08% by Juntion Development
“Chongqing Longhu Development”	Chongqing Longhu Development Co. Ltd. (重慶龍湖企業拓展有限公司) (formerly known as Chongqing Jiachen Economic and Cultural Development Co. Ltd. (重慶佳辰經濟文化促進有限公司) and Chongqing Jiachen Economic Development Limited (重慶佳辰經濟發展有限公司)), a sino-foreign equity joint venture established in the PRC with limited liability on October 18, 2002 and prior to its becoming a sino-foreign equity joint venture, a limited liabilities company established in the PRC on October 18, 1994 and owned as to 91.3% by Juntion Development and 8.7% by Chongqing Xuke
“Chongqing Longhu Hengshang”	Chongqing Longhu Hengshang Real Estate Co., Ltd. (重慶龍湖恒尚地產發展有限公司), a limited liability company (legal person sole proprietorship) established in the PRC on September 13, 2006 and a wholly-owned subsidiary of Chongqing Longhu Properties
“Chongqing Longhu Kaian”	Chongqing Longhu Kaian Real Estate Development Co., Ltd. (重慶龍湖凱安地產發展有限公司), a sino-foreign cooperative joint venture established in the PRC on November 30, 2006 and owned as to 51% by Chongqing Longhu Properties and 49% by Jasmine Spread (our wholly owned subsidiary)
“Chongqing Longhu Properties”	Chongqing Longhu Properties Co., Ltd. (重慶龍湖地產發展有限公司) (formerly known as Chongqing Zhongjian Ke Real Estate Limited (重慶中建科置業有限公司)), a limited liability company established in the PRC on June 20, 1995 and wholly owned by Chongqing Longhu Development
“Chongqing Longhu Xijie”	Chongqing Longhu Xijie Real Estate Co., Ltd. (重慶龍湖西街置業有限公司) (formerly known as Chongqing Hangxing Real Estate Development Company 重慶航星置業發展有限公司), a limited liability company established in the PRC on May 24, 2002 and owned as to 97.79% by Chongqing Longhu Properties and 2.21% by Chongqing Longhu Development
“Chongqing Longhu Yiheng”	Chongqing Longhu Yiheng Real Estate Development Co., Ltd. (重慶龍湖宜恒地產發展有限公司), a sino-foreign cooperative joint venture established in the PRC with limited liability on November 23, 2006 and owned as to 51% by Chongqing Longhu Properties and 49% by Fantastic Star

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“Chongqing Tianzhuo Investment”	Chongqing Tianzhuo Investment Co., Ltd. (重慶天卓投資有限公司), a limited liability company (legal person sole proprietorship) established in the PRC on June 25, 2008 and owned as to 100% by Chongqing Juntion
“Chongqing Xinlonghu”	Chongqing Xinlonghu Property Service Co., Ltd. (重慶新龍湖物業服務有限公司), a limited liability company established in the PRC on November 6, 2003 and owned as to 15% by Chongqing Longhu Properties and 85% by Chongqing Longhu Development
“Chongqing Xuke”	Chongqing Xuke Investment Co., Ltd. (重慶旭科投資有限公司), a PRC domestic limited liability company established on July 6, 2007 whose registered capital is RMB20 million and owned as to 63% by Madam Wu and as to 37% by Mr. Cai, respectively
“COF I SRL”	COF I SRL, a company incorporated in the Barbados, which is our joint venture partner of Shanghai Hengrui holding a 50% interest
“COF I (HK)”	COF I (HK) Limited, a company incorporated in Hong Kong, which is our joint venture partner of Chengdu Jinghui
“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
“Company” and “our Company”	Longfor Properties Co. Ltd. (龍湖地產有限公司), a company incorporated in the Cayman Islands on December 21, 2007 as an exempted limited liability company
“connected person”	has the meaning ascribed to it under the Listing Rules
“Controlling Shareholder(s)”	has the meaning ascribed to it under the Listing Rules and, in the context of our Company for the purposes of this document and the Listing, means Charm Talent, Precious Full, Silver Sea, Silverland, Madam Wu and Mr. Cai
“Covenantors”	Charm Talent, Precious Full, Madam Wu and Mr. Cai
“CSRC”	China Securities Regulatory Commission (中國證券監督管理委員會)

DEFINITIONS

“Dujiangyan Qingcheng Co.”	Dujiangyan Longhu Yanshang Qingcheng Sports and Recreational Co., Ltd. (都江堰龍湖堰上青城體育休閒有限公司), a PRC domestic limited liability company established on December 25, 2007, a wholly-owned subsidiary Chongqing Xuke with a registered capital of RMB10 million
“Everbay”	Everbay Investment Limited, a company incorporated in the BVI on September 27, 2006 and wholly owned by Juntion Development
“Fantastic Star”	Fantastic Star Investment Limited, a company incorporated in the BVI, which is an Independent Third Party
“Fit All”	Fit All Investments Limited, a limited liability company incorporated in the BVI on July 16, 2007 which holds approximately 2.3% interest in the Company as at the date of this document
“Fit All Trust”	the Fit All Trust, a trust of which HSBC (HK) Trustee acts as the trustee and the beneficiary objects include employees of our Group as grantees of the Pre-[●] Share Award Schemes
“Fortune Glister”	Fortune Glister Development Limited, a company incorporated in Hong Kong on January 11, 2008 and wholly owned by Fully Grace
“Front Harbour”	Front Harbour Investments Limited, a company incorporated in Hong Kong, which is our joint venture partner of Chengdu Tuosheng
“Fully Grace”	Fully Grace Group Limited, a company incorporated in the BVI on December 18, 2007 and wholly owned by Join Dragon
“GDP”	gross domestic product
“GFA”	gross floor area
“Group”, “we”, “our” and “us”	the Company and its subsidiaries or, where the context so requires, in respect of the period prior to the Company’s becoming the holding company of its present subsidiaries, such subsidiaries as if they were the subsidiaries of the Company at that time
“HK\$” or “HK dollars”	Hong Kong dollars, the lawful currency of Hong Kong
“HKAS”	Hong Kong Accounting Standards issued by HKICPA
“HKICPA”	Hong Kong Institute of Certified Public Accountants
“Hong Kong” or “HK”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Share Registrar”	Computershare Hong Kong Investor Services Limited

DEFINITIONS

“HSBC (HK) Trustee”	means HSBC Trustee (HK) Limited, as trustee of, respectively, the Fit All Trust and the Long Faith Trust
“HSBC International Trustee”	means HSBC International Trustee Limited, as trustee of, respectively, the Wu Family Trust and the Cai Family Trust
“IAS”	International Accounting Standards
“IASB”	International Accounting Standards Board
“IFRS”	International Financial Reporting Standards, as issued by the International Accounting Standards Board
“Independent Third Party(ies)”	a person or company who/which is or are independent of our directors, Controlling Shareholders, Substantial Shareholders and the Chief Executive (as defined under the Listing Rules) of our Company and its subsidiaries or their respective associates
“ING COF”	means ING COF IV SRL, a company incorporated in the Barbados, which is our joint venture partner of Chengdu Longhu Tongjin
“ING COF I (HK)”	ING COF I (HK) Limited, a company incorporated in Hong Kong, which is our joint venture partner of Chengdu Jia’nan
“Jasmine Spread”	Jasmine Spread Investment Limited, a company incorporated in the BVI on March 28, 2006 and wholly-owned by Juntion Development
“Jiaxun Land”	Jiaxun Land Company Limited (嘉遜置地有限公司) (formerly known as Welly Art Limited 佳藝有限公司), a company incorporated in Hong Kong on January 7, 2005 and wholly owned by Jiaxun Land (China)
“Jiaxun Land (China)”	Jiaxun Land (China) Company Limited (formerly known as Easeridge Investments Limited), a company incorporated in the BVI with limited liability on December 3, 2004
“Join Dragon”	Join Dragon Limited, a company incorporated in the BVI on November 6, 2006 and wholly owned by Juntion Development
“Juntion Development”	Juntion Development Hong Kong (Holding) Limited (嘉遜發展香港(控股)有限公司), our wholly-owned subsidiary incorporated in Hong Kong on January 11, 2002
“LAT”	land appreciation tax
“Latest Practicable Date”	October 27, 2009, being the latest practicable date for ascertaining certain information in this document prior to its publication

DEFINITIONS

“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended from time to time
“Long Faith”	Long Faith Management Limited, a limited liability company incorporated in the BVI on July 12, 2007 and holds all the Pre-[●] Options as at the date of this document
“Long Faith Trust”	the Long Faith Trust, a discretionary trust of which HSBC (HK) Trustee acts as the trustee and the discretionary objects include members of our senior management as holders of the Pre-[●] Options
“Longfor Investment”	Longfor Investment Co. Ltd., a limited liability company incorporated in the BVI on January 8, 2008, which is a wholly-owned subsidiary of our Company
“Longhu Land”	Longhu Land Ltd. (重慶興龍湖置地發展有限公司), a sino-foreign cooperative joint venture established in the PRC with limited liability on July 19, 2005 and owned as to 5% by Chongqing Longhu Properties and 95% by Jiaxun Land
“Madam Wu”	Madam Wu Yajun, our Chairperson and the settlor of the Wu Family Trust, who is married to Mr. Cai
“Memorandum” or “Memorandum of Association”	the memorandum of association of our Company as amended from time to time
“Ministry of Construction” or “MOC”	the Ministry of Construction of the PRC (中國建設部)
“Ministry of Finance” or “MOF”	the Ministry of Finance of the PRC (中國財政部)
“Ministry of Land and Resources”	the Ministry of Land and Resources of the PRC (中國國土資源部)
“MOFCOM”	the Ministry of Commerce of the PRC (中國商務部)
“Mr. Cai”	Mr. Cai Kui, the settlor of the Cai Family Trust, who is married to Madam Wu
“NBS”	the National Bureau of Statistics of China (中國國家統計局)
“NDRC”	the National Development and Reform Commission of the PRC (中國國家發展改革委員會)
“NPC” or “National People’s Congress”	the National People’s Congress (全國人民代表大會), the highest legislative body of the PRC
“Non-competition Deed”	the non-competition deed dated November 1, 2009 among Madam Wu, Mr. Cai, Charm Talent, Precious Full, Silver Sea and Silverland

DEFINITIONS

“Pan Bohai Rim”	the parts of China which are adjacent to and around Bohai including Hebei, Shandong and Liaoning provinces and Beijing and Tianjin directly administrated municipalities
“PBOC”	the People’s Bank of China (中國人民銀行)
“PBOC Rate”	the exchange rate for foreign exchange transactions set daily by PBOC based on the previous day’s China interbank foreign exchange market rate and with reference to current exchange rates on the world financial markets
“Post-[●] Option Scheme”	the share option scheme conditionally adopted by us on November 1, 2009 for the benefit of our employees (including our directors and senior management personnel), the principal terms of which are summarized in the section headed “Post-[●] Option Scheme” in the section headed “Appendix VII — Statutory and General Information” to this document
“PRC” or “China” or “Mainland”	the People’s Republic of China and, except where the context requires and only for the purpose of this document, references in this document to the PRC or China or Mainland do not apply to Taiwan or the Hong Kong and Macau Special Administrative Regions
“PRC Government” or “State”	the central government of the PRC including all governmental subdivisions (including provincial, municipal and other regional or local government entities) and their instrumentalities, or, where the context requires, any of them
“Precious Full”	Precious Full International Limited, a limited liability company incorporated in the BVI on September 17, 2007 which is wholly-owned by Silverland and holds a 39.1% interest in the Company as at the date of this document
“Pre-[●] Options”	all the options granted under the Pre-[●] Option Scheme entitling the holders thereof to subscribe for, in aggregate, such number of Shares representing approximately 0.9% of the entire issued share capital of the Company as at the date of this document, at the exercise price of HK\$2.94 per share, subject to the terms and conditions of the Pre-[●] Option Scheme
“Pre-[●] Option Scheme”	the pre-[●] option scheme adopted by us for the benefit of our senior management (including our executive directors), the principal terms of which are summarised in the section headed “Pre-[●] Option Scheme” in the section headed “Appendix VII — Statutory and General Information” to this document

DEFINITIONS

“Pre-[●] Share Award Schemes”	the share award schemes adopted by us on November 30, 2007 and July 31, 2009, respectively for the benefit of our employees, a summary of the principal terms of which is set forth in the section headed “Pre-[●] Share Award Schemes” in the section headed “Appendix VII — Statutory and General Information” to this document
“Remuneration Committee”	the remuneration committee of our Board
“Reorganization”	the corporate reorganizations undergone by our Group in preparation for the Listing which are more particularly described in the section headed “Reorganization” in the “History, Reorganization and Group Structure” section of this document
“Repurchase Mandate”	the general unconditional mandate to repurchase Shares given to the directors by the shareholders of the Company, particulars of which are set forth in the section headed “Repurchase by the Company of Shares” in the section headed “Appendix VII — Statutory and General Information” to this document
“RMB” or “Renminbi”	Renminbi, the lawful currency of the PRC
“RMB Bonds”	the fixed rate redeemable secured Renminbi-denominated bonds due 2016 in the total principal amount of RMB1.4 billion issued by Chongqing Longhu Development pursuant to a public offering within the PRC in May 2009
“SAFE”	the State Administration of Foreign Exchange of the PRC (中國國家外匯管理局)
“SARS”	Severe Acute Respiratory Syndrome
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Shanghai Hengchi”	Shanghai Hengchi Real Estate Co., Ltd. (上海恒馳房地產有限公司), a limited liability company established in the PRC on July 8, 2008 and wholly owned by Chongqing Tianzhuo Investment
“Shanghai Hengrui”	Shanghai Hengrui Real Estate Co., Ltd. (上海恒睿房地產有限公司), a sino-foreign equity joint venture established in the PRC with limited liability on January 28, 2008 and owned as to 50% by Chongqing Longhu Properties and 50% by COF I SRL, a limited liability company incorporated in the Barbados and an Independent Third Party

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“Shanghai Longhu Properties”	Shanghai Longhu Properties Co., Ltd. (上海龍湖置業發展有限公司), a limited liability company established in the PRC on November 22, 2007 and wholly-owned by Chongqing Longhu Properties
“Shanghai Longhu Property Management”	Shanghai Longhu Property Management Co., Ltd. (上海龍湖物業管理有限公司), a limited liability company established in the PRC on June 18, 2008 and wholly-owned by Shanghai Longhu Properties
“Shanghai Yujiu”	Shanghai Yujiu Industry Co., Ltd. (上海渝久實業有限公司), a limited liability company established in the PRC on June 6, 2008, and wholly-owned by Chongqing Rongkai Industry Co., Ltd. (重慶融凱實業有限公司)
“Share(s)”	ordinary share(s) of the Company with a nominal value of HK\$0.10 each
“Shareholder(s)”	holder(s) of Share(s)
“Shenyang Longhu”	Shenyang Longhu Real Estate Development Co., Ltd. (瀋陽龍湖房地產拓展有限公司), a sino-foreign equity joint venture established in the PRC with limited liability on September 24, 2009 and owned as to 75% by Chongqing Longhu Development and 25% by Fortune Glister
“Sichuan Longhu”	Sichuan Longhu Real Estate Development Co., Ltd. (四川龍湖地產發展有限公司), a sino-foreign equity joint venture established in the PRC with limited liability on April 14, 2006 and owned as to 75% by Chongqing Longhu Development, 17% by Juntion Development and 8% by Topper Industrial
“Sichuan Xinglonghu”	Sichuan Xinglonghu Real Estate Development Co., Ltd. (四川興龍湖地產發展有限公司), a limited liability company established in the PRC on December 12, 2007 and wholly-owned by Sichuan Longhu
“Silver Oak”	Silver Oak Enterprises Limited, a company incorporated in the BVI on November 6, 2006 and wholly owned by Juntion Development
“Silver Sea”	Silver Sea Assets Limited, a limited liability company incorporated in the BVI on October 5, 2007, the entire issued share capital of which is held by HSBC International Trustee acting as the trustee of the Wu Family Trust

DEFINITIONS

“Silverland”	Silverland Assets Limited, a limited liability company incorporated in the BVI on December 4, 2007, the entire issued share capital of which is held by HSBC International Trustee acting as the trustee of the Cai Family Trust
“SOHO”	small office home office
“sq.m.”	square meter(s)
“State Administration of Taxation” or “SAT”	the State Administration of Taxation of the PRC (中國國家稅務總局)
“State Council”	the State Council of the PRC (中國國務院)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed to it in section 2 of the Companies Ordinance
“Substantial Shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“Sunny Champ”	Sunny Champ Group Limited, a company incorporated in Hong Kong, which is our joint venture partner of Chengdu Huixin
“Topper Industrial”	Topper Industrial (Hong Kong) Limited (天普實業(香港)有限公司), a company incorporated in Hong Kong
“Track Record Period”	the period comprising the three financial years ended December 31, 2008 and the six months ended June 30, 2009
“Trade Marks Registry”	The Trade Marks Registry of the Intellectual Property Department, the Government of the Hong Kong Special Administrative Region
“United States” or “U.S.”	the United States of America
“USD”, “U.S. dollars” or “US\$”	United States dollars, the lawful currency of the United States
“Western China”	means the western part of China comprising provinces and autonomous regions including the Chongqing Municipality, Sichuan Province, Guizhou Province, Yunnan Province, Tibet Autonomous Region, Shanxi Province, Gansu Province, Ningxia Hui Autonomous Region, Qinghai Province, Xinjiang Uygur Autonomous Region, Inner Mongolian Autonomous Region and Guangxi Chuang Autonomous Region
“WTO”	the World Trade Organization
“Wu Family Trust”	the Wu Family Trust, a discretionary trust set up by Madam Wu of which HSBC International Trustee acts as the trustee and the beneficiaries of which are certain family members of Madam Wu and Fit All

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“Wuxi Longhu”	Wuxi Longhu Real Estate Co., Ltd. (無錫龍湖置業有限公司), a limited liability company established in the PRC on July 16, 2009 and wholly owned by Chongqing Longhu Development
“Xi’an Longhu Banpo”	Xi’an Longhu Banpo Co., Ltd. (西安龍湖半坡置業有限公司), a limited liability company established in the PRC on October 18, 2007 and wholly owned by Xi’an Longhu Properties
“Xi’an Longhu Jincheng”	Xi’an Longhu Jincheng Properties Co., Ltd. (西安龍湖錦城置業有限公司), a limited liability company established in the PRC on September 25, 2007 and owned as to 99.3% by Xi’an Longhu Properties and 0.7% by Xi’an Lifeng Property Management Co., Ltd. (西安立豐物業管理有限公司)
“Xi’an Longhu Properties”	Xi’an Longhu Properties Co., Ltd. (西安龍湖地產發展有限公司), a limited liability company established in the PRC on September 4, 2007 and owned as to 10% by Chongqing Longhu Properties and 90% by Chongqing Longhu Development
“Xi’an Longhu Xingcheng”	Xi’an Longhu Xingcheng Real Estate Co. Ltd. (西安龍湖興城置業有限公司), limited liability company established in the PRC on October 18, 2007 and wholly owned by Xi’an Longhu Properties
“Xi’an Qujiang Projects”	the three projects comprising Qujiang Glory, Chang’an Wonder and Xi’an Fairy Castle
“Yangtze River Delta”	the parts of China forming the delta region at the opening of Yangtze River including the major cities of Shanghai, Wuxi, Ningbo, Zhoushan, Suzhou, Yangzhou, Hangzhou, Shaoxing, Nanjing, Nantong, Changzhou, Huzhou, Jiaxing, Zhenjiang, Taizhou (泰州), Taizhou (台州)
“2007 Term Loan”	a term loan facility in the amount of HK\$2,518,000,000 to Juntion Development as arranged by Citicorp Securities Asia Pacific Limited in September 2007 and which has been fully repaid on August 20, 2009. The initial lenders of the loan include China Construction Bank Corporation, Hong Kong Branch, DBS Bank Limited, Hong Kong Branch and Citicorp Securities Asia Pacific Limited

In this document, the English names of companies established in the PRC and of associations set up in the PRC are directly translated from their Chinese names and are furnished for identification purposes only. Should any inconsistencies between the Chinese names and the English names exist, the Chinese names shall prevail.

In this document, all English translations of the PRC laws and regulations are unofficial translations and provided for identification purposes only.

FORWARD-LOOKING STATEMENTS

This document contains forward-looking statements that are, by their nature, subject to significant risks and uncertainties. These forward-looking statements include, without limitation, statements relating to:

- our business and operating strategies and our ability to implement such strategies;
- our dividend distribution plans;
- our ability to further develop and manage our projects as planned;
- our capital commitment plans, particularly plans relating to acquisition of land for our property development and the development of our projects;
- our operations and business prospects, including development plans for our existing and new businesses;
- the future competitive environment for the PRC real estate industry;
- the regulatory environment in terms of changes in laws and PRC Government regulations, policies and approval processes in the regions where we develop or manage our projects as well as the general industry outlook for the PRC real estate industry;
- exchange rate fluctuations and restrictions;
- future developments and the competitive environment in the PRC real estate industry; and
- the general economic trend of the PRC and, in particular, the cities in which we operate.

The words “anticipate”, “believe”, “could”, “estimate”, “expect”, “going forward”, “intend”, “may”, “plan”, “seek”, “will”, “would” and similar expressions, as they relate to us, in particular, in the sections headed “Business” and “Financial Information” of this document, are intended to identify a number of these forward-looking statements. These statements are based on numerous assumptions regarding our present and future business strategy and the environment in which we will operate in the future. They reflect the current views of our management with respect to future events and are subject to certain risks, uncertainties and assumptions, including the risk factors described in this document. Subject to the requirements of applicable laws, rules and regulations, we do not have any obligation to update or otherwise revise the forward-looking statements in this document, whether as a result of new information, future events or otherwise. Hence, should one or more of these risks or uncertainties materialize, or should underlying assumptions prove to be incorrect, our financial condition may be adversely affected and may vary materially from those described herein as anticipated, believed, estimated or expected. Accordingly, such statements are not a guarantee of future performance and you should not place undue reliance on such forward-looking information. All forward-looking statements contained in this document are qualified by reference to the cautionary statements set out in this section.

In this document, statements of or references to our intentions or those of any of our directors are made as at the date of this document. Any such intentions may change in light of future developments.

RISK FACTORS

RISKS RELATING TO OUR BUSINESS

Our financial results for each of the three financial years ended December 31, 2006, 2007 and 2008 and the six months ended June 30, 2009 included the changes in fair value of investment properties and our results may fluctuate due to such changes in the fair value of our investment properties.

We reassess the fair value of our investment properties at every reported statement of financial position date based on the market value for which the property could be exchanged between knowledgeable and willing parties in an arm’s-length transaction. For the financial years ended December 31, 2006, 2007 and 2008 and for the six months ended June 30, 2009, we had revaluation surplus on our investment properties representing 57.3%, 62.8%, 25.8% and 26.4%, respectively, of the net profit attributable to equity holders of the Company for the respective period after taking into account relevant deferred income tax and minority interests. During the Track Record Period, the Group has recorded upward fair value adjustments on investment properties that amounted to approximately RMB482.2 million, RMB901.1 million, RMB125.1 million and RMB561.0 million, respectively, in its combined statements of comprehensive income. According to IAS 40, the International Accounting Standard for investment properties issued by the IASB, investment properties may be recognized by using either the fair value model or the cost model. The directors have selected the fair value model to report the value of investment properties because they are of the view that periodic fair value adjustments in accordance with the then prevailing market conditions, irrespective of whether such market trend moves upwards or downwards, should be recorded so that the Group’s financial statements present a more updated picture of the fair value of the Group’s investment properties. However, an upward change in the fair value, which reflects unrealized capital gain of the Group’s investment properties at the relevant statement of financial position dates and not profit generated from day to day rentals of the investment properties of the Group, are largely dependent on the prevailing property markets and do not generate cash inflow to the Group for dividend distribution to Shareholders until such investment properties are disposed of. Moreover, prospective investors should be aware that property values are subject to market fluctuation and there can be no assurance that the Group will continue to record an upward change in the fair value of investment properties in the future. Should there be any material downward change in the fair value of the Group’s investment properties in the future, the Group’s results may be adversely affected.

We are heavily dependent on the performance of the PRC property market, particularly in Chongqing, Chengdu, Beijing, Shanghai and Xi’an. Any market downturn or implementation of government regulations or control measures affecting medium to high-end properties in the PRC may have an adverse impact on us.

Although we have been pursuing and will continue to pursue opportunities in different regions of the PRC, as of August 31, 2009, our projects were primarily located in six cities, namely, Chongqing, Chengdu, Beijing, Shanghai, Xi’an and Wuxi. We entered the markets of Shenyang and Changzhou in September 2009 and October 2009, respectively. As such, our business is heavily affected by the state of the PRC property market, particularly in the cities where we operate. Over the two years before the global economic crisis in the second half of 2008, the PRC Government had announced a series of measures designed to slow down the rapid economic growth of certain sectors of the PRC economy, including the property market, to a more sustainable level. Even though in the past year the PRC Government has relaxed some of these measures, announced a series of policies and measures to cope with the global economic crisis and to assist PRC real property developers to weather the impact of the crisis, there is no assurance that the PRC Government will continue to implement the same policies. Any economic adjustment aiming to regulate the pace of economic growth in China may affect the real estate markets where we operate.

RISK FACTORS

We focus primarily on the medium to high-end sector of property markets in the PRC. As the future demand for different types of properties in the PRC is uncertain, any change in customer preferences and market conditions may adversely affect our financial condition if we fail to respond to such changes in a timely manner. Any adverse development in the supply of or demand for properties and any measures that the PRC Government may take in restricting the growth of the property market in the PRC, particularly in the cities where our projects are located, may adversely affect our financial condition and operational performance. For example, our main sources of land for development are public tender, auction or listing for sale. Any change in the regulations or policies related to such processes, or our ability to participate in any such processes, may materially and adversely affect our financial condition and results of our operations.

Our operations could be affected by the global economic crisis and the slowdown in world markets.

The recent economic crisis has caused a slowdown in world markets. As financial institutions, companies, investors and consumers attempt to retrench in an effort to reduce exposure, save capital and weather the economic contraction, the demand for and hence value of real estate and the supply of credit have decreased. Any economic slowdown could affect our property investment and property development projects. In addition, banks in the PRC have been tightening credit in recent months after extensive lending in the first half of 2009. This may cause an increase in the interest expense on our bank borrowings, or banks may reduce the amount of, or discontinue, banking facilities currently available to us.

It is difficult to determine the likely impact of the global financial crisis on the real estate industry in China due to its unprecedented nature. The crisis has affected and will continue to affect the domestic economy in the PRC, as a substantial portion of China’s GDP is derived from exports to the United States and other countries more directly impacted by the current slowdown. While the PRC Government and governments around the world have taken actions to address this financial crisis, we cannot assure you that such actions will have the intended effects. Notwithstanding that some economists believe that the United States is on the verge of an economic recovery and that GDP of China for the second quarter of 2009 will surpass general economists’ expectations, there is no assurance that any economic recovery is sustainable or that the earlier economic crisis and slowdown have come to an end. If market conditions deteriorate or market downturn occurs and becomes more severe, longer lasting or broader than expected, we could face a material loss of revenue and shareholder value and our business prospects could be materially and adversely affected.

Our future growth depends on our ability to develop our business in other areas of the PRC.

A substantial portion of our revenue during the Track Record Period was derived principally from the sale of properties in Chongqing, Chengdu, Beijing, Shanghai and Xi’an. We expanded into the markets of Chengdu and Beijing in 2005, Shanghai and Xi’an in 2007, and Wuxi, Shenyang and Changzhou in 2009. Our business is expanding and we continue to seek development opportunities in selected regions in the PRC where we see a potential for growth. However, our experience as primarily a residential property developer in Chongqing, Chengdu and Beijing may not be applicable in other regions. When we enter new markets, we may face intense competition from local developers with established experience or presence in those markets, and from other developers with similar expansion plans. In addition, expansion or acquisition requires a significant amount of capital investment and human resources, and may divert the resources and time of our management. We may not be able to hire or train sufficient talent to manage our operations in new markets. Our possible inability to manage and integrate new projects and businesses may affect our operating efficiency. The possible failure of our expansion plans may adversely affect our business, financial condition, operational performance and future prospects.

RISK FACTORS

Our business relies on the availability of suitable land sites at commercially acceptable prices and our ability to identify and acquire suitable sites for future development.

Our revenue is dependent upon our ability to identify and acquire suitable sites at affordable prices and our ability to sell our projects. Our revenue is mainly derived from the sale of properties that we have developed. 94.8%, 95.3%, 94.2% and 97.3% of our revenue for the financial years ended December 31, 2006, 2007 and 2008 and the six months ended June 30, 2009, respectively, were generated from the sale of properties. We need to build up our land reserve in order to grow our business and we may incur significant costs in identifying, evaluating and acquiring suitable new sites for future development. Our future growth prospects and operational performance may be adversely affected should we fail to identify and acquire sufficient and appropriate new sites for development at commercially acceptable prices so as to achieve reasonable returns upon sale or lease to our customers.

The PRC Government’s policies on land supply may affect our land acquisition costs and our ability to acquire land use rights for future developments. The PRC Government controls land supply and regulates the ways in which property developers obtain land for property development. In July 2002, regulations were introduced to require land use rights for residential and commercial property developments be granted by public tender, auction or listing for bidding effective from July 1, 2002. In addition, the PRC Government may limit the supply of land available for commodity housing development in the PRC generally or in cities in which we conduct or intend to conduct business. For example, on May 30, 2006, the Ministry of Land and Resources announced that the overall land supply for low density, large sized housing would be restricted and, in particular, the supply of new land for villa projects would be discontinued. When supplying residential land, the minimum plot ratios, the number of residential units on unit land area and the model of residential constructions shall be indicated in the land use right grant contracts or land transfer certificates, so as to ensure that no less than 70% of the residential land shall be used for the construction of low rental housing, economic housing, restricted price housing and medium and small ordinary commodity housing of under 90 sq.m. Financial institutions should be cautious in extending loans and approving financings for enterprises, the real estate projects of which have exceeded one full year from the construction commencement dates as agreed in the land use right grant contracts, and which have completed development of less than 1/3 of the total land area to be developed or which have invested less than 1/4 of any given building’s total investment directly in the construction of the building, and should also strictly control loan extensions and rolling credit. Such measures and any other similar measures in the future may limit our ability to develop a wide variety of products in our future property developments. Changes in government policy which reduce land supply for our future projects and failure in tendering for land may materially and adversely affect our future financial conditions and operational performance.

RISK FACTORS

Our business is capital intensive. We had negative operating cashflow for the financial years 2006 and 2008 and may not be able to obtain sufficient funding for our business expansion.

Property development usually requires substantial capital outlay during the construction period and it is not unusual for a property developer to generate negative operating cashflow over a particular period when the cash outlay for land acquisition and construction expenditures (as reflected by the increase in the number of properties under development) during that period, after offsetting changes in other working capital items, exceeds the cash inflow from property sales over the same period.

The Company experienced negative operating cash flow during the financial years ended December 31, 2006 and December 31, 2008 because the Group had been growing its land bank as reflected by the increase in the number of properties under development during those periods. In 2007 and for the six months ended June 30, 2009, the Company generated substantial positive operating cash flow as some of the Company’s investments began to bear fruits. During the Track Record Period, the negative cash flow was properly funded by the Group’s internal resources and external financing means. For further information, please refer to the section headed “Financial Information — Cash Flows from the Operating Activities”. We cannot assure you that we will not experience negative cash flow in the future or that external financing means will be available for funding any of such negative operating cash flow.

We require funding to expand our business in acquiring land and in developing our property development projects. Our property development projects are generally funded through bank loans, shareholders’ contributions and internally generated funds. Our PRC subsidiary, Chongqing Longhu Development, raised gross proceeds of RMB1.4 billion in May 2009 by issuing the RMB Bonds, to fund our development projects in Chongqing and Chengdu. As of June 30 2009, our aggregate borrowings were RMB12,498.0 million. For further information on our indebtedness, please refer to the sections headed “Financial Information — Liquidity and Capital Resources — Indebtedness” and “Financial Information — Liquidity and Capital Resources — Contingent Liabilities”. We expect to continue to fund our projects through such sources. We cannot assure you that additional financing can always be obtained on satisfactory or commercially acceptable terms, or at all.

A number of factors such as general economic conditions, our financial strength and performance, credit availability from financial institutions and monetary policies in the PRC may affect our ability to obtain adequate financing for our projects on favourable terms and to achieve a reasonable return on such projects.

According to guidelines issued by the CBRC, commercial banks are prohibited from offering loans to projects that have less than 35% of capital funds (proprietary interests), or that fail to obtain State-owned Land Use Rights Certificates, Planning Permit for Construction Land, Planning Permit for Construction Works and Permit for Commencement of Construction Works. On May 25, 2009, the State Council issued the Circular on Adjusting the Capital Ratio of Fixed-assets Investment Projects «國務院關於調整固定資產投資項目資本金比例的通知», which altered the capital ratio for welfare residential premises and ordinary commodity residential premises to not less than 20%, and the capital ratio for other types of property development to not less than 30%.

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As one of the PRC Government’s economic adjustment measures to cool down an increasingly overheated PRC economy, before the global economic crisis in the second half of 2008, the PBOC had increased the reserve requirement ratio (i.e., the amount of funds that banks must hold in reserve against deposits made by their customers) for commercial banks from 13% to 17.5% over the period from November, 2007 to June, 2008. As one of the PRC Government’s economic stimulus package, the PBOC lowered the reserve requirement ratio for commercial banks (excluding the Industry and Commerce Bank of China, Agricultural Bank of China, Bank of China, China Construction Bank, Bank of Communication and Postal Savings Bank of China) by 1% from 17.5% to 16.5% with effect from September 25, 2008, and further lowered 0.5% for all financial institutions on October 15, 2008, and again on December 5, 2008, further lowered 1% for large financial institutions (including the Industry and Commerce Bank of China, Agricultural Bank of China, Bank of China, China Construction Bank, Bank of Communication and Postal Savings Bank of China), and from 16% to 14% for medium and small financial institutions.

Notwithstanding the above stimulus policies of the PRC Government, there can be no assurance that the PRC Government will continue to implement such policies. If the PRC economy is perceived to be overheated and measures are adopted to cool down the economy by limiting the amount that commercial banks can make available for lending, our ability to obtain such financing from commercial banks may be adversely affected.

Our revenue depends on the availability of mortgages to our prospective customers and their ability to procure mortgages.

Many of our customers rely on mortgages to finance their property purchases. A number of factors that are beyond our control may affect the market for and the availability of mortgages in the PRC.

Interest rates in the PRC had been relatively stable during the past decade. However, from October 2004 to December 2007, the PBOC took a series of actions to cool down the then overheated PRC economy by, among other things, raising its benchmark interest rates. On October 28, 2004, the PBOC raised both its benchmark lending and deposit interest rates to 5.58% for one-year Renminbi loans and 2.25% for one-year deposits. The PBOC also abolished the upper limit on Renminbi lending rates and permitted banks to offer deposit rates below the PBOC benchmark rate. In March 2005, the PBOC cancelled the preferential mortgage loan rate for individuals and restricted the minimum mortgage loan rate to 0.9 times of the benchmark lending rate. The PBOC further raised its benchmark lending interest rates for one-year Renminbi loans to 7.29% on September 15, 2007 and to 7.47% on December 21, 2007. Even though the PBOC then subsequently lowered the benchmark one-year lending rate for Renminbi loans to 5.31% on December 23, 2008 and also permitted banks to offer deposit rates below the PBOC benchmark deposit rate, there is no assurance that the PBOC will not raise the benchmark rates in the future. Any increase in interest rates will decrease the affordability and attractiveness of mortgage financing to our customers, and this may in turn affect demand for our properties.

In addition, the PRC Government and commercial banks may also increase the down payment requirements, impose other conditions or otherwise change the regulatory framework in a manner that would make mortgage financing unavailable or unattractive to potential property purchasers. The CBRC issued a regulation on August 30, 2004 to limit mortgage loans on properties to 80% of the sale price of the underlying properties. On March 16, 2005, the PBOC set forth the minimum property mortgage loan rates, each of which is 0.9 times the corresponding benchmark lending rates. As a result, for example, the minimum rate for

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property mortgages with a term of over five years was increased to 5.51%. In May 2006, the PRC Government increased the minimum amount of down payment to 30% of the purchase price of the underlying property if such property has a GFA of 90 sq.m. or more. However, if individual purchasers purchase apartments with a GFA of 90 sq.m. or less for residential purposes, the existing requirement of 20% of the purchase price as down payment remains unchanged. In addition, in September 2007, the PBOC and the CBRC jointly issued the “Notice on Strengthening the Administration of Commercial Real Estate Credit Loans” (《關於加強商業性房地產信貸管理的通知》) to increase the minimum amount of down payment to 40% of the purchase price of the underlying property and the interest rate of mortgage loans to 110% of the benchmark rate promulgated by the PBOC for residential property purchasers who already have outstanding residential mortgage loans for the first residential property they purchased. Chinese banks are prohibited from making additional loans based on the increased value of the underlying property prior to the full repayment of existing loan.

On December 5, 2007, the PBOC and the CBRC jointly issued the “Supplementary Notice regarding Enhancing Credit Management in Commercial Real Estates” (Yin Fa [2007] No. 452) (關於加強商業性房地產信貸管理的補充通知), which created supplementary requirements for the relevant situations in the “Strict Management on Housing Consumption Loans” under section 3 of the “Notice on Strengthening the Administration of Commercial Real Estate Credit Loans (關於加強商業性房地產信貸管理的通知)” jointly issued by the PBOC and the CBRC on September 27, 2007, specifying that the recognized unit for repeated housing loans shall be the family of the borrower (including the borrower, spouse and minor children), and requiring that, for families which have utilized bank loans to purchase their first home, if the per capita dwelling area is lower than the local average level, and if the family is making further application to commercial banks for housing loans, the application may be treated with the interest rate policy used for first home loans.

In addition, we provide guarantees to banks for the mortgages they offer to our customers. If there are changes in laws, regulations, policies and practices that would prohibit property developers from providing such guarantees, and if these banks would not accept any alternative guarantees by other third parties, or if no third party is available in the market to provide such guarantees, it may become more difficult for property purchasers to obtain mortgages from banks during pre-sales.

Any disruption to, or change in, the banking sector in the PRC that affects our customers’ ability to obtain mortgages, or our ability to provide guarantees to such mortgages, may adversely affect our liquidity and operational performance. Although we are not aware of any such impending changes in laws, regulations, policies or practices, we cannot assure you that such changes will not occur in the future.

We guarantee the mortgages provided by financial institutions to our purchasers and, consequently, we are liable to the mortgagees if our purchasers default.

We arrange for various banks to provide mortgage services to the purchasers of our properties. In accordance with market practice, domestic banks require us to provide guarantees in respect of these mortgages. We generally provide guarantees until the purchasers of our properties obtain the relevant strata-title Building Ownership Certificate (分戶產權證) and the mortgage is registered in favour of the bank. The guarantees cover the full value of mortgages that purchasers of our properties obtained to finance their purchases and in addition, any additional payment or penalty imposed by mortgagee banks for any defaults in mortgage payment by purchasers. The typical guarantee period is 24 months. We deposit with the mortgage

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banks an amount which typically represents less than 10% of the mortgage to which the guarantee relates. If a customer defaults on payment of its mortgage, the bank holding the mortgage may deduct the payment due from the funds that have been deposited and require that we immediately repay the entire outstanding balance pursuant to the guarantee. Upon satisfaction of our obligations under the guarantee, the mortgagee bank would then assign its rights under the loan and the mortgage to us and we would have full recourse to the property.

We rely on credit checks conducted by the mortgagee banks on our customers and do not conduct our own credit checks. We have in the past experienced a number of cases of defaults by our customers of their mortgage loans, although, as at the Latest Practicable Date, we are not aware of any default by our customers which have resulted in any bank foreclosure of any mortgaged properties. For the financial years ended December 31, 2006, 2007 and 2008 and the six months ended June 30, 2009, our outstanding guarantees over the mortgage loans of our customers amounted to approximately RMB686.2 million, RMB1,609.3 million, RMB2,204.7 million and RMB1,847.0 million, respectively. As of December 31, 2006, 2007 and 2008 and the six months ended June 30, 2009, defaults in relation to the mortgage loans taken out by our customers and secured by our guarantees amounted to approximately RMB280,000, RMB258,000, RMB241,000 and RMB210,000, respectively. We cannot assure you that the purchaser default rate will not increase in the future. If a significant amount of our guarantees are called upon at the same time or in close succession, our operational performance and financial condition may be materially and adversely affected to the extent that there is a material depreciation in the value of the relevant properties from the price paid by the customers or that we cannot sell such properties due to unfavourable market conditions or other reasons.

We generate revenue principally from the sale of properties which in turn depends on the schedule of development of our property projects. Our operational performance may therefore vary significantly from period to period.

At present, we derive our revenue principally from the sale of properties that we have developed and derive a relatively small portion from returns on investment properties including leasing income and property management fees. For the financial year ended December 31, 2008, we generated approximately 94.2% of our revenue from the sale of properties and 5.8% from leasing income and property management fees.

Our operational performance may fluctuate due to factors such as the schedule of development of our property projects, the level of acceptance of our properties by prospective customers, the timing of the sale of properties that we have developed and any fluctuation in expenses such as land costs and construction costs. Any delay in or failure to obtain the relevant necessary PRC governmental approvals or permits for any of our development projects may delay the time for completing such property development and this may adversely affect our operational performance. Please refer to the paragraph headed “Our business, operational performance and financial condition may be adversely affected if we fail to obtain, or there is any material delay in obtaining, any of the relevant PRC governmental approvals for our development projects” below in this section.

Furthermore, we recognize revenue from a sale of property only upon the completion and delivery of the property to the buyer, which is when we believe the significant risks and rewards of ownership are transferred to the buyer. For further details, please refer to the section headed “Financial Information — Critical Accounting Policies — Revenue Recognition”. Since the completion and delivery of our properties varies according to our construction timetable, our revenue and results of operations may vary significantly

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

Due to capital requirements for acquiring land and for construction and due to limited supply of land and the time required for completing a project, we can only undertake a limited number of property development projects at any one time. Any delay in the schedule of completion of our property development may materially and adversely affect our financial condition and operational performance. If our operational performance in one or more periods does not meet market expectations, the price of our Shares could be adversely affected.

We rely on external contractors for the construction of our property development projects. Our operational performance and financial condition may be adversely affected by the breach of their contractual obligations.

We engage external contractors to provide various services, including the construction of our property development projects. We select external contractors through competitive bids and also through our assessment of their capabilities and their reputation for quality and price. Completion of our projects is subject to the performance of these external contractors of their obligations under contracts entered with us, including the pre-agreed schedule for completion, and we cannot assure you that the services rendered by any of these external contractors will always be satisfactory or match our requirements for quality. If the performance of any external contractor is unsatisfactory, or they are in breach of their contractual obligations, we may need to replace such contractor or take other actions to remedy the situation, which could materially and adversely affect the cost and construction progress of our projects. The completion of our property developments may be delayed, and we may incur additional costs due to a contractor’s financial or other difficulties. Any of these factors may have a material adverse effect on our operations and financial condition.

If our provisions for LAT prove to be insufficient, our financial results would be adversely affected.

Our properties developed for sale are subject to LAT collectible by the local tax authorities. Under PRC tax laws and regulations, all income derived from the sale or transfer of land use rights, buildings and their ancillary facilities in the PRC is subject to LAT at progressive rates ranging from 30% to 60% on the appreciation of land value. LAT is calculated based on proceeds received from the sale of properties less deductible expenditures as provided in the relevant tax laws. According to 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》, sales of ordinary residential properties (that is, residential properties built in accordance with the local standard for general civilian residential properties, excluding buildings such as deluxe apartments, villas and resorts which are not under the category of ordinary standard residential properties) may be exempted from LAT where the appreciation of land value does not exceed 20% of the total deductible items including acquisition cost of land use rights, development cost of land and construction cost of new buildings and facilities or assessed value for used properties and buildings as provided in the relevant tax laws. Pursuant to the Detailed

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Rules for the Implementation of Provisional Regulations of the People’s Republic of China on Land Appreciation Tax 《中華人民共和國土地增值稅暫行條例實施細則》 for property developers, an additional 20% of deductible expenses including the sum paid for acquiring land use rights and costs for developing land and constructing new buildings and facilities may be deducted in calculating land appreciation amount. There are, however, no exemptions for sales of commercial properties.

We make provisions for the full amount of applicable LAT in accordance with the relevant PRC tax laws and regulations from time to time pending settlement of the same with the relevant tax authorities. As we often develop our projects in phases, deductible items for calculation of LAT, such as land costs, are apportioned amongst such different phases of development. Provisions for LAT are made on our own estimates based on, among others, our own apportionment of deductible expenses which is subject to final confirmation by the relevant tax authorities upon settlement of the LAT. We believe that our overall provisions for LAT are sufficient. However, given the time gap between the point at which we make provision for and the point at which we settle the full amount of LAT payable, the relevant tax authorities may not necessarily agree with our own apportionment of deductible expenses or other bases on which we calculate LAT. Hence, our LAT expenses as recorded in our financial statements of a particular period may require subsequent adjustments. If we substantially underestimated LAT for a particular period, a payment of the overdue LAT we owe to the tax authorities could adversely affect our financial results for a subsequent period.

We are financially dependent on distributions of dividends from our subsidiaries. Any changes in PRC policies on dividend distributions and enterprise income tax may adversely affect our ability in paying dividends and financial condition.

We are an investment holding company incorporated in the Cayman Islands and we conduct our core business operations through our subsidiaries and associated companies in the PRC, Hong Kong and the BVI. We are financially dependent on dividends received from these subsidiaries and associated companies to enable us to pay dividends to our Shareholders and to service the Company’s indebtedness. Therefore, we may face difficulties should our subsidiaries and associated companies incur debt or losses affecting their ability to pay us dividends and other distributions.

According to the PRC regulations, our subsidiaries may distribute their after-tax profits, as determined in accordance with the PRC accounting principles (which differ in many aspects from the generally accepted accounting principles in other jurisdictions), to their shareholders according to their capital contribution only after they have made appropriate contributions to the relevant statutory reserves. Furthermore, we or our subsidiaries and associated companies may enter into certain agreements such as bank credit facilities and joint venture agreements which may contain restrictive covenants restricting our subsidiaries and associated companies’ ability in making contributions to us and thereby restricting our ability in receiving distributions. These factors may affect our ability in paying dividends to our Shareholders and in servicing the Company’s indebtedness, which could materially and adversely affect our business, operational performance and financial condition.

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Our subsidiaries are incorporated in the PRC, Hong Kong, or the BVI. On March 16, 2007, the new PRC Enterprise Income Tax Law (“New Income Tax Law”) was issued and on December 6, 2007, the Rules on the Implementation of Enterprise Income Tax Law of the PRC (“Rules on the Implementation”) were issued, both of which became effective on January 1, 2008. Under the New Income Tax Law and the Rules on the Implementation, enterprises established under the laws of or within the territory of the PRC, or established under the laws of a foreign country (region), but whose “de facto management body” is located in the PRC are treated as resident enterprises for PRC tax purposes. It is currently unclear in which situations a non-PRC enterprise’s “de facto management body” is located in the PRC. Substantially all of our management is currently based in the PRC. If we are treated as a resident enterprise for PRC tax purposes, we will be subject to PRC tax on our worldwide income at the 25% uniform tax rate, which may, unless otherwise provided in the New Income Tax Law, include any dividend income we receive from our subsidiaries. Although the New Income Tax Law provides that dividend income between qualified resident enterprises is exempted income, it is not clear what is considered as a qualified resident enterprise under the New Income Tax Law. If we are required under the New Income Tax Law to pay PRC income tax with respect to any dividends we receive from our subsidiaries, it will materially and adversely affect the amount of dividends we may pay to the Shareholders.

Furthermore, the New Income Tax Law and the Rules on the Implementation provide that withholding tax at a rate of 10% will normally apply to dividends payable to non-PRC investors which are derived from sources within the PRC. Moreover, any gain realized on the transfer of shares by investors is also subject to 10% tax if such gain is regarded as income derived from sources within the PRC. We are a Cayman Islands holding company and substantially all of our income may come from dividends we receive from our subsidiaries, primarily those located in the PRC. If we declare dividends from such income, it is unclear whether any dividends we pay or whether any gain our non-PRC shareholders realize from the transfer of our ordinary shares would be treated as PRC-sourced income subject to PRC withholding tax at a rate of 10%. If we are required under the New Income Tax Law to withhold PRC income tax on our dividends payable to our non-PRC shareholders, or if non-PRC shareholders are required to pay PRC income tax on the transfer of their ordinary shares, the value of their investment may be materially reduced.

Furthermore, the Notice of the State Administration of Taxation on Issues about the Determination of Chinese-Controlled Enterprises Registered Abroad as Resident Enterprises on the Basis of “de facto management body”(Guo shuifa No.82[2009])(《關於境外註冊中資控股企業依據實際管理機構標準認定為居民企業有關問題的通知》) currently in force has only clarified the conditions under which a foreign company whose majority shareholder is a Chinese enterprise or a group of Chinese enterprises would be considered as a PRC tax resident enterprise that has its “de facto management body” located in the PRC. However, the relevant PRC tax rules have not clarified whether and under what conditions a foreign company whose majority shareholders are PRC individuals may also be considered as a PRC tax resident enterprise having its “de facto management body” located in the PRC, and currently, it is uncertain whether the PRC local tax authority will make such determination. As of the date hereof, the PRC local tax authorities have not certified our Company as a PRC tax resident enterprise. However, we cannot assure you that our Company will not be treated as a PRC tax resident enterprise under the EIT Law and related implementation regulations in which case the tax consequences described above may apply.

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Our engagement as the provider of property management services may be terminated by property owners at their discretion.

We provide post-sales property management services to the owners of all of our residential and commercial projects that we have developed through our property management subsidiaries. We believe that property management is an integral part of our business and is critical to the successful marketing and promotion of our property developments. Under the PRC laws and regulations as of the Latest Practicable Date, owners have a right to change a property management company if owners together holding exclusive parts within the managed area representing more than half of the total area of buildings and owners representing more than half of the total number of owners agree. If homeowners of the projects that we have developed choose to terminate our property management services, or if property buyers dislike our property management services, our revenue and our reputation may be adversely affected.

We have entered into two letters of intent and a framework agreement with local governments in the PRC, and the land developments contemplated under such letters of intent and framework agreement may not be implemented.

As of the Latest Practicable Date, we have entered into two letters of intent and a framework agreement with local governments in the PRC in respect of the development of parcels of land with total site areas of approximately 1,333,333 sq.m, 492,000 sq.m. and 182,000 sq.m. in Qingdao, Changzhou and Hangzhou, respectively. Pursuant to such letters of intent and framework agreement, we and the relevant local governments agreed to co-operate in the development of the relevant parcels of land whereby the local governments will attend to the preparatory work for the tender, auction or listing for sale of the lands and we will participate in such tender, auction or listing for sale process and, if we succeed in our bid and acquire the land, develop the land. In spite of such letters of intent and framework agreement, we expect to go through the public tender, auction or listing for bidding process, and if we succeed in our bid, enter into a land grant contract and pay the relevant land premium as required by the relevant laws and regulations in order to obtain the title to the land.

We cannot assure you that there will not be changes to the manner of implementation of the letters of intent and framework agreement we have entered into. We cannot assure you that that we will succeed in the relevant tenders, auctions or listings for sale or in securing the land grant contracts and obtaining the titles in respect of such lands and that the development plans contemplated under such letters of intent and framework agreement will be implemented.

If we fail to develop land according to the land use right grant terms, our land use right may be subject to repossession by the PRC Government.

Under PRC law, if a developer fails to develop land in accordance with the terms of the relevant land use right granting contract (including those relating to payment of fees, designated use of the land and time for commencement and completion of the development), the relevant government authorities may issue a warning to or impose a penalty on the developer or in the worst case scenario, resume possession of the land. On January 3, 2008, the State Council issued the “Notice on Promoting Land Saving and Intensive Use of Land” (Guo Fa [2008] No. 3), which emphasized the strict implementation of the policy for handling idle land. According to this notice, land which has laid idle for two years and which should be repossessed pursuant to the laws, shall be repossessed by the government at no consideration for reuse; for land which does not meet all the legal requirements for repossession, their use shall be altered, or the idle land shall be

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exchanged for another piece of land of equal value, or it shall be temporarily used for alternative purposes or be treated as government land reserve temporarily pending further consideration on its use. For land which has laid idle for one full year but less than two years, a land idle fee shall be charged at 20% of the land grant or allocation premium. In respect of idle land, a land value-added premium will be imposed. The PRC Ministry of Land and Resources is working on legislation with respect to the value-added premium with relevant government authorities. No specific rules and regulations have been promulgated by the PRC government as at the Latest Practicable Date. Accordingly, it is still unclear as to how the PRC Government will enforce its policy in relation to the land value-added premium on idle land as provided in the said notice. The PRC governmental authorities of various provinces, autonomous regions and municipalities were expected to make specific reports on the clearance and handling of idle land to the State Council before the end of June 2008. The notice also emphasizes the optimization of the structure of residential land, and continues the suspension of land supplies for villa real estate projects. For further information, please refer to the section headed “Appendix V — Summary of Principal PRC Legal and Regulatory Provisions”.

We have not in the past experienced any circumstances leading to repossession of land by the relevant PRC governmental authorities. We cannot assure you, however, that circumstances leading to repossession of land or delays in completion of a property development will not arise in the future. As at the Latest Practicable Date, we have not commenced construction of Azure Chianti because the demolition and resettlement works on the land had not been completed as scheduled and agreed by the local authorities. Under the Measures on Disposing Idle Land and relevant land grant contracts, if the date for commencement of construction is later than September 30, 2009, it may lead to our obligation to pay idle land fees equal to 20% of the relevant land premiums which, according to advice given by Commerce & Finance Law Offices, our PRC legal counsel, could be a maximum of RMB99,508,320. Alternatively, in the worst case scenario, if the date for commencement of construction is later than September 30, 2010, it may lead to repossession of the land if we are unable to obtain governmental approval for any non-compliance on or before the latest date for commencement of construction. The amount of investments to be written off should the land be repossessed is approximately RMB221 million. However, based on the advice of our PRC legal counsel, the chance for the relevant PRC land bureau to regard the land as idle and impose idle land fees is relatively small as the delay in commencement of construction was due to delay by the local authorities in completing the demolition and resettlement works. For further information, please refer to “Business - Our Property Development Projects - Azure Chianti”. If our land is repossessed, we will be unable to continue our property development on the repossessed land or recover the costs incurred in the initial acquisition or development of the repossessed land or such other costs incurred up to the date of repossession. In addition, in the event that the PRC Government exercises its administrative authority to revoke any land use rights granted to us, we may not be compensated for the full market value of the land and hence, our financial condition and operational performance may be materially and adversely affected.

Our business, operational performance and financial condition may be adversely affected if we fail to obtain, or if there is any material delay in obtaining, any of the relevant PRC governmental approvals for our development projects.

In developing and completing a property development, we are required to obtain various permits, licenses, certificates and other approvals including, but not limited to, the State-owned Land Use Rights Certificates (國有土地使用權證), Planning Permit for Construction Land (建設用地規劃許可證), Planning Permit for Construction Works (建設工程規劃許可證), Permit for Commencement of Construction Works (建設工程施工許可證), Pre-sale Permit for Commodity Housing (商品房預售許可證) and certificates or

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confirmation of completion and acceptance from the relevant administrative authorities at various stages of the development of the property project. In particular, we are required to obtain State-owned Land Use Rights Certificates before commencing any property development and such certificates would generally only be issued after certain conditions have been satisfied. Such conditions include the relevant project company having executed the State-owned Land Use Right Granting Contracts (國有土地使用權出讓合同) with the relevant authorities whereby the land use right is obtained by grant, provided we have paid the land grant premium in full and relocated the local residents from the site area if so required.

As of the Latest Practicable Date, we have signed land use right grant or transfer documents in respect of a total site area of approximately 2,759,670 sq.m. and a total gross floor area of approximately 8,705,840 sq.m. for future development purposes but have not obtained the relevant State-owned Land Use Rights Certificates. We cannot assure you that we will obtain all necessary certificates and permits for our projects in a timely manner, or at all, and we cannot assure you that we will not encounter problems in fulfilling all or any of the conditions imposed for the grant of the necessary certificates or permits, or that we will be able to expeditiously adapt to new laws, regulations or policies that may come into effect from time to time with respect to the granting of such items. There may also be significant delays in the granting of such items to us by the relevant PRC administrative bodies. If we fail to obtain, or are considered by relevant governmental authorities to have failed to obtain, or experience significant delays in obtaining, the requisite governmental approvals, penalties could be levied on us and our schedule of property development could be substantially disrupted. This could materially and adversely affect our business, financial condition and operational performance.

Failure on the part of any of our project companies to obtain or renew their qualification certificates on time or at all may adversely affect our business, operational performance and financial condition.

As property developers in the PRC, we are required to obtain a formal qualification certificate for real estate development enterprise before we conduct any property development business in the PRC. We are also required to produce a valid qualification certificate when we apply for a Pre-sale Permit for Commodity Housing (商品房預售許可證). Entities engaged in property management or interior decoration are also required to obtain qualification certifications before commencing their business. All qualification certificates are required to be renewed annually except qualification certificate in respect of property management.

According to the Provisions on Administration of Qualification Certificates of Real Estate Developers 《房地產開發企業資質管理規定》 (the “Provisions on Qualification Certificates”), any property developer whose business is newly established must first apply for a Temporary Qualification Certificate (暫定資質證書) with a one-year term, which can be renewed for a maximum of two years. Thereafter, the developer must apply for a formal qualification certificate under one of the four grades set out in the Provisions on Qualification Certificates. In reviewing an application for the renewal of a qualification certificate, the local authority considers the property developer’s registered capital, property development investments, history of property development, quality of property construction, expertise of the developer’s management, and whether the real estate developer has any illegal or improperly certified operations. For further information, please refer to the section headed “Appendix V - Summary of Principal PRC Legal and Regulatory Provisions”. Our project companies are responsible for monitoring their annual renewal application. Should any of them, developing and operating the real estate business, fail to meet any requirement in obtaining its qualification certificate or surpass the approved qualification, a deadline would normally be given for meeting such requirements, and in addition there would also be a penalty of between

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RMB50,000 and RMB100,000. Failure to meet the requirements within the specified timeframe could result in the revocation of the qualification certificate (if available) and the business licence of the relevant project company. We cannot assure you that the qualification certificates of any of our project companies will continue to be successfully renewed or that formal qualification certificates will be obtained in a timely manner, or at all, as and when they expire. Should any of our projects or project companies fail to obtain or renew their qualification certificates, they may be prohibited from continuing to engage in real estate development or to conduct any pre-sales for that development and this would in turn materially and adversely affect our business and financial condition.

Compliance with PRC laws and regulations regarding environmental protection or preservation of antiquities and monuments could result in substantial costs.

We are subject to extensive PRC laws and regulations concerning environmental protection and preservation of antiquities and monuments which impose fines for violation and authorizes government authorities to shut down any construction sites that fail to comply with governmental orders requiring the cessation or cure of certain activities causing environmental damage. Such laws and regulations, which apply to any given project development site, vary greatly according to the site’s location, the site’s environmental condition, present and former use, as well as adjoining properties. Such laws and regulations may result in delays in our completion of property development projects and may cause us to incur substantial compliance and other costs and prohibit or severely restrict project development activities in environmentally-sensitive regions or areas.

As required by PRC laws and regulations, each project we develop is required to undergo environmental assessments and the related assessment document must be submitted to the relevant government authorities for approval before commencement of construction. The local authorities may require us to submit such assessment documents and issue orders to suspend the construction and impose a penalty in the range of RMB50,000 to RMB200,000 for each of our projects that has not received the relevant environmental impact assessment approval documents before commencing construction. We cannot assure that we will be able to comply with all such requirements on environmental assessments. In the event of a suspension of construction and/or a fine is imposed as a result of any non-compliance with such requirements on our part, our financial condition may be materially and adversely affected.

To commence project development, environmental impact assessment documents must be submitted and relevant government approvals must be obtained. We cannot assure you that the local authorities will not, in the future, impose a penalty upon us if we fail to complete these steps. Any environmental liability may materially and adversely affect our financial condition and operational performance.

There is a growing awareness of environmental issues and we may sometimes be expected to meet a standard higher than the requirement under the environmental laws and regulations. We have not adopted any special environmental protection measures other than the measures generally taken in the ordinary course of business by comparable companies in our industry. There is no assurance that more stringent requirements on environmental protection will not be imposed by the relevant PRC governmental authorities in the future. If we fail to comply with existing or future environmental laws and regulations or fail to meet the

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expectations of the public, our reputation may be damaged or we may even be required to pay penalties or fines or take remedial actions, any of which could have a material adverse effect on our business, financial condition, and operational performance. Please refer to the section headed “Business - Environmental Matters” for a description of environmental matters.

Final GFA of any of our completed property development projects that exceeds the permitted GFA is subject to governmental approvals and may result in additional payments on our part.

The local government authorities inspect property development projects after their completion and issue Construction of Properties and Municipal Infrastructure Completed Construction Works Certified Reports (房屋建築工程和市政基礎設施工程竣工驗收備案證明) (“Completion Certificate”) if the development complies with the relevant laws and regulations. If the total constructed GFA of a property development project exceeds the GFA originally authorized in the relevant land use right grant contracts or construction permit, the property developer may be required to pay additional payments before a Completion Certificate can be issued. The local government authorities may find that the total constructed GFA of our existing projects under development or any future property developments exceed the relevant authorized GFA upon completion. If we fail to obtain Completion Certificates due to such non-compliance, we are not allowed to deliver the relevant properties or recognize revenue from the relevant pre-sold properties and may also be subject to liabilities under the pre-sale contracts.

We may encounter delay in issuance and delivery of title documents after sale and such delay may in turn give rise to claims from our customers.

The sale contracts relating to our property projects are prepared in accordance with applicable legal requirements and if applicable, local regulations and practices prescribed by local governmental authorities. Under PRC laws, sale contracts must be properly registered with the relevant authorities in order for the property transfer to be effective, and the failure to so register may result in delay of the property transfer. We generally undertake to attend to all filing and registration procedures required of property developers so as to facilitate subsequent applications by our customers for issuance of strata-title Building Ownership Certificates (分戶產權證). If there are any changes in practice of the relevant government authorities or interpretation of the applicable rules and regulations, we may be under legal obligations to procure delivery of strata-title Building Ownership Certificates for our customers and we may experience delays which are beyond our control, such as time-consuming examination and approval processes at various government agencies, in completing certain deliverables. In such circumstances, we may be subject to claims from our customers for breaching the terms of the sale contracts or otherwise and our business and financial condition may be materially and adversely affected and our reputation may be damaged in the case of serious delays of one or more of our property projects.

We do not have adequate insurance to cover certain kinds of losses and claims in our operations.

We maintain what we consider are commercially adequate levels of insurance against certain risks, such as insuring our projects under development against damage and destruction by fire, flood, lightning, explosions and other hazards during construction periods and insuring our assets against certain natural disasters. We also maintain third party liability insurance and profit insurance protecting us against unexpected profit declines. However, we do not maintain insurance against all risks associated with our industry, either because we have deemed it commercially unfeasible to do so, or because our insurers have carved certain risks out of their standard policies. We may incur losses, damages or liabilities during any

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stage of our property development which are uninsured, and we may not have sufficient funds to cover the same or to rectify or replace any property or project that has been damaged or destroyed. In addition, any payments we make to cover any losses, damages or liabilities may materially and adversely affect our business, financial condition and operational performance.

Third party infringement of our intellectual property rights may damage our reputation and adversely affect our business, operational performance and financial condition. Registration in Hong Kong of certain trademarks is still pending.

We regard our copyrights, service marks, trademarks, patents, design patents, trade secrets and other intellectual property as critical to our success. Unauthorized use of our intellectual property by third parties may adversely affect our business and reputation. We rely on trademark and copyright law, trade secret protection and confidentiality agreements with our employees, customers, business partners and others to protect our intellectual property rights. Despite our precautions, it may be possible for third parties to obtain and use our intellectual property without authorization. Moreover, litigation may be necessary in the future to enforce our intellectual property rights, to protect our trade secrets or to determine the validity and scope of the proprietary rights of others. Future litigation could result in substantial costs and diversion of resources.

Under Hong Kong law, a person or entity may acquire statutory protection in a trademark by registering the same with the Trade Marks Registry. As at the Latest Practicable Date, we have made one application to the Trade Marks Registry for the registration of the following trademark which is still pending (application no. 301132550):

- (A) Longfor 龙湖地产
- (B) Longfor 龙湖地产
- (C) LongFor 龙湖地产
- (D) LongFor 龍湖地產

As at the Latest Practicable Date, we are not aware of any threatened or pending claims by any third parties against the Company for use of such trademark.

However, the Trade Marks Registry issued an examination report to our application for registration of the above trademark upon the first instance of our submission of an application on the grounds that:

- 1) some of the marks in the application were considered not to form a series of trademarks and the said application should be divided into two separate divisional applications as follows:

(A) Longfor 龙湖地产	(A) LongFor 龙湖地产
(B) Longfor 龙湖地产	(B) LongFor 龍湖地產

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and

- 2) there were queries by the Trade Marks Registry as to the use that the Company has made of the trademark and the variety of goods and services in respect of which the trademark was proposed to be registered.

In response to such queries, we have applied to divide the original application into two separate divisional applications and made subsequent submissions to the Trade Marks Registry in respect of their queries. We have received legal advice that there is a good chance that we can successfully register the said trademarks.

However, we cannot assure you that such pending application(s) will be approved by the Trade Marks Registry, and the Group may not be granted the exclusive rights to use such mark(s) as registered trademark(s) in Hong Kong. Should the Company fail to secure the registration of any of the trademarks under application or should we be held by any court or tribunal to be infringing or have infringed any trademark or intellectual property rights of others, our business operation and our general reputation may be adversely affected. An adverse ruling in any such litigation or proceedings could subject us to significant liability to third parties, require us to seek licenses from third parties, to pay ongoing royalties, or subject us to injunctions prohibiting the use of such trademarks.

We depend on our management team for our continuous development.

Our success and growth depends on our ability to identify, hire, train and retain suitably skilled and qualified employees, including management personnel with relevant professional skills. Our directors and members of senior management (see the section headed “Directors, Senior Management and Employees”) are important to our success and we depend on them for our continuous business development. The loss of a significant number of our directors and senior management or Madam Wu could have a material adverse effect on our business if we are unable to find suitable replacements in a timely manner. As competition for such personnel is intense in the property sector in the PRC, any failure to recruit and retain the necessary management personnel at any time could harm our business and prospects.

The interests of our Controlling Shareholders may not align with those of our other Shareholders.

Our founders, Madam Wu and Mr. Cai, have transferred their respective controlling shareholding interests in our Group to Charm Talent and Precious Full, respectively, in contemplation of the establishment of the Wu Family Trust and the Cai Family Trust, being discretionary trusts, the beneficiaries of which include family members of, respectively, Madam Wu and Mr. Cai. The Wu Family Trust and the Cai Family Trust were duly set up on June 11, 2008. Thereupon, Charm Talent and Precious Full became our Controlling Shareholders which are in turn indirectly controlled by HSBC International Trustee as trustee of the said two trusts. Upon completion of the [●], Charm Talent and Precious Full will, in aggregate, hold approximately an 80% interest (assuming that the [●] is not exercised) in our issued share capital. Accordingly, they will be able to exert significant control and influence over our business and on matters of significance to us and other Shareholders by voting at the general meetings of Shareholders.

Notwithstanding that the Wu Family Trust and the Cai Family Trust are of discretionary nature and that HSBC International Trustee as trustee is entitled to make decisions regarding any matters relating to the trusts at its own discretion and based on its own judgement, HSBC International Trustee as trustee is bound by

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fiduciary duties of a trustee in making any decisions regarding corporate actions to be taken by Charm Talent and Precious Full and the interests of Charm Talent or Precious Full may not be aligned with those of the other Shareholders. There is no assurance that Charm Talent, Precious Full or HSBC International Trustee will not prevent us from taking actions or exercising our rights under agreements to which we are a party including the agreements we entered into with our founders (also as founders of the Wu Family Trust and the Cai Family Trust) or our Controlling Shareholders. When conflicts of interest arise between our founders, Controlling Shareholders and other Shareholders, our Controlling Shareholders may prevent or delay us from entering into transactions that might be desirable to other Shareholders, such as takeovers or changes in our control or management, causing loss of opportunities on the part of other Shareholders.

We cannot assure you that our Controlling Shareholders and HSBC International Trustee will act entirely in our interest or that conflicts of interest will be resolved in our favour. The interests of our Controlling Shareholders may differ from the interests of our other Shareholders and our Controlling Shareholders are free to vote according to their interests.

Disputes with our joint venture partners may adversely affect our operations.

We have developed certain projects through joint venture with our PRC or foreign partners. We have five projects which are being developed jointly with other entities through cooperation arrangements, and are in discussions with our partners regarding other new projects. Our joint venture partners or project development partners may have economic or business interests or goals that are inconsistent with ours, take actions contrary to our instructions or requests or contrary to our policies or objectives, may be unable or unwilling to fulfill their obligations under the relevant joint venture or cooperation agreements, or have financial difficulties.

Disagreement with any of our joint venture partners or project development partners in connection with the scope or performance of our respective obligations under the project or joint venture or cooperation arrangement could affect our ability to develop or operate a property. Our joint venture partners or project development partners may be unable or unwilling to perform their obligations under the relevant agreements, including their obligation to make required capital contributions and shareholder loans, whether as a result of financial difficulties or otherwise. Our joint venture partners or project development partners may interpret the obligations of the parties under the project or joint venture or cooperation arrangement differently from us. A dispute with our joint venture partners or project development partners or the early termination of our joint venture or cooperation arrangements could adversely affect our business, financial condition and operational performance. If a situation arises in which we cannot complete a project being jointly developed with our joint venture partners or project development partners or we are required to pay a substantial sum to resolve such dispute, due to one of the above reasons or for any other reason, the rights and obligations of each party with respect to the incomplete project will be determined by the relevant joint venture or cooperation agreements. If such agreements are silent or inconclusive with regard to such rights and obligations, the resolution of any dispute may require arbitration or, failing that, litigation, which could have an adverse effect on our business, operational performance and financial condition.

The valuation attached to our property interests contains assumptions that may or may not materialize.

Under the IFRS, gains or losses arising from changes in the fair value of our investment properties are included in our combined statements of comprehensive income in the period in which they arise. According to the IFRS, investment properties can be recognized by using either the fair value model or the cost model.

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Our directors have selected the fair value model to report the value of investment properties because they are of the view that periodic fair value adjustments in accordance with the then prevailing market conditions, irrespective of whether such market trend moves upwards or downwards, help present a more updated picture of the fair value of our investment properties in our financial statement. The valuation of our properties as of August 31, 2009, prepared by Savills, is detailed in the section headed “Appendix IV — Property Valuation”. The valuations are based on certain assumptions which, by their nature, are subjective and uncertain and may differ materially from actual results. For example, with respect to properties under development and planned for future development, the valuations are based on assumptions that (1) the properties will be developed and completed in accordance with the development proposals, (2) regulatory and governmental approvals for the proposals have been obtained and (3) all premiums in connection with the properties have been paid and the properties are free from encumbrances and other restrictions. For properties owned by the project companies in which we have an attributable interest of less than 100%, the valuation assumes that the interest of the relevant project companies in the aggregate value of the property or business is equal to our proportionate ownership interest in the relevant company or business. Accordingly, the valuations are not a prediction of the actual value we expect to realize from these properties. Unanticipated results or changes in particular property developments, or changes in general or local economic conditions or other relevant factors, including changes in government regulations, could affect such values. In addition, valuation differences of investment properties are recognized in our combined statement of comprehensive income. Accordingly, a decrease in the value of our investment properties would reduce the amount of our net income and could result in a net loss during a particular period.

Our forecast of the net profit attributable to equity holders of the Company for the year ending December 31, 2009 will involve gains that may arise due to revaluation of our investment properties, and our profit forecast involves estimates and assumptions in this regard as well as other assumptions and estimates which may prove to be incorrect.

The profit forecast of RMB2,015 million for the year ending December 31, 2009 reflects an estimated fair value gains on our investment properties of RMB568 million (net of deferred tax effect and minority interests). The extent of any fair value gains or losses on our investment properties for the year ending December 31, 2009 depends on market conditions and other factors that are beyond our control. While we have considered for the purposes of our profit forecast what we believe is the best estimate of the fair value gains on our investment properties as of December 31, 2009, the actual amount of fair value gains or losses on investment properties as of that date may differ materially from our estimate. Furthermore, we expect the fair value of our investment properties as of December 31, 2009 to continue to be based on the valuation performed by an independent professional property valuer, involving the use of assumptions that are, by their nature, subjective and uncertain, including those described in the section headed “— The valuation attached to our property interests contains assumptions that may or may not materialize.”

Certain leased properties occupied by us have defective titles.

The lessors of certain properties leased by members of our Group for office or ancillary use do not have proper title documents to the relevant properties and certain of our leases have not been registered with the relevant PRC governmental authorities. For further information, please refer to the section headed “Business — Properties For Self-Occupation”. Though members of our Group have been occupying these leased premises in accordance with the terms of the relevant lease agreements, in the unlikely event that any of our Group members are required to vacate from such properties during the respective terms of their lease agreements as a result of adverse legal issues concerning the validity of such leases, the business operations

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of our Group members may be interrupted to the extent that a replacement premise would need to be located and another lease be entered into. However, given that such leased properties are not crucial to our operations as they are used for offices and ancillary use only, our directors believe that there will be minimal material adverse impact on the business of the Group should legal issues concerning such leased properties materialize.

RISKS RELATING TO THE PRC REAL ESTATE INDUSTRY

The PRC property market is highly regulated and subject to frequent introduction of new legislation which may adversely affect property developers.

(A) Restrictions on access to the domestic property market by overseas investors

Opinion on Regulating the Access and Management 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》

On July 11, 2006, the Opinion on Regulating the Access and Management 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》 was issued to regulate access by foreign investors to the domestic property market and to strengthen management of property purchases by foreign invested enterprises. It imposes, among other things, stricter standards on foreign institutions or individuals in purchasing properties for purposes other than for personal use.

Our directors consider that this opinion may affect our sales performance as restrictions are imposed on the purchase of properties by foreign institutions or individuals for purposes other than for personal use.

Notice on Further Strengthening and Regulating the Approval and Administration of Foreign Direct Investment in the Real Estate Industry 《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》

On May 23, 2007, MOFCOM and SAFE jointly issued the Notice on Further Strengthening and Regulating the Approval and Administration of Foreign Direct Investment in the Real Estate Industry 《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》. The notice imposes, amongst other measures, controls restricting foreign investment in high-end real estate properties and investments in domestic real estate enterprises through round trip investments. In addition, the notice requires the foreign invested real estate companies to make filings with MOFCOM after its establishment is approved by local governmental authorities. For those companies which fail to complete the filings with MOFCOM or pass the foreign invested enterprise joint annual examinations, foreign exchange management authorities and designated foreign exchange banks shall not accept the purchase and sale of foreign exchange. The notice also provides for measures reinforcing the administrative process for approving and supervising foreign direct investments in the PRC real estate sector.

Our directors consider that the notice may affect our Group when making investments in the PRC real estate market, as our Group is required to comply with additional measures in the administrative process such as obtaining approvals and completing filings with MOFCOM.

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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》

On July 10, 2007, the General Affairs Department of 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》 which stipulates, among other things, that SAFE will no longer process foreign debt registration or application for purchase of foreign exchange for real estate enterprises with foreign investment that obtained authorization certificates from and registered with MOFCOM on or after June 1, 2007. The new regulation prohibits foreign invested real estate companies from raising funds offshore from their foreign shareholder by way of shareholder loans.

Our PRC legal advisers advised that, as a result of this regulation, in order to inject offshore funds into real estate companies onshore, we would need to do so by increasing the registered capital of our current property development companies or by establishing new real estate companies, and that such real estate companies would have to make prior filings with MOFCOM before foreign exchange registration or the exchange of settlement and sales procedures. Our PRC legal advisers are of the opinion that there are no legal obstacles against which the Group may face in completing such filing procedures in accordance with current PRC laws and regulations. Currently, there is no project for which the Group had obtained approval to remit proceeds from the [●] to the Mainland. For further information on the laws and regulations of the PRC, please refer to the section headed “Appendix V — Summary of Principal PRC Legal and Regulatory Provisions”.

Because of these measures, we may be unable to use all of any capital that we may raise from the [●] to finance our property acquisitions. The current measures may adversely affect sales of our property units and our operational performance. The PRC Government may introduce further measures to regulate the growth of the PRC property market or to limit, or even prohibit, foreign investment in the property sector or in the PRC generally. The current measures together with any future measures or even the rumours or threat of any new measures may adversely affect our business, financial condition and operational performance.

As a property developer in the PRC, our business is subject to extensive governmental regulations including the relevant policies and procedures of the national as well as the local authorities of the PRC. In developing and completing a property development, we are required to obtain various permits, licences, certificates and other approvals from the relevant administrative authorities at various stages of our property development projects, including injection of capital into our project subsidiaries, land use rights documents, planning permits, construction permits, pre-sale permits and certificates or confirmation of completion and acceptance. Approvals are granted subject to our satisfaction of certain conditions and we may encounter problems in fulfilling such conditions.

(B) Restrictions regarding the types of property development by the Group

Opinion on Duly Stabilizing the Prices of Residential Properties 《關於做好穩定住房價格工作的意見》

The PRC Government issued a number of policies and incentives between 1999 and 2003 to encourage property development. These contributed to an increase in speculation and investment in the property market which resulted in a hike in property prices and has prompted the PRC Government to implement measures

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to discourage speculation and in ensuring the availability of affordable housing. Examples of these measures include (A) the “Notice of the Ministry of Land and Resources on Relevant Issues Concerning the Strengthening of Examination and Approval of Land Use in Urban Construction” 《關於加強城市建設用地審查報批工作有關問題的通知》 issued on September 4, 2003, which provides that land use for luxury commodity houses shall be stringently controlled and applications for land use for building villas shall be stopped; (B) the “Opinion on Duly Stabilizing the Prices of Residential Properties” 《關於做好穩定住房價格工作的意見》 issued on April 30, 2005, which sets out guidelines for the relevant PRC authorities for stabilizing rapid growth in the residential property market which, includes (i) the main focus of construction of residential housing shall be on medium price range ordinary commodity housing and affordable housing with stringent control on the construction of low density and high class housing; and (ii) as to places where the usage of residential land and the price of residential housing has risen rapidly, there should be suitable enhancement of proportion of residential land supply, increase in the land supply for low to medium price range ordinary commodity housing and affordable housing. The continuous restriction on land supply for villa housing, and there shall be stringent control on the supply of land for high class residential housing. The opinion intends to stabilize the price of residential housing.

Our directors consider that except that the land supply for villa has been stopped, the current restrictions imposed by relevant PRC laws and regulations on the types of property development do not mean we cannot develop high-end real estate. Instead, it only means that we have to go through stricter approval procedures for developing high-end properties than ordinary properties. Our directors consider the opinion has impact on our construction of high-end residential housing but would not affect our business strategies as a whole.

Opinions on Carrying Out the Residential Property Size Ratio in Newly Built Residential Buildings 《關於落實新建住房結構比例要求的若干意見》

Frequent introduction of new legislation in the property industry subjects our business to unexpected risks and developments. For example, on July 6, 2006, the Ministry of Construction of the PRC promulgated the Opinions on Carrying Out the Residential Property Size Ratio in Newly Built Residential Buildings 《關於落實新建住房結構比例要求的若干意見》 to the effect that as of June 1, 2006, any newly approved residential projects and newly commenced residential projects in any city (or a town or a county) must have at least 70% of the annual total construction area comprising units that are of less than 90 sq.m. each. The opinion intends to compel adjustments on the supply ratio of residential housing, and the implementation of requirement on size ratio of newly built residential buildings.

Our directors consider that this opinion may affect our Group on the planning of unit area of our developed and operating residential houses in order to comply with the restrictions which affect a city (a town or a county) as a whole.

Local planning authorities, construction authorities and real estate authorities at the city level (including county and town) will be responsible for the implementation of and monitoring the compliance with the opinion.

With the promulgation of this opinion, local planning authorities jointly with the construction and real estate authorities will include housing construction planning into the planning of the mid-long term local economics, society development and recent construction development. According to the overall requirement of the construction of resource saving and environment friendly society, the local planning authorities jointly with the construction and real estate authorities will reasonably arrange for the proportion of the ordinary commodity housing and affordable housing with unit floor area under 90 sq.m.

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The local planning authority shall determine the relevant planning requirements for each proposed commercial residential real estate development project subject to overall planning after adjustment according to the condition of the relevant district. The aforesaid living and housing ratio shall be implemented and other planning requirements including the housing and plot ratio shall be deemed as the pre-condition for the granting of land for relevant projects.

As for projects newly approved and constructed after June 1, 2006, the local planning authority at the city level will consider the relevant specific planning conditions stipulated by this opinion as the pre-condition of issuing the construction planning permits. Since the Company has constructed its newly approved and commenced projects (namely after June 1, 2006) according to the aforesaid planning permits and relevant construction permits, the above projects are all in compliance with the specific planning requirements stipulated by the opinion.

Industrial Guidance Catalogue of Foreign Investments (2007 Revision)

On October 31, 2007, the China National Development and Reform Commission (“NDRC”) and MOFCOM promulgated the new Industrial Guidance Catalogue of Foreign Investments (2007 Revision) (“the 2007 Catalog”) which became effective from December 1, 2007. The major changes on the real estate industry in the 2007 Catalog are as follows: (1) the development and construction of ordinary residential housing has been removed from the encouraged category; (2) the restricted category has been adjusted as follows: (i) the development of large scale of land lot shall be operated only by sino-foreign equity joint ventures or sino-foreign co-operative joint ventures; (ii) the construction and operation of high-end hotels, villas, premium office buildings and international conference centres have been included in the restricted category; (iii) housing agents, brokerages and the second-tier real estate market have been included in the restricted category; (3) the construction and operation of large scale theme parks has been removed from the real estate industry to the culture, sports and entertainment industries which are in the restricted category, meaning that an enterprise investing in such projects will not be regarded as a real estate development company; (4) the construction and operation of golf courses has been removed from the restricted category to the prohibited category.

(C) Other regulations governing the property development in the PRC

Notice to Further Rationalise and Standardise Transactions in the Property Market 《關於進一步整頓規範房地產交易秩序的通知》

On July 6, 2006, the Notice to Further Rationalise and Standardise Transactions in the Property Market 《關於進一步整頓規範房地產交易秩序的通知》 was promulgated to provide that a property developer shall commence the sale of properties within 10 days of receipt of the Pre-sale Permit for Commodity Housing for the project. The Notice intends to strengthen the dynamic supervision and management on the pre-completion sales activities regarding commodity properties. There are risks that we may fail to obtain the Pre-sale Permit for Commodity Housing for any particular project, and according to the notice, without this permit, the pre-completion sale of commodity properties, as well as subscription (including reservation, registration and number-selecting) and acceptance of any kind of pre-sale payments, is prohibited.

RISK FACTORS

Ministry of Finance State Administration of Taxation Notice on Various Issues Regarding Land Appreciation Tax 《財政部和國家稅務總局關於土地增值稅若干問題的通知》

On March 2, 2006, the Ministry of Finance and the State Administration of Taxation of the PRC announced the Ministry of Finance State Administration of Taxation Notice on Various Issues Regarding Land Appreciation Tax 《財政部和國家稅務總局關於土地增值稅若干問題的通知》 that LAT would apply with immediate effect to any transfer of housing property by individuals. The notice has specified the timing of the payment of the LAT regarding transfer of housing property by individuals. The notice has the effect of restraining speculation and the demand for investment in real estate. There is a risk that sanctions may be imposed should we fail to comply with the specified timing for the payment of the LAT. If any tax pre-payment is not made within the advance collection period, overdue fines shall be imposed additionally as of the day following the expiration of the prescribed advance collection period. In any event, our Group has complied with the requirements of the notice thus far.

State Administration of Taxation Circular on Issues Relevant to the Administration of the Levy and Collection of Business Tax on Housing 《國家稅務總局關於加強住房營業稅徵收管理有關問題的通知》 and the State Administration of Taxation Circular on Collecting Individual Income Taxes on the Incomes Generated From Individuals’ Transfer of Properties 《國家稅務總局關於個人住房轉讓所得徵收個人所得稅有關問題的通知》

On May 30, 2006, the State Administration of Taxation promulgated the State Administration of Taxation Circular on Issues Relevant to the Administration of the Levy and Collection of Business Tax on Housing 《國家稅務總局關於加強住房營業稅徵收管理有關問題的通知》 pursuant to which, from June 1, 2006, any individual seeking to transfer his residential property within five years from the purchase date shall be liable to business tax calculated by reference to the full amount of the sale income.

On July 18, 2006, the State Administration of Taxation further promulgated the State Administration of Taxation Circular on Collecting Individual Income Taxes on the Incomes Generated From Individuals’ Transfer of Properties 《國家稅務總局關於個人住房轉讓所得徵收個人所得稅有關問題的通知》 pursuant to which, with effect from August 1, 2006, individuals shall be liable for personal income tax chargeable on any balance of income gained from transferring his residential property following deduction of the original value of the property and any reasonable expenses. The two aforesaid circulars intend to restrain speculation and the demand for investment in real estate. Our directors consider that the two aforesaid circulars may impose a risk on our operational performance by affecting our sales performance as individuals may be required to pay business tax and/or personal income tax if they fall within the requirements of the two aforesaid circulars, this may be a deterring factor deterring individuals from purchasing real estate properties.

Several Opinions of the State Council on Solving Housing Problems of Urban Low Income Group 《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整的通知》

On September 30, 2007, the Ministry of Land and Resources promulgated a Notice on Strengthening Adjustment and Supply of Land for Implementing the “Several Opinions of the State Council on Solving Housing Problems of Urban Low Income Group” 《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整的通知》 for strictly strengthening disposal of idle land. The notice may impose a risk on our Group’s business and operations should we wish to dispose of idle land.

RISK FACTORS

For further information on the laws and regulations of the PRC, please refer to the section headed “Appendix V — Summary of Principal PRC Legal and Regulatory Provisions”.

During development of our previous and existing property development projects in the PRC, we have not experienced any instances of material non-compliance, such as inconsistent land use and lack of permits and certificates. For further information, please refer to the section headed “Business — Compliance”. We cannot assure you that we can adapt our business and operations in the PRC expeditiously to new laws, regulations or policies that may come into effect in the future with respect to the real estate industry in general or to the relevant processes with respect to the granting of the approvals. If a building moratorium is implemented at one or more of our project sites, the development and sale of our developments could be substantially disrupted, which would result in a material adverse effect on our business and financial condition. Further, any implementation of new laws and regulations by the relevant authorities, or the interpretation or enforcement of such standards, may lead us to incur additional operating or other costs and may have a material adverse effect on our business and financial condition.

The PRC property market, which is at an early stage of development, is volatile as it continues to evolve. We operate subject to the risks associated with the PRC property industry.

The property market in the PRC is subject to social, political, economic, legal and other factors as it continues to evolve from its early stage of development. The lack of a mature and active secondary market for private properties and the limited amount of mortgage loans available to individuals are examples of factors inhibiting demand for residential properties. Our business depends and shall continue to depend on the growth of the urban middle and upper middle classes in the PRC. A significant downturn in the PRC economy could adversely affect such demand, as well as the demand among corporations and other professional firms for our office properties.

The PRC property market is volatile and may experience undersupply or oversupply and property price fluctuations. The central and local governments frequently adjust monetary and other economic policies to prevent and curtail the overheating of the economy. Such policies may lead to changes in market conditions, including price instability and imbalance of supply and demand in respect of office, residential, retail, entertainment and cultural properties.

In continuing to develop large-scale property projects in the PRC, we depend on the extent and readiness to which we are able to acquire development rights for large plots of land, many of which have existing structures, from municipal and provincial governments of the PRC. This exercise of acquiring development and land use rights and developing land involves significant risks as we are required to commit material financial and managerial resources in acquiring such rights and in constructing the property development infrastructure, which generally takes several years, before the property development project generates any revenue. Similarly, we may pre-sell or sell developed properties at below expected sales prices and may experience delays in selling developed properties due to, among other things, the supply and demand of comparable properties and the cyclical nature of the property industry in the PRC. We may need to delay or change the structure of property developments after we have begun to explore them and may lose deposits paid to participate in the land tender process or fail to recover expenses and construction costs already incurred. We may even be required to pay penalties and/or compensation to the government authorities and purchasers as a result.

RISK FACTORS

Furthermore, any of our development projects may become unprofitable if we incur additional construction and other development costs due to increases in interest rates or material, labor or other costs over and above the market price at which we are able to sell our property projects and pass on such cost increases to our customers. We may fail to complete the construction of a property on schedule or at all, due to a variety of factors including shortages of materials, equipments, technical skills and labor, adverse weather conditions, natural disasters, labor disputes, disputes with contractors, accidents, changes in PRC Government’s policies, changes in market conditions and delays in obtaining the requisite licences, permits and approvals from the relevant authorities.

Any of the above factors could adversely affect our business, financial condition and operational performance and hence the market value for our Shares. We cannot assure you that there will not be over-development in the property sector in the PRC in the future. Any future overdevelopment in the property sector in the PRC may result in an oversupply of properties and a decrease in property prices, as well as an undersupply of available sites for future development and an increase in the cost of acquiring land in our markets, which could adversely affect our business, financial condition and operational performance.

There is fierce competition among real estate developers for land and property

A large number of property developers including overseas and leading Hong Kong property developers have recently begun undertaking property development and investment projects in the PRC. We primarily compete with large property developers for the acquisition of land and property investment opportunities.

In April 2004, the PRC Government imposed a six-month moratorium on conversion of agricultural land into construction land for non-agricultural purposes so as to help reduce land supply and thereby prevent overheating of the PRC property market. In June 2004, the PRC Government issued further policies with the objective of reducing the number of property projects that involve redevelopment or relocation of existing residents. In March 2005, the PRC Government issued a regulation to help stabilize housing prices and to reinforce the administration of land supply. These policies contributed to an increase in competition for land among real estate developers.

Competition among property developers may result in increased costs for acquiring land for development, increased costs for raw materials, shortages of skilled contractors, oversupply of properties, decrease in property prices in certain parts of the PRC, a slowdown in the rate at which new property developments will be approved and/or reviewed by the relevant government authorities and increases in administrative costs for hiring or retaining qualified personnel, any of which may adversely affect our business and financial position. Our competitors may have greater financial resources than are available to us, as well as greater economies of scale and broader brand recognition and may therefore be in a better position than us in acquiring land. If we fail to respond to changes in market conditions as swiftly and effectively as our competitors, our business and financial position will be adversely affected. For details in relation to our existing and potential competitors, please refer to the section headed “Business — Competition” in this document.

RISK FACTORS

Resettlement negotiations may add costs or cause delays to our development projects.

For our future development projects, either the relevant land authorities or the property developer may be responsible for relocating existing residents and demolishing existing structures on the project sites. Under PRC laws and regulations, where we are responsible for demolishing existing properties on a site for development and removal of existing residents, we will be required to pay resettlement costs to those residents.

On March 16, 2007, the National People’s Congress of China adopted the Property Rights Law 《中華人民共和國物權法》 which expressly provides legal protection of the private right of housing owners. This will increase the difficulties in effecting demolition and resettlement through administrative intervention, and the cost of demolition and resettlement will increase.

Even if we are not responsible for the demolition and removal, if the party responsible for the demolition and removal and the party subject to the demolition and removal fail to reach agreement for compensation and resettlement, either of them may apply for a ruling of the relevant governmental authorities and if a party is not satisfied with the ruling, it may initiate proceedings in a people’s court within three months from the date of service of such ruling, which may cause delays to the development projects. Such proceedings and delays, if they occur, could adversely affect our reputation. In addition, any such delays to our development projects will lead to an increase in costs and a delay in the expected cash inflow resulting from pre-sales of the relevant project, which may in turn adversely affect our business, financial position and operational performance. In addition, we cannot assure you that the relevant authorities will not further amend their policies on relocation, the relocation compensation formulae or their rules and requirements on other related matters. If they do so, our construction costs could substantially increase and our relocation timetable could be further delayed, which would adversely affect our business and financial condition.

RISKS RELATING TO THE PRC

Our business may be adversely affected by changes in the PRC’s political, economic and social conditions, laws, regulations and policies. Our operations are subject to the uncertainties of the PRC legal system.

Since our assets are generally located in, and our revenue is predominantly derived from, our operations in the PRC, our business, financial condition, operational performance and prospects are subject to the risks of future economic, political and legal developments in the PRC. The PRC economy differs from the economies of other developed countries in terms of structure, government intervention, development, growth rate, control of foreign exchange, and resource allocation. Since the late 1970s, the PRC Government has been implementing economic reform measures in using market forces to develop the PRC economy and has since transitioned from a planned economy to a more market-oriented economy. The PRC Government however continues to play a significant role in regulating industries by promulgating economic policies. We cannot predict whether changes in the PRC’s political, economic and social conditions, laws, regulations and policies will have any adverse effect on our current or future business, operational performance or financial condition.

RISK FACTORS

Our operations are subject to the uncertainties of the PRC legal system which is essentially a civil law system based on written statutes where, unlike common law systems, decided legal cases have little value as precedents. The PRC Government had, since 1979, begun promulgating a comprehensive system of laws and regulations governing economic matters in general. These laws and regulations are, however, relatively new and are often changing and published cases concerning these laws and regulations are limited. Their interpretation and enforcement therefore, involve a fair amount of uncertainties. We cannot predict the effect of future developments in the PRC legal system, particularly with regard to property rights. We may be required in the future to procure additional permits, authorizations and approvals for our existing and future projects and we cannot assure you that we will obtain these in a timely fashion or at all. For example, pre-sales constitute one of the most important sources of our operating cash inflow during our project development process. Currently, PRC law allows us to pre-sell properties before their completion upon satisfaction of certain requirements and requires us to use the pre-sales proceeds to develop the particular project that has been pre-sold. The amount and timing of cash inflows from pre-sales are affected by a number of factors, including the development schedule of each of our projects, restrictions on pre-sales imposed by the PRC Government, market demand for our properties subject to pre-sales and the number of properties we have available for pre-sales. Reduced cash flow from pre-sales of our properties will likely increase our reliance on external financing which may increase our costs and may impact our ability to finance our continuing property developments.

We make certain undertakings in our pre-sale contracts. These pre-sale contracts, along with PRC laws and regulations provide for remedies with respect to breaches of such undertakings. For example, if we pre-sell a property project and fail to complete the property project in accordance with the terms of the pre-sale contract, we may be liable to the purchasers for their losses. We cannot assure you timely completion and delivery of our projects.

Our business and in particular our ability to remit dividends may be adversely affected by changes in PRC foreign exchange regulations and fluctuation in the value of the Renminbi.

With our business operations based in the PRC, we receive substantially, if not all, our sales payments in Renminbi, which is not readily convertible into other currencies. Under the existing foreign exchange regulations in the PRC, we may undertake current account foreign exchange transactions without prior approval from SAFE by complying with certain procedural requirements. The PRC Government may, however, decide to restrict access to foreign currencies for current account transactions in the future.

As from June 1, 2007, the branch offices of SAFE will not register or approve any foreign exchange settlement in respect of the foreign debts for any foreign-invested real estate enterprises (including those which are newly established or which have a capital increase) which have obtained an approval certificate from a competent department of commerce and have completed recordation procedures at MOFCOM. Meanwhile, the branch offices will not handle any foreign exchange registration (or any change thereof) or any foreign exchange settlement in respect of capital projects for any foreign invested real estate enterprises which obtained an approval certificate from local authorities after June 1, 2007 but which have not completed recordation procedures at MOFCOM.

Any change in foreign exchange regulations may adversely affect our ability in paying dividends or satisfying other foreign exchange requirements. The exchangeable value of the Renminbi is subject to changes in PRC policies and international economic and political developments. Effective from July 21,

RISK FACTORS

2005, the PRC Government introduced a managed floating exchange rate system such that the Renminbi was no longer pegged solely to the U.S. dollar but would instead be pegged against a basket of currencies, as determined by the PBOC, against which the PBOC has currently determined that (i) the fluctuation against the U.S. dollar shall be 0.5%, and (ii) the fluctuation against non-U.S. dollar currencies shall be 3% each day. For example, on July 21, 2005, the Renminbi was revalued against the U.S. dollar to approximately RMB8.11 to the U.S. dollar, representing an upward revaluation of 2.1% of the Renminbi against the U.S. dollar, as compared to the exchange rate of the previous day. On September 23, 2005, the PRC Government widened the daily trading band for the Renminbi against non-U.S. dollar currencies from 1.5% to 3% to improve the flexibility of the new foreign exchange system. Effective from May 21, 2007, the PBOC expanded the floating range of the trading price of the U.S. dollar against the Renminbi in the inter-bank spot foreign exchange market. The exchange rate may become volatile, the Renminbi may be revalued further against the U.S. dollar or other currencies or the Renminbi may be permitted to enter into a full or limited free float, which may result in the value of the Renminbi to appreciate or depreciate against the U.S. dollar or other currencies.

Fluctuations in exchange rates may adversely affect the value, translated or converted into U.S. dollars or Hong Kong dollars (which are pegged to the U.S. dollar), of our net assets, earnings or any declared dividends. Any unfavourable movement in the exchange rate, to the extent that we need to convert foreign currencies into Renminbi, may lead to an increase in our costs or a decline in sales or increase in our loan liabilities, which could materially affect our operational performance.

There are limited hedging instruments available in China to reduce our exposure to exchange rate fluctuations between the Renminbi and other currencies. To date, we have not entered into any agreements to hedge our exchange rate exposure. In any event, to the extent such hedges are available, their effectiveness may be limited and we may be unable to hedge our exposure successfully, or at all.

Judgments obtained from non-PRC courts may be difficult to enforce in the PRC.

Our assets are predominately situated in the PRC. Furthermore, most of our directors and officers reside in the PRC and the assets of our directors and officers may also be located in the PRC. As a result, it may be difficult to effect service of process outside the PRC upon most of our directors and officers, including with respect to matters arising under applicable securities laws. A judgment of a court of another jurisdiction may be reciprocally recognized or enforced in the PRC if that jurisdiction has a treaty with the PRC or if judgments of the PRC courts have been recognized before in that jurisdiction, subject to the satisfaction of any other requirements. The PRC does not have treaties providing for the reciprocal recognition and enforcement of judgments of courts with the United States, the United Kingdom and most other western countries. Therefore, it may be difficult for you to enforce against us or our directors or officers in the PRC any judgments obtained from non-PRC courts.

On July 14, 2006, the Supreme People’s Court of the PRC and the Hong Kong government signed the “Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil or Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region Pursuant to Choice of Court Agreements between Parties Concerned” «最高人民法院關於內地與香港特別行政區法院相互認可和執行當事人協議管轄的民商事案件判決的安排». Under this arrangement, which came into effect on August 1, 2008, whenever a designated People’s Court of the Mainland or a designated Hong Kong court has made an enforceable final judgment requiring payment of money in a civil or commercial case pursuant to any written

RISK FACTORS

agreement between the parties on choice of forum for dispute resolution, the party concerned may apply to the relevant People’s Court of the Mainland or Hong Kong court for recognition and enforcement of the judgment. However, we are given to understand that the rights under the arrangement are limited and the interpretation of and cases decided under the arrangement have not been fully developed, therefore the outcome and effectiveness of any action brought under the arrangement are unclear.

We have not independently verified any of the facts and statistics obtained from official government publications in this document, which may be inaccurate.

Facts and statistics in this document relating to the PRC, the PRC economy and real estate industry and related industry sectors in the PRC are obtained from official government publications that we believe are reliable. In any event, we cannot guarantee the quality or reliability of official government publications. Neither we, the [●] nor the affiliates and advisers of the parties have verified the facts and statistics nor ascertained the underlying economic assumptions relied upon in those facts and statistics obtained from official government publications. Due to possibly flawed or ineffective collection methods or discrepancies between published information and market practice and other problems, the statistics in this document relating to the PRC economy and the real estate industry and related industry sectors in the PRC obtained from official government publications may be inaccurate or may not be comparable to statistics produced for other economies. As such, we do not give any representation as to the accuracy of such facts and statistics obtained from official government publications and more importantly, while we are not aware of any misstatements regarding our industry data presented in this document, such facts and statistics involve risk and uncertainties and are subject to change based on various factors and should not be unduly relied upon. In all cases, investors should consider how much weight or importance they should attach to or place on such official government facts or statistics.

Acts of God, natural disasters and epidemics, such as earthquake or the outbreak of severe acute respiratory syndrome, avian influenza or A/H1N1 influenza, and other disasters could adversely affect our business.

Our business is subject to general and social conditions. Natural disasters, epidemics, acts of God and other events and disasters that are beyond our control may materially and adversely affect the economy, infrastructure and livelihoods of the people in the PRC and in particular the regions or cities where we operate. Some cities in the PRC are under the threat of flood, typhoon, earthquake or drought. For example, a destructive earthquake measured at 8 on the Richter scale took place in the Sichuan province of the PRC on May 12, 2008. Certain areas of the PRC have experienced epidemics such as A/H1N1 influenza. There is no assurance that such epidemic will not intensify, or that other similar outbreaks or epidemics, such as severe acute respiratory syndrome or avian influenza, will not occur, in Asia or the PRC. Our business, financial condition and results of operations may be materially and adversely affected if such natural disasters or epidemics occur. Any natural disasters and epidemics occurring in areas in which we operate, or even in areas in which we do not operate, may materially and adversely affect our business, financial condition and the results of our operations.

DIRECTORS

Executive Directors

Name	Address	Nationality
Madam WU Yajun	Room 302, Unit 3 Zaishuige Longhu Garden Xiyuan Beibu Xinqu Chongqing PRC	Chinese
Mr. LIN Chu Chang	8-2-502 88 East Fourth Ring Road (North) Chaoyang District, Beijing PRC 100025	Chinese
Mr. FANG Shengtao	1-3-503, Shimao Olive Residence #1 Qinglin Road Chaoyang District, Beijing PRC 100107	Chinese
Mr. CHEN Kai	Room 309, Blk 5 No. 163 Lane 1038 Huashan Road Shanghai 200050, PRC	Chinese
Mr. QIN Li Hong	726-1-401, Jin Di Ge Lin Village, Tian Bao Yuan San Li, Yi Zhuang Economic Development Zone, Beijing, PRC	Chinese

Independent Non-Executive Directors

Mr. Frederick Peter CHURCHOUSE	G/F B, 7 Shouson Hill Road, Hong Kong	New Zealand/Irish
Mr. CHAN Chi On, Derek	Flat G, 21st Floor Tower 15 Yee Wan Court South Horizons No. 15 South Horizon Drive Hong Kong	Chinese
Dr. XIANG Bing	26H, Block 2, Meilin Garden 33 Zi Zhu Yuan Road Haidian District Beijing, PRC	Chinese

CORPORATE INFORMATION

Registered Office	Cricket Square Hutchins Drive P.O. Box 2681 Grand Cayman KY1-1111 Cayman Islands
Principle Place of Business and Address of Headquarters in the PRC	7/F, Tower 2, FuSheng Building No. 4 Huixin East Street Chaoyang District Beijing PRC
Principal Place of Business in Hong Kong	15/F, 1 Duddell Street, Central, Hong Kong
Website Address	www.longfor.com.cn
Company Secretary	Lo Chi Lik, Peter <i>Practising Solicitor</i>
Qualified Accountant	She Yuen Lin, Vivian, <i>ACCA & CPA</i>
Authorized Representatives	Wu Yajun Room 302, Unit 3 Zaishuige Longhu Garden Xiyuan Beibu Xinqu Chongqing PRC Lin Chu Chang 8-2-502, Greenlake Place 88 East Fourth Ring Road (North) Chaoyang District Beijing PRC
Principal Bankers	Agricultural Bank of China China Construction Bank Industrial and Commercial Bank of China
Audit Committee	Chan Chi On, Derek (Chairman) Frederick Peter Churchouse Xiang Bing
Remuneration Committee	Fang Shengtao (Chairman) Xiang Bing Chan Chi On, Derek

CORPORATE INFORMATION

**Principal Share Registrar and
Transfer Office**

Butterfield Fulcrum Group (Cayman) Limited
Butterfield House
68 Fort Street
P.O. Box 609
Grand Cayman KY1-1107
Cayman Islands

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 Adviser

Guotai Junan Capital Limited
27th Floor, Low Block
Grand Millenium Plaza
181 Queen’s Road Central
Hong Kong

INDUSTRY OVERVIEW

Unless otherwise specified, the information and statistics set out in this section have been extracted, in part, from various official government publications. No independent verification has been carried out on such information and statistics. Reasonable care has been exercised by the directors in extracting and reproducing such information and statistics; however, none of our Company, its respective directors and advisers make any representation as to the accuracy of such information and statistics, which may be inaccurate, incomplete, out-of-date or inconsistent with other information compiled within or outside the PRC.

MACRO-ECONOMIC ENVIRONMENT IN THE PRC

The PRC economy has achieved substantial growth since the PRC Government introduced economic reforms and adopted an open door policy in the late 1970s. Such growth was further accelerated by the country’s accession to the World Trade Organization in 2001 as a result of increasing inflow of foreign investment across all sectors of the economy. In the past decade, China’s GDP has increased from RMB8,967.7 billion in 1999 to RMB30,067.0 billion in 2008, representing a compound annual growth rate, or CAGR, of approximately 14.4%, making the PRC one of the fastest growing economies in the world.

Over the same period, China’s GDP per capita grew at a CAGR of 13.6% from RMB7,159 in 1999 to RMB22,640 in 2008, demonstrating a significant increase in purchasing power of the PRC population.

In 2008, China’s GDP growth rate was affected by the global financial crisis and declined to 9% from 13% in 2007. The table below sets out selected economic statistics of the PRC for the years indicated:

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Nominal GDP										
(RMB billion)	8,967.7	9,921.5	10,965.5	12,033.3	13,582.3	15,987.8	18,321.7	21,192.4	25,730.6	30,067.0
Real GDP growth rate (%) . .	7.6	8.4	8.3	9.1	10.0	10.1	10.4	11.6	13.0	9.0
Per capita GDP (RMB) . . .	7,159	7,858	8,622	9,398	10,542	12,336	14,053	16,165	18,934	22,640
Fixed asset investment										
(RMB billion)	2,985.5	3,291.8	3,721.4	4,350.0	5,556.7	7,047.7	8,877.4	10,999.8	13,732.4	17,229.1

Main Source: China Statistical Yearbook and China Statistical Communique, 1999 to 2008

PRC PROPERTY MARKET OVERVIEW

Growth of the property market in the PRC

The favorable economic environment in the PRC has fuelled the growth of the PRC property market. From 2004 to 2008, investment in real estate development in residential properties grew at a CAGR of 25.7%, increasing from RMB883.7 billion in 2004 to RMB2,208.1 billion in 2008. According to the National Bureau of Statistics (國家統計局), a total of approximately 558.9 million sq.m. of residential GFA was sold in 2008, representing a substantial increase as compared to the 338.2 million sq.m. sold in 2004.

INDUSTRY OVERVIEW

Prices for real estate in the PRC also experienced remarkable growth between 2004 and 2008, with average prices of residential properties growing at a CAGR of 8.8% over the same period, increasing from RMB2,608 per sq.m. in 2004 to RMB3,655 per sq.m. in 2008.

The upward trend of the PRC property industry is also evidenced by the growth in revenue from the sale of properties, with the total real estate sales revenue leaping from RMB1,037.6 billion in 2004 to RMB2,407.1 billion in 2008. During the same period, total GFA sold increased from approximately 382.3 million sq.m. in 2004 to approximately 620.9 million sq.m. in 2008.

In line with the global recession, commodity properties sales revenue declined 19.5% in 2008, while average price of commodity properties remained stable.

The table below sets out selected data relating to the PRC property market for the years indicated:

	2004	2005	2006	2007	2008	CAGR (%) (2004-2008)
Real estate investment (RMB billion)	1,315.8	1,590.9	1,942.3	2,528.0	3,058.0	23.5
Total GFA of commodity properties sold (million sq.m.)	382.3	554.9	618.6	773.5	620.9	12.9
Total GFA of residential properties sold (million sq.m.)	338.2	495.9	554.2	701.4	558.9	13.4
Investment in real estate development in residential properties (RMB billion)	883.7	1,086.1	1,363.8	1,800.5	2,208.1	25.7
Average price of commodity properties (RMB per sq.m.)	2,778	3,168	3,367	3,864	3,877	14.2
Average price of residential properties (RMB per sq.m.)	2,608	2,937	3,119	3,645	3,655	8.8
Revenue from Properties Sale (RMB billion)	1,037.6	1,757.6	2,082.6	2,988.9	2,407.1	23.4

Main Source: China Statistical Yearbook and China Statistical Communique, 2004 to 2008

Key drivers of PRC property market

In addition to the strong sustainable growth of the PRC economy which has resulted in rising disposable income among the population in the PRC, the rapid pace of urbanization and real estate market reforms undertaken by the central government are other key factors contributing to the growing demand in the PRC property sector.

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Urbanization

In recent years, the pace of urbanization in the PRC has been tremendous. Urbanization rates rose from 41.8% in 2004 to 45.7% in 2008. Urban disposable income has also dramatically increased from RMB9,421.6 in 2004 to RMB15,781.0 in 2008. The China National Bureau of Statistics estimates PRC urbanization rates to reach 50% by 2020 and 70% by 2050. Should this materialize, there is expected to be further demand for urban properties. The table below sets out selected data relating to urbanization trends in the PRC for the years indicated:

	2004	2005	2006	2007	2008
Population (million)	1,299.90	1,307.60	1,314.50	1,321.3	1,328.0
Urban population (million)	542.8	562.1	577.1	593.8	606.7
Urbanization rate (%)	41.8	43.0	43.9	44.9	45.7
Per capita disposable income of urban households (RMB)	9,421.6	10,493.0	11,759.5	13,785.8	15,781.0

Main Source: China Statistical Yearbook and China Statistical Communique, 2005 to 2008

Real estate market reforms

Growth of the property market has been promoted and made possible by a series of reforms in the PRC real estate industry, which only commenced in the 1990s. Prior to the housing reform in 1998, real estate development in China was an integral part of the country’s planned economy with the PRC Government developing and supplying housing for its urban population under a welfare system. State-allocated housing policy was abolished in 1998, creating a market-based system for property transactions. Individuals were subsequently encouraged to purchase their own properties with mortgage financing, hence bolstering the growth of the property market. The following table summarizes the key policies introduced by the central government to transform the PRC property market:

1988	The national constitution was amended to permit the transfer of state-owned land use rights to private enterprises and individuals
1991	Employer/employee-funded housing provident funds commenced
1992	Public housing sales in major cities commenced
1994	Further implemented real estate reforms and established an all-round employer/employee-funded housing fund
1995	Regulations regarding the sales and pre-sales of real estate issued, establishing a regulatory framework for real estate sales
1998	State-allocated housing policy abolished
1999	Maximum mortgage term extended to 30 years, maximum mortgage financing increased from 70% to 80%, and procedures for the sale of real property in the secondary market formalized

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2000	Regulations to standardize quality of construction projects issued, establishing a framework for administering construction quality
2001	Regulations relating to the sales of commodity properties issued
2002	Rules Regarding the Grant of State-Owned Land Use Rights by Way of Tender, Auction and Listing-For-Sale issued requiring land use rights for commercial use, tourism, entertainment, commodity residential properties and other operational purposes to be granted only through public tender, auction or listing-for-sale; the dual system for domestic and overseas home buyers in the PRC eliminated
2003	Rules for administering real estate loans issued to help reduce the credit and systemic risks associated with such loans; Regulations regarding property management introduced, setting forth a framework for property management activities; State Council issued a notice for the sustainable and healthy development of the real estate market
2004	State Council issued a notice requiring that equity funds for real estate development projects (excluding affordable housing) be increased from 20% to 35%; The Ministry of Construction amended the Administrative Measures on the Pre-sale of Commercial Housing in Cities; The CBRC issued the Guideline for Commercial Banks on Risks of Real Estate Loans to further strengthen the ability of commercial bank to manage risks on real estate loans
2005	Notice issued by the State Council requiring municipal governments and relevant authorities to curb rapid growth in selling prices in an effort to sustain healthy development of the property market; Additional measures instituted to discourage speculation in certain regional markets, including increasing the minimum required down payment from 20% to 30% of the total purchase price, eliminating the preferential mortgage interest rate for residential housing, imposing a business tax of 5% for sales within two years of purchase, and prohibiting resale of properties before they are completed
2006-2007	Additional measures implemented targeting, amongst other things, land supply, bank financing and foreign investment to discourage speculation in the residential property market and to slow the rapid increase in property prices, to encourage the development of middle- to low-end housing and to promote healthy development of the PRC real estate industry. In particular, the PRC Government took measures to control fixed assets investment by imposing tighter reins on land and lending, to discourage excessive growth of the PRC high-end residential property sector and stimulate the development of mass-market residential projects with a higher degree of affordability

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Various PRC Government bodies announced a number of specific directives, the key one being that banks are prohibited from providing loans to property developers whose total equity fund is less than 35% of the total investment amount in an intended development project. In addition, the PBOC raised its benchmark one-year lending rate and the lending rates for other various terms to further tighten the country’s credit policy, and the Ministry of State Land and Resources issued guidelines to restrict overall land supply for high-end residential property developments, including the discontinuation of new land supply for house projects specifically. Other measures taken include measures aimed at strengthening the collection of LAT which took effect from February 1, 2007 and measures to further strengthen the approval and supervision of foreign investment in the real estate sector in the PRC, such as restricting the ability of foreign invested real estate companies to raise funds offshore and then inject such funds into the companies

2008

On January 3, 2008, the State Council issued the Notice on Promoting the Saving and Intensification of Use of Land (Guo Fa [2008] No. 3) 《國務院關於促進節約集約用地的通知》國發[2008]3號). The notice reinforced the existing policy in respect of idle land. The notice stipulates, among other things, that the disposal policies for idle land shall be implemented strictly. If the land approved for development remains unused for more than two years, it shall be forfeited to the government without consideration and the government authorities shall impose LAT on the idle land, details of which are yet to be announced. The requirement that a GFA of less than 90 sq.m. (including affordable housing) must reach not less than 70% of the total GFA for development and construction of residential land is also reinforced in this notice.

On 31 December 2008, the State Council decided to abolish the urban real estate tax (城市房地產稅) applicable to foreign-invested enterprises, foreign individual and entities and since January 1, 2009, the urban real estate tax was substituted by the real estate tax (房產稅), which as a result applicable to both local and foreign entities and individuals.

Additional information on real estate reforms and recent regulatory developments is set out in the section headed “Appendix V — Summary of Principal PRC Legal and Regulatory Provisions” in this document.

Measures taken by the PRC Government in recent years in relation to the PRC property market

In recent years, the PRC Government has introduced policies in response to concerns over the scale of the increase in property investment, in order to restrict future development. Such policies include:

- limiting monthly residential mortgage payments to 50% of an individual borrower’s monthly income and limiting all monthly debt service payments of an individual borrower to 55% of his monthly income;

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- tightening regulations governing mortgage lending and restricting approval of new development zones;
- for real estate development enterprises set up by foreign investors, if the total investment is US\$10 million or more, the registered equity fund shall not be less than 50% of the total investment; and
- further strengthening the approval and supervision of foreign investment in the real estate sector in the PRC.

On May 9, 2005, the General Office of the State Council issued the Opinion of the Ministry of Construction and other Departments on Doing a Good Job of Stabilizing House Prices 《關於做好穩定住房價格工作的意見》, followed by a set of new measures. As a result:

- effective from June 1, 2005, business tax will be levied to an individual on residential property transfer proceeds based on the duration of the period for which the property has been held and type of property involved;
- a buyer of a pre-completion commodity property is prohibited from conducting any transfer of the pre-sale commodity property that he has bought, but is still under construction and which has not obtained property ownership rights;
- an “idle land fee” will be imposed in respect of land development of which has not commenced within one year from the commencement date set out in the land use right granting contract and the relevant land use right will be cancelled without compensation for the land which is idle for two years or more;
- residential projects that have not been commenced within two years must be examined again, and those that turn out to be not in compliance with the respective planning permits will be revoked; and
- land provision for villa construction shall continue to be suspended and land provision for high-end residential property construction shall be strictly restricted.

On May 24, 2006, the State Council issued the Opinion on Adjusting the Housing Supply Structure and Stabilizing Property Prices 《關於調整住房供應結構穩定住房價格的意見》 (the “Opinion”) jointly prepared by the Ministry of Construction and other Chinese government authorities. The Opinion was aimed at guiding and promoting sustainable and healthy development of the PRC real estate industry by adjusting the housing supply structure and curbing increasing housing prices. Pursuant to the Opinion:

- effective from June 1, 2006, newly approved and newly commenced commercial building construction projects must have at least 70% of the total construction work area designated for small apartments with floor areas of 90 sq.m. or less (including economically affordable apartments). Construction projects that have been approved but have not yet obtained a Permit for Commencement of Construction Works (施工許可證) must follow the prescribed ratio;

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- effective from June 1, 2006, business tax will be levied on the full amount of the sale proceeds on conveyance of residential properties within a period of five years from the date of purchase. If an individual sells his ordinary standard apartment after five or more years from the date of purchase, the business tax will normally be exempted. If an individual sells his non-ordinary apartment after five or more years from the date of purchase, the business tax will be levied on the balance between the selling price and the purchase price. On May 30, 2006, the State Administration of Taxation issued the Circular on Issues of Strengthening Levy of Business Tax on Residential Housing(Guoshuifa [2006] 74) 《關於加強住房營業稅徵收管理有關問題的通知》, which further confirms the policies provided for under the Opinion with respect to the levy of business tax on the transfer of residential housing;
- commercial banks shall not be allowed to advance loan facilities to real estate developers who do not have the required 35% or more of the total capital for the construction projects as capital fund. The commercial banks should be prudent in granting period expansion loan facilities and/or revolving credit facilities in any form to the real estate developers who have a large number of idle lands and unsold commodity apartments. Banks shall not accept mortgages of commodity properties remaining unsold for three years or more; and
- effective from June 1, 2006, individual purchasers need to pay a minimum of 30% of the purchase price as down payment. However, if individual purchasers buy apartments of 90 sq.m. or less for residential purposes, the existing requirement of 20% of the purchase price as down payment remains unchanged.

The Opinion calls for sustainable land supplies for small-to-medium-sized low-cost public housing, as well as a continuous restriction of land supplies for housing projects such as villas and other low-density and large-area housing.

The Opinion also requires land and planning administrative authorities to strengthen supervision of land development. The relevant authorities will levy a higher level of idle land fee against those real estate developers who have not commenced the construction work for longer than one year from the commencement date stipulated in the Grant of State-owned Land Use Right contract and will order them to set a date for commencing the construction work and a date of completion. The relevant authorities will confiscate without compensation the Grant of State-owned Land Use Rights from those real estate developers who have not commenced the construction work beyond two years from the commencement date stipulated in the Grant of State-owned Land Use Right granting contract without proper reasons. The relevant authorities will dispose of the idle land of those real estate developers who have suspended the construction work continuously for one year without an approval, have invested less than one-fourth of the total proposed investment or have developed less than one-third of the total proposed construction area.

On July 6, 2006, the Ministry of Construction promulgated the Opinions on Carrying Out the Residential Property Size Ratio in Newly Built Residential Buildings 《關於落實新建住房結構比例要求的若干意見》 to clarify the scope of application of the restriction contained in the Opinion. Based on that 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 of that city should comprise residential housing with a GFA of less than 90 sq.m. Unlike any project specific requirement, the implications of such city-wide restrictions will vary from city to city.

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On September 30, 2007, the Ministry of Land and Resources issued the Notice On Implementation of the Several Opinions of the State Council of the PRC on Solving Housings Shortage with respect to Urban Low-Income Household and Further Strengthening Control on 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》for strictly strengthening disposal of idle land. The land resources administrative bureau at the city or county level shall give priority to the construction of low rental houses, affordable houses and low-to-medium sized ordinary residences at low-to-medium prices when drafting the Annual Land Supply Plan, and the annual supply amount of such houses shall not be less than 70% of the total amount of annual land supply. The local authorities shall control the land supply amount, and shorten the development period. In principle, the development period of a parcel of land shall not be more than three years, in order to ensure the efficiency of land development.

On July 11, 2006, the MOC, MOFCOM, NDRC, PBOC, SAIC and SAFE jointly enacted 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》(Jianzhufang [2006] 171). According to this Circular, the admittance and administration of foreign capital in the property market must comply with the following requirements:

- foreign institutions or individuals purchasing property in China not for their own use shall follow the principle of commercial existence and apply for the establishment of foreign investment enterprises under the regulations of foreign investment in property;
- if the total investment of a foreign-invested real estate enterprise equals or exceeds USD10 million, its registered capital must not be less than 50% of the total investment; and
- transfers of projects of or shares in foreign-invested real estate enterprises, and the acquisitions of domestic real estate enterprises by foreign investors, should be in accordance with the relevant laws, regulations and policies to obtain the approvals.

On May 23, 2007, the MOFCOM and the SAFE jointly issued the Notice Concerning Further Strengthening and Regulating the Examination, Approval and Supervision on Direct Foreign Investment in Real Estate《關於進一步加強、規範外商直接投資房地產審批和監管的通知》, which provides that:

- foreign investment in the real estate sector in the PRC relating to high-end properties should be strictly controlled;
- the approval authority shall not approve an application for the establishment of a foreign invested real estate enterprise, unless the Grant of State-owned Land Use Right and the ownership of the property have been obtained, or the pre-granting/purchase agreement has already been concluded with the land administration authority, land developer or owner of the property;
- foreign-invested enterprises that engage in real estate development or operation businesses and foreign-invested real estate enterprises that engage in new real estate project development and/or operations must apply to the relevant examination and approval authorities for their expansion of scope of business or scale of operation in accordance with the laws and regulations related to foreign investments;

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- acquisitions of and investments in domestic real estate enterprises by way of round trip investment should be strictly regulated. Foreign investors should not avoid approval procedures by changing actual controlling persons of the domestic real estate enterprises;
- parties to a foreign invested real estate enterprise shall not in any way guarantee a fixed investment return;
- local examination and approval authorities must report to MOFCOM to record their approvals of the establishment of foreign-invested real estate enterprises;
- foreign exchange administration authorities and banks authorized to conduct foreign exchange businesses should not affect foreign exchange purchase and settlements of capital account items for those foreign invested real estate enterprises who fail to satisfy the MOFCOM filing requirements or annual review procedures; and
- with regard to the foreign invested real estate enterprises examined and approved by local authority hereof against the law, the MOFCOM shall investigate and rectify it, the authority of foreign exchange administration shall not handle such procedures as foreign exchange registration hereto.

On July 10, 2007, the SAFE issued the Notice of the List of First Batch of Foreign-Invested Real Estate Projects that have been filed with the 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》. This notice restricts the ability of foreign invested real estate enterprises to raise funds offshore and then inject funds into the companies by way of shareholder loans. The notice provides that, among other things:

- for a foreign-invested real estate enterprise (both newly established and through capital increase, same below) which has obtained the approval certificate from the competent commercial department and filed with the MOFCOM on or after June 1, 2007, the local Administration of Foreign Exchange will not conduct the foreign debt registration and foreign debts settlement approval process; and
- for a foreign-invested real estate enterprise which has obtained the approval certificate from the local competent commercial department but failed to file with the MOFCOM on or after June 1, 2007, the local Administration of Foreign Exchange will not conduct foreign exchange (or change the registration) and the settlement and sales process for capital projects.

On October 31, 2007, MOFCOM and NDRC jointly enacted the new Foreign Investment Industrial Guidance Catalogue (2007 Revision) (the “2007 Catalogue”) 《外商投資產業指導目錄 (2007年修訂) 》, which repealed the 2004 Industrial Guidance Catalogue and removed the development and construction of ordinary residential houses from the encouraged category to the permitted category; the restricted category has been adjusted as follows: (i) the development of land lots which shall be operated only by equity joint ventures or co-operative joint ventures; (ii) the construction and operation of high-end hotels, villas, premium office buildings, international conference centers; (iii) housing agents, brokerages and the second-tier real estate market.

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Stimulus package announced by the PRC Government following the global financial crisis

In November 2008, the PRC Government announced a RMB4.0 trillion stimulus package to stimulate the PRC domestic economy. The stimulus package is expected to be spent over the next two years to finance programs in several major areas, including low-rent housing, rural infrastructure, transportation, water and electricity infrastructure, medical and sanitation, educational, cultural and other social development initiatives, energy saving and environmental protection construction, technological innovation, industry adjustments towards value-added services, and disaster recovery (mainly in relation to the May 2008 earthquake in Sichuan Province). The package also includes a tax reform mainly allowing for a value-added tax deduction for purchases of fixed assets, such as machinery, to reduce operational costs for companies. In addition, the stimulus package aims to increase rural workers’ income by implementing certain measures such as increasing minimum grain bulk purchase prices and various government grants.

Also, the PRC Government announced several policies concerning the decline in the real-estate market following the global financial crisis. Such policies include:

- reduction of the proportion of registered capital in fixed asset investment projects;
- reduction of the taxation on purchases of ordinary residential properties under certain conditions; and
- reduction of interest rates for loans for residential premises of a commercial nature for individuals.

In October 2008, the Ministry of Finance and State Administration of Taxation issued the Notice on the Adjustments to Taxation on Real Estate Transactions (《財政部國家稅務總局關於調整房地產交易環節稅收政策的通知》) to encourage the first-time purchases of ordinary residential properties, which provides that:

- temporarily lowering property deed tax to 1% for first-time purchases by individuals of ordinary residential properties with a GFA of 90 sq.m. or less;
- suspending stamp duty on residential properties sold or purchased by individuals; and
- suspending LAT on residential properties sold by individuals.

In October 2008, the PBOC issued the Notice on Extending the Downward Movement of Interest Rates for Loans for Residential Premises of a Commercial Nature for Individuals in Support of First-time Purchase of Ordinary Residential Premises by Residents (中國人民銀行關於擴大商業性個人住房貸款利率下浮幅度等有關問題的通知), which:

- reduces the down payment requirements to 20% from 30%; and
- adjusts the lower limit of the lending rate for residential properties of a commercial nature for individuals to 70% of the benchmark lending rate.

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In December 2008, to strengthen the real estate market, the State Council General Affairs Office issued *Several Opinions on Promoting the Sound Development of the 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 intensify the development of social security housing, encourage property purchases for self-use and upgrade purposes, and support property developers in dealing with the changing market, which provides for:

- granting second-time buyers the same favorable mortgage terms as first time buyers, rather than the risk-adjusted benchmark rate usually applicable to repeat buyers, if the average living area per person of the first property is below the local average level;
- temporarily providing business tax relief until December 31, 2009 for the transfer of ordinary and non-ordinary residential properties: (i) individuals who transfer their ordinary residential properties held for two years or more (instead of the previous five-year requirement) are exempt from business tax. Also, if the property has been held for less than two years when it is transferred, the business tax due is now calculated based on net profit (i.e., the difference between the original price and the sales price), rather than on the full sales price; and (ii) individuals who transfer their non-ordinary residential property held for two years or more (instead of the previous five-year requirement) must still pay business tax on the property based on net profit, but if the property has been held for less than two years when it is transferred, the business tax is calculated on the full sales price;
- enhancing the development of social security housing to solve the housing problem for 7.5 million poor urban families and 2.4 million rural families within three years;
- increasing construction of economically affordable housing for low-income families and the renovation of rural homes that are in dangerous condition;
- increasing credit financing services to ordinary residential housing developments with low to medium level prices or of small to medium sizes, particularly those under construction;
- providing financial support and other related services to real estate developers with good credit standing for merger and acquisition activities;
- conducting real estate investment trust’s trial test and provide various funding channels;
- supporting bond issuance by property developers with good credit and financial positions; and
- eliminating urban real estate tax, and unifying the real estate tax applicable to domestic and foreign-funded enterprises and individuals, who will all be subject to the PRC Tentative Regulations on Real Estate Tax.

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In May 2009, the State Counsel issued the Notice on Adjusting the Proportions of Registered Capital in Fixed Asset Investment Projects (《國務院關於調整固定資產投資項目資本金比例的通知》) to stimulate the development of the PRC real estate industry, which provides for:

- lowering the minimum capital ratio for ordinary residential property development projects and social security housing development projects from 35% to 20%; and
- lowering the minimum capital ratio for any other project development projects (e.g., commercial property and high-end housing projects) from 35% to 30%.

For further information on PRC legal restrictions imposed by the PRC Government on the property development industry and the detailed impact of such restrictions on our Group, please refer to the section headed “Risk Factors — Risks Relating to the PRC Real Estate Industry — The PRC property market is highly regulated and subject to frequent legislation which may adversely affect property developers” and the section headed “Appendix V — Summary of Principal PRC Legal and Regulatory Provisions — Legal Framework Regulating the PRC Property Market — Foreign-invested property development enterprises” in this document.

KEY REAL ESTATE MARKETS

While the first-tier cities in the PRC including Beijing and Shanghai have continuously attracted significant amounts of real estate investment from both homebuyers and investors, property markets in other big cities in China have experienced remarkable growth in recent years. To fully capitalize on the tremendous real estate development and investment opportunities across the PRC, the Group has established a portfolio of projects in cities which are ranked amongst the top in China by their respective real estate investment amount. Besides the core coastal cities of Beijing and Shanghai, the Group has strategically selected project sites in cities which have become part of the targeted areas for promoting continued development under the PRC Government’s development plans.

BEIJING

Overview

As the nation’s capital, Beijing is a municipality that covers an area of approximately 16,807.8 square kilometers and had a total permanent population of approximately 17.0 million in 2008, representing a growth of approximately 14.1% as compared to 2004.

Beijing’s economy has developed significantly over the years and this is primarily due to robust growth of the national economy as well as the increasing inflow of foreign direct investment. From 2004 to 2008, Beijing’s nominal GDP grew from RMB606.0 billion to RMB1,048.8 billion, representing a CAGR of approximately 14.7% over the same period. Per capita GDP also increased significantly from RMB37,058 in 2004 to RMB63,029 in 2008. Since August 2008, Beijing has further enhanced its international profile with

INDUSTRY OVERVIEW

the successful hosting of the Olympic Games as well as improved environment and transportation systems, which is anticipated to further attract direct investment and new demand of residential properties in the city. The table below sets out selected data relating to economic development in Beijing for the years indicated:

	2004	2005	2006	2007	2008
Nominal GDP (RMB billion)	606.0	688.6	786.1	935.3	1,048.8
Per capita GDP (RMB)	37,058	45,444	50,467	58,204	63,029
GDP growth rate (%)	14.1	11.8	12.8	13.3	9.0
Per capita disposable income of urban households (RMB)	15,638	17,653	19,978	21,989	24,725

Main Source: China Statistical Yearbook and Beijing Statistical Communique 2005 to 2008

Beijing property market

Despite the series of austerity measures implemented by the PRC Government in cooling the real estate market, Beijing’s property market has attracted substantial investment in the recent years. From 2004 to 2008, total investment in Beijing’s real estate grew at a CAGR of approximately 6.7% to RMB 190.9 billion in 2008. The city’s average selling price of commodity properties also rose significantly to RMB12,651 per sq.m. in 2008, representing a CAGR of 25.8% over the same period. On the other hand, GFA sold remained stagnant over the past years and declined sharply in 2008 due to the global recession. According to the National Bureau of Statistics, 10.3 million sq.m. of residential GFA was sold in 2008, as compared to 22.9 million sq.m. in 2004. The table below sets out selected data relating to real estate development in Beijing for the years indicated:

	2004	2005	2006	2007	2008
Total GFA completed (million sq.m.) . . .	30.7	37.7	31.9	28.9	25.6
Total GFA of commodity properties sold (million sq.m.)	24.7	31.2	26.1	21.8	13.4
Total GFA of residential properties sold (million sq.m.)	22.9	28.2	22.1	17.3	10.3
Average price of commodity properties (RMB per sq.m.)	5,053	6,788	8,280	11,553	12,651
Sales revenue (RMB billion)	124.9	212.0	215.9	251.5	169.5

Main Source: China Statistical Yearbook and Beijing Statistical Communique 2005 to 2008

SHANGHAI

Overview

Shanghai has long been established as one of the most important financial and trading centers of the PRC and the location of choice for a vast number of multinational corporations seeking to establish headquarters in China. The municipality covers an area of approximately 6,340.5 square kilometers and had a total permanent population of approximately 18.9 million in 2008.

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The Shanghai economy has been growing rapidly since the 1990s. Shanghai’s GDP increased from RMB807.3 billion in 2004 to RMB 1,369.8 billion in 2008, representing a CAGR of approximately 14.1% over the same period. Per capita GDP grew from RMB55,307 in 2004 to RMB73,124 in 2008, representing a CAGR of 7.2% over the same period. As the host of the World Expo in 2010, Shanghai is expected to continue to benefit from foreign investment, further strengthening its position as the leading economic and financial center of the nation.

The table below sets out selected data relating to economic development in Shanghai for the years indicated:

	2004	2005	2006	2007	2008
Nominal GDP (RMB billion)	807.3	916.4	1,036.6	1,218.9	1,369.8
Per capita GDP (RMB)	55,307	51,474	57,695	66,367	73,124
GDP growth rate (%)	14.2	11.1	12.0	14.3	9.7
Per capita disposable income of urban households (RMB)	16,683	18,645	20,668	23,623	26,675

Main Source: Shanghai Statistical Yearbook 2005 to 2009

Shanghai property market

The Shanghai property market was rather stagnant over the past few years, especially in 2008, when the global financial crisis exerted huge pressure on the whole real estate industry. The level of speculation was greatly reduced since the crisis and the introduction of austerity measures, which have squeezed out weaker developers, creating a healthier property market as a result of industry consolidation. This is expected to lay down stronger fundamentals for steady and sustainable growth in the Shanghai property market. In addition, Shanghai World Expo 2010 is expected to be a positive catalyst for the Shanghai property market given the improved infrastructure system and revitalization of the expo venue.

According to the National Bureau of Statistics, 19.7 million sq.m. of residential properties were sold in Shanghai in 2008, representing a 40.0% decline over 2007, while the average selling price remained stable at RMB8,182 per sq.m. The table below sets out selected data relating to real estate development in Shanghai for the years indicated:

	2004	2005	2006	2007	2008
Total GFA completed (million sq.m.) . . .	34.4	31.0	32.7	33.8	24.8
Total GFA of commodity properties sold (million sq.m.)	34.9	31.6	30.3	36.9	23.0
Total GFA of residential properties sold (million sq.m.)	32.3	28.5	26.2	32.8	19.7
Average price of commodity properties (RMB per sq.m.)	5,855	6,842	7,196	8,361	8,255
Sales revenue (RMB billion)	226.4	216.1	217.7	308.9	189.5

Main Source: Shanghai Statistical Yearbook 2005 to 2009

INDUSTRY OVERVIEW

CHONGQING

Overview

As a PRC Government designated pilot reform city under the West Development Strategy, Chongqing is one of the most important economic hubs and transportation hubs of western China, which has witnessed sharp increase in investors’ interests. Chongqing is also the fourth self-administered municipality in China, after Beijing, Shanghai and Tianjin, covering an area of approximately 82,400 square kilometers. It recorded a total permanent population of approximately 28.4 million in 2008, making Chongqing the most populous city in the PRC.

As a result of recent policy initiatives, the Chongqing economy has experienced a remarkable growth in the past five years. GDP increased from RMB269.3 billion in 2004 to RMB509.7 billion in 2008, representing a CAGR of approximately 17.3% over the same period. Per capita GDP grew from RMB9,608 in 2004 to RMB18,025 in 2008, representing a CAGR of approximately 17.0%. The table below sets out selected data relating to economic development in Chongqing for the years indicated:

	2004	2005	2006	2007	2008
Nominal GDP (RMB billion)	269.3	306.7	345.2	412.3	509.7
Per capita GDP (RMB)	9,608	10,982	12,457	14,660	18,025
GDP growth rate (%)	12.2	11.5	12.2	15.6	14.3
Per capita disposable income of urban households (RMB)	9,221	10,244	11,570	12,591	14,368

Main Source: Chongqing Statistical Yearbook 2005 to 2009

Chongqing property market

According to the 11th Five-Year Plan, the urbanization rate of greater Chongqing is targeted at 52% by the end of 2010, as compared to 50% in 2008. This, together with the expected population growth of Chongqing, presents solid growth potential for its property market.

In line with its positive economic sentiment and growing housing demand, Chongqing’s real estate market experienced considerable growth in recent years. Average commodity property prices grew at a CAGR of approximately 12.1% from RMB1,766 per sq.m. in 2004 to RMB2,786 per sq.m. in 2008. Commodity property trading volume grew at an even more impressive pace at a CAGR of approximately

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36.1% over the same period, more than tripling sales revenue for the Chongqing property market in five years. The table below sets out selected data relating to real estate development in Chongqing for the years indicated:

	2004	2005	2006	2007	2008
Total GFA completed (million sq.m.) . . .	15.9	22.1	22.3	22.5	23.7
Total GFA of commodity properties sold (million sq.m.)	13.3	20.2	22.3	35.5	28.7
Total GFA of residential properties sold (million sq.m.)	11.6	17.9	20.1	33.1	26.7
Average price of commodity properties (RMB per sq.m.)	1,766	2,135	2,270	2,723	2,786
Sales revenue (RMB billion)	23.3	43.1	50.6	96.7	80.0

Main Source: Chongqing Statistical Yearbook 2005 to 2009

CHENGDU

Overview

Chengdu is the provincial capital of the Sichuan Province and has emerged as an important manufacturing hub of southwest China following the entry of a number of large multinational companies. Covering an area of approximately 12,390.0 square kilometers, Chengdu’s total permanent population was approximately 12.7 million in 2008.

Having benefited from the PRC Government’s West Development Strategy, Chengdu has experienced substantial economic growth, with nominal GDP increasing at a CAGR of approximately 17.7% from RMB 203.1 billion in 2004 to RMB390.1 billion in 2008. Per capita disposable income in Chengdu also grew significantly from RMB10,394 in 2004 to RMB16,943 in 2008, indicating the increasing purchase power of the Chengdu population. The table below sets out selected data relating to economic development in Chengdu for the years indicated:

	2004	2005	2006	2007	2008
Nominal GDP (RMB billion)	203.1	237.1	275	332.4	390.1
Per capita GDP (RMB)	18,856	19,627	22,269	26,526	30,855
GDP growth rate (%)	13.6	13.5	13.8	15.3	12.1
Per capita disposable income of urban households (RMB)	10,394	11,359	12,789	14,849	16,943

Main Source: Sichuan Statistical Yearbook and Chengdu Statistical Communique 2005 to 2008

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Chengdu property market

Chengdu’s property market has also experienced a robust upward trend in recent years, with the total investment in the real estate sector amounting to RMB91.3 billion in 2008, representing a CAGR of approximately 33.1% from RMB29.1 billion in 2004. According to the National Bureau of Statistics, the average price of residential properties grew at a CAGR of approximately 19.6% from RMB2,377 per sq.m. in 2004 to RMB4,869 per sq.m. in 2008 and residential GFA sold more than doubled to 20.8 million sq.m. in 2007 from 10.2 million sq.m. in 2004. However, residential GFA sold dropped sharply to 11.9 million sq.m. in 2008 due to the global recession. The table below sets out selected data relating to real estate development in Chengdu for the years indicated:

	2004	2005	2006	2007	2008
Total GFA completed (million sq.m.) . . .	8.6	7.6	12	10.9	9.6
Total GFA of commodity properties sold (million sq.m.)	11.3	12.3	16.0	22.3	12.7
Total GFA of residential properties sold (million sq.m.)	10.2	11.1	14.9	20.8	11.9
Average price of residential properties (RMB per sq.m.)	2,377	2,866	3,493	4,198	4,869
Sales revenue of commodity properties (RMB billion)	30.6	39.6	58.2	95.2	62.7

Main Source: Sichuan Statistical Yearbook and Chengdu Statistical Communique 2005 to 2008

XI’AN

Overview

As the capital city of Shaanxi Province, Xi’an is a historical city and an important tourist destination being the home to China’s terracotta warriors. It is the core political, economic and cultural center of northwest China and a significant high-tech manufacturing hub designated by the PRC Government as one of five “China Outsourcing Bases”. Xi’an covers an area of approximately 10,108 square kilometers and had a total permanent population of approximately 8.4 million in 2008.

The table below sets out selected data relating to economic development in Xi’an for the years indicated:

	2004	2005	2006	2007	2008
Nominal GDP (RMB billion)	110.2	127.0	147.4	176.4	219.0
Per capita GDP (RMB)	15,294	15,859	18,085	21,339	26,259
GDP growth rate (%)	13.5	13.1	13.1	14.7	15.6
Per capita disposable income of urban households (RMB)	8,544	9,628	10,905	12,662	15,207

Main Source: Xi’an Statistical Yearbook and Xi’an Statistical Communique 2005 to 2008

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Xi'an property market

According to the National Bureau of Statistics, the average price of residential properties grew from RMB2,546 per sq.m. in 2004 to RMB4,455 per sq.m. in 2008, representing a CAGR of 15.0%. Residential GFA sold more than doubled to 6.0 million sq.m. over the same period, resulting in an unprecedented growth in property sales revenue. The table below sets out selected data relating to real estate development in Xi'an for the years indicated:

	2004	2005	2006	2007	2008
Total GFA completed (million sq.m.) . . .	3.8	3.6	4.0	4.8	4.7
Total GFA of commodity properties sold (million sq.m.)	3.1	5	6.2	8.3	7.6
Total GFA of residential properties sold (million sq.m.)	2.8	4.8	5.8	7.8	6.0
Average price of residential properties . . (RMB per sq.m.)	2,546	3,317	3,073	3,216	4,455
Sales revenue of commodity properties . . (RMB billion)	8.1	17.1	20.6	28.2	31.8

Main Source: Xi'an Statistical Yearbook and Xi'an Statistical Communique 2005 to 2008

The West Development Strategy has made inland cities, such as Chongqing, Chengdu and Xi'an important economic centers and real estate markets of the PRC

In January 2000, the PRC Government implemented the West Development Strategy under which favorable policies and specific regulations were implied to attract and encourage investments to the Western regions, thus accelerating the economic growth in the area. This West Development Strategy covering Chongqing, Sichuan and Shaanxi was officially launched under the 10th Five Year Plan of 2001 and further emphasized in the 11th Five Year Plan of 2006.

The West Development Strategy has four main goals for the western area of China: (1) to accelerate the construction of infrastructure (such as roads, energy and communications); (2) to further protect and develop the ecological environment; (3) to adjust and rationalize the industrial structure, strengthen and expand the agricultural sector and to develop the tourism industry; and (4) to continue to develop areas of science and technology and education. Xi'an, the capital city of Shaanxi Province, Chengdu, the capital city of Sichuan Province, and Chongqing, the fourth self-administered municipality in China, have been designated by the PRC Government as the three core municipal economic zones to promote development across the whole western region of the PRC.

The strategy is estimated to take approximately 50 years, and from 1999 to 2008, investment in western regions totaled to approximately RMB1.5 trillion. Since the commencement of the strategy, western China has recorded an annual average economic growth of approximately 11.4% with the combined GDP reaching approximately RMB5.8 trillion in 2008. In addition, following the destructive Sichuan Earthquake, approximately RMB1 trillion will be spent on recovering and reconstruction, which is anticipated to further support the economic growth of the region.

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WUXI

Overview

Wuxi is a historical commercial center and the second largest economy in Jiangsu Province in terms of GDP, one of the most prosperous regions in China. It covers an area of approximately 4,788 square kilometers and had a total permanent population of approximately 6.11 million in 2008.

Propelled by private economy and foreign investment, Wuxi has achieved robust economic growth with nominal GDP increasing at a CAGR of approximately 17.1% from RMB235.0 billion in 2004 to RMB442.0 billion in 2008, and its per capita GDP surpassed USD10,000 to RMB73,053 in 2008.

The table below sets out selected data relating to economic development in Wuxi for the years indicated:

	2004	2005	2006	2007	2008
Nominal GDP (RMB billion)	235.0	280.5	330.0	385.8	442.0
Per capita GDP (RMB)	42,419	50,958	57,709	65,203	73,053
GDP growth rate (%)	17.4	15.1	15.3	15.3	12.4
Per capita disposable income of urban households (RMB)	13,588	16,005	18,189	20,898	23,605

Main Source: Jiangsu Statistical Yearbook and Wuxi Statistical Communique 2005 to 2008

Wuxi property market

Situated beside the Taihu Lake and in line with the substantial growth in per capita GDP, Wuxi’s real estate market experienced significant growth in recent years. Sales revenue of commodity properties increased at a CAGR of 29.1% from RMB10.4 billion in 2004 to RMB28.9 billion in 2008 while the average commodity property price grew from RMB2,534.3 per sq.m. to RMB5,375.5 per sq.m. over the same period.

The table below sets out selected data relating to real estate development in Wuxi for the years indicated:

	2004	2005	2006	2007	2008
Real-estate investment (RMB billion) . . .	19.6	22.8	27.7	37.8	45.0
Total GFA of commodity properties completed (million sq.m.)	4.8	5.7	6.6	6.1	7.1
Total GFA of commodity properties sold (million sq.m.)	4.1	6.0	6.5	7.4	5.4
Average price of commodity properties (RMB per sq.m.)	2,534.3	2,161.5	3,807	4,578.7	5,375.5
Sales revenue of commodity properties (RMB billion)	10.4	12.9	24.7	33.7	28.9

Main Source: Jiangsu Statistical Yearbook and Wuxi Statistical Communique 2005 to 2008

INDUSTRY OVERVIEW

SHENYANG

Overview

As the capital city of Liaoning Province, Shenyang has long been the economic and industrial center of north eastern China. Covering an area of approximately 12,980 square kilometers, Shenyang’s total permanent population was approximately 7.8 million in 2008.

Benefiting from its strategic position in north eastern China, especially the rejuvenation strategy of old industrial bases in the 11th Five-Year Plan, Shenyang has witnessed substantial economic growth with its nominal GDP growing from RMB177.3 billion in 2004 to RMB386.1 billion in 2008, representing a CAGR of approximately 21.5% over the same period. Per capita disposable income also grew from RMB8,924 in 2004 to RMB17,295 in 2008.

The table below sets out selected data relating to economic development in Shenyang for the years indicated:

	2004	2005	2006	2007	2008
Nominal GDP (RMB billion)	177.3	208.4	252.0	322.1	386.1
Per capita GDP (RMB)	25,640	29,935	35,940	45,561	54,106
GDP growth rate (%)	15.5	16.0	16.5	17.7	16.3
Per capita disposable income of urban households (RMB)	8,924	10,098	11,651	14,607	17,295

Main Source: Liaoning Statistical Yearbook and Shenyang Statistical Communique 2005 to 2008

Shenyang property market

Compared with the city’s substantial GDP growth, Shenyang’s property price has been relatively stagnant, with the average price of residential properties growing at a CAGR of approximately 6.8% from RMB2,965 per sq.m. in 2004 to RMB3,856 per sq.m. in 2008, largely reflecting ample property supply in the local market. On the other hand, sales revenue of commodity properties sold more than tripled to RMB60.5 billion in 2008 from RMB17.0 billion in 2004. The table below sets out selected data relating to real estate development in Shenyang for the years indicated:

	2004	2005	2006	2007	2008
Total GFA completed (million sq.m.) . . .	8.2	10.6	11.9	12.9	12.9
Total GFA of commodity properties sold (million sq.m.)	5.9	10.0	12.4	14.6	14.7
Total GFA of residential properties sold (million sq.m.)	5.5	9.3	11.5	13.6	13.1
Average price of residential properties (RMB per sq.m.)	2,965	3,027	3,184	3,536	3,856
Sales revenue of commodity properties (RMB billion)	17.0	31.7	42.0	54.1	60.5

Main Source: Liaoning Statistical Yearbook and Shenyang Statistical Communique 2005 to 2008

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CHANGZHOU

Overview

Situated in the center of the Yangtze River Delta, Changzhou is an important modern manufacturing base in the region, forming a metropolitan region with Suzhou and Wuxi. The city covers an area of approximately 4,385 square kilometers and had a total permanent population of approximately 4.41 million in 2008.

Changzhou has achieved double-digit economic growth in the recent years with nominal GDP doubled from RMB110.1 billion in 2004 to RMB220.2 billion in 2008, and its per capita GDP increased at a CAGR of 12.3% from RMB 31,665 to RMB50,283.

The table below sets out selected data relating to economic development in Changzhou for the years indicated:

	2004	2005	2006	2007	2008
Nominal GDP (RMB billion)	110.1	130.2	156.9	188.0	220.2
Per capita GDP (RMB)	31,665	37,174	37,210	43,674	50,283
GDP growth rate (%)	15.5	15.1	15.2	15.6	12.4
Per capita disposable income of urban households (RMB)	11,867	14,589	16,649	19,089	21,592

Main Source: Changzhou Statistical Yearbook and Changzhou Statistical Communiqué, 2004 to 2008

Changzhou property market

In line with the rapid economic growth, Changzhou’s real estate market also grew significantly in recent years. Sales revenue of commodity properties increased at a CAGR of 40.7% from RMB5.9 billion in 2004 to RMB23.1 billion in 2008 while the average commodity property price grew from RMB2,477 per sq.m to RMB4,629 per sq.m. over the same period.

The table below sets out selected data relating to real estate development in Changzhou for the years indicated:

	2004	2005	2006	2007	2008
Total GFA of commodity properties completed (million sq.m.)	2.5	5.2	4.0	6.0	6.9
Total GFA of commodity properties sold (million sq.m.)	2.4	3.0	4.8	5.8	5.0
Total GFA of residential properties sold (million sq.m.)	2.0	2.6	4.1	5.1	4.3
Average price of commodity properties (RMB per sq.m.)	2,477	3,683	3,992	4,292	4,629
Sales revenue of commodity properties (RMB billion)	5.9	11.0	19.1	22.9	23.1

Main Source: Changzhou Statistical Yearbook and Changzhou Statistical Communiqué, 2004 to 2008

HISTORY, REORGANIZATION AND GROUP STRUCTURE

HISTORY AND DEVELOPMENT

History and development

Our Group traces its roots to 1994 when Chongqing Longhu Development (known as Chongqing Jiachen Economic and Cultural Development Co. Ltd. at the time of establishment) was established¹. The then equity holders were Mr. Cai, Madam Gao Chao, the mother of our Chairperson Madam Wu, and two other Independent Third Parties, namely China Shirong News Agent (中國市容報社) and Chongqing Yatai Industrial Trading Development Co., Ltd. (重慶亞泰工貿發展公司), each holding a 25% interest in the company. Chongqing Longhu Development is our principal operating subsidiary and the holding company of a majority of our PRC operations. Our Company currently holds a 91.3% equity interest of Chongqing Longhu Development.

On April 26, 1995, Madam Wu acquired a 53% equity interest in Chongqing Longhu Development through the increase in the registered capital of Chongqing Longhu Development². At the same time, Mr. Cai also increased his equity holding in Chongqing Longhu Development to 32% through the increase in the registered capital of Chongqing Longhu Development. Following the completion of such an increase in the registered capital, Madam Wu and Mr. Cai collectively held 85% in Chongqing Longhu Development with the remaining 15% interests held by Madam Gao Chao and the two Independent Third Parties, of which 5% was held by Madam Gao Chao. During the period between 1997 to 2000³, Madam Wu and Mr. Cai have collectively acquired all the equity interests owned by the two Independent Third Parties.

On October 18, 2002, Juntion Development, which was then owned as to 60% by Madam Wu and 40% by Mr. Cai, acquired 60% interest in Chongqing Longhu Development by increasing its registered capital from RMB20 million to RMB50 million. As a result, Chongqing Longhu Development became a sino-foreign equity joint venture with the remaining 40% equity interests owned by Madam Wu, Mr. Cai and Madam Gao Chao, who each owned 23.2%, 14.8% and 2%, respectively. On October 14, 2005, the transfer⁴ by Madam Gao Chao of all her interest in Chongqing Longhu Development to Madam Wu was approved by the relevant authorities. On November 2, 2005, such transfer was registered with Chongqing Industry and Commerce Bureau.

On October 19, 2007, Juntion Development increased its equity holding in Chongqing Longhu Development to 91.3% by increasing its registered capital and thereby diluting the direct equity holdings of Madam Wu and Mr. Cai in Chongqing Longhu Development collectively to 8.7%. Based on the direct results of enquiries made with MOFCOM regarding interpretation of the “Rules on Mergers and Acquisitions of Domestic Enterprises by Foreign Investors” promulgated by MOFCOM on September 8, 2006 (the “Merger Rules”), our PRC legal advisers understand that an increase in the equity interest of Juntion Development in Chongqing Longhu Development by way of subscription of additional registered capital would only require an approval from the original local approving authority (i.e. Chongqing Foreign Trade and Economic Commission) and that approval from MOFCOM would not be required. However, it is unclear whether MOFCOM approval would be required with respect to the transfer of equity interests from existing holders of equity of Chongqing Longhu Development to Juntion Development as a foreign investor. In light of the circumstances, it was decided that the 8.7% interest of Madam Wu and Mr. Cai in Chongqing Longhu Development would continue to be held by them through a PRC limited liability company.

HISTORY, REORGANIZATION AND GROUP STRUCTURE

On February 3, 2008, Madam Wu and Mr. Cai transferred their respective direct equity holdings of 5.5% and 3.2% in Chongqing Longhu Development to Chongqing Xuke.

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- (1) The registered capital of Chongqing Longhu Development was RMB2 million at the time of its establishment.
 - (2) The registered capital was increased from RMB2 million to RMB10 million.
 - (3) Madam Wu increased her equity holding from 53% to 58% by acquiring 5% interest from China Shirong News Agent in July 1997 at a cash consideration of RMB500,000 determined on the basis of the transferor’s original investment cost upon arm’s length negotiations between the parties, and Mr. Cai increased his equity holding from 32% to 37% by acquiring 5% interest from Chongqing Yatai Industrial Trading Development Co., Ltd. in April, 2000 at a cash consideration of RMB500,000 determined on the basis of the transferor’s original investment cost upon arm’s length negotiations between the parties. Following the above acquisitions, Madam Wu, Mr. Cai and Madam Gao Chao became the only equity holders of Chongqing Longhu Development. On June 21, 2001, the registered capital of Chongqing Longhu Development was subsequently increased from RMB10 million to RMB20 million and Madam Wu, Mr. Cai and Madam Gao Chao each subscribed for the additional capital on a pro rata basis based on their respective equity holdings in Chongqing Longhu Development.
 - (4) Madam Gao Chao transferred her 2% interest in Chongqing Longhu Development to Madam Wu at a cash consideration of RMB1 million determined on the basis of the transferor’s original investment cost upon arm’s length negotiations between the parties.

According to our PRC legal advisers who have consulted with the relevant officials of MOFCOM, where a foreign invested company has, prior to September 8, 2006, completed round-trip investment approval procedures, obtained approval from the relevant local PRC authority and obtained the foreign invested enterprise certificate, the original local PRC authority will be responsible for granting approval in respect of subsequent capital injections by way of increasing the registered capital of that foreign invested enterprise. Furthermore, based on the consultation of our PRC legal advisers with the CSRC, in the event that the round-trip investment has been completed before September 8, 2006, and such transaction has been approved by the competent authority, CSRC approval is not required for the offshore holding company applying for listing abroad.

According to our PRC legal advisers, whereas Madam Wu and Mr. Cai have made round-trip investments in Chongqing Longhu Development and completed the relevant approval procedures prior to September 8, 2006, Chongqing Longhu Development has obtained approval from local PRC authority in respect of the increase in its registered capital after September 8, 2006 and has completed the relevant registration with the relevant PRC authorities. Our PRC legal advisers are therefore of the opinion that such increase in registered capital does not fall within Article 11 of the Regulations for Merger with and Acquisition of Domestic Enterprises by Foreign Investors 《關於外國投資者并購境內企業的規定》.

As regards the impact of the “Notice regarding further enhancing and regularization of the approval and regulation of real estates directly invested by foreign companies” (Shang Zhi Han [2007] No. 50) 《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》(商資函[2007]50號), the notice imposes, among other measures, controls restricting foreign investment in high-end real estate properties and investments in domestic real estate enterprises through round trip investments. In addition, the notice requires the foreign invested real estate companies to make filings with MOFCOM after its establishment has been approved by local governmental authorities. For those companies which fail to complete the filings with MOFCOM or pass the foreign invested enterprise joint annual examinations, foreign exchange management authorities and designated foreign exchange banks shall not accept the purchase and sale of foreign exchange. The notice also provides for measures reinforcing the administrative process for approving and supervising foreign direct investments in the PRC real estate sector.

HISTORY, REORGANIZATION AND GROUP STRUCTURE

Our directors consider that the notice may affect our Group when making investments in the PRC real estate market, as our Group is required to comply with additional measures in the administrative process such as obtaining approvals and completing filings with MOFCOM.

As regards the impact of the “Notice of the Comprehensive Department of SAFE regarding the List of the First Batch of Foreign Invested Real Estate Projects which have completed filing with the Ministry of Commerce” (Hui Zhong Fa [2007] No. 130) 《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》(匯綜發[2007]130號), it stipulates, among other things, that a branch of SAFE will no longer process foreign debt registration or application for purchase of foreign exchange for real estate enterprises with foreign investment that obtained approval certificates from and passed the procedures for archiving with MOFCOM on or after June 1, 2007. The new regulation prohibits foreign invested real estate companies from raising funds offshore from their foreign shareholder by way of shareholder loans.

Our PRC legal advisers advised that, as a result of this regulation, in order to inject offshore funds into real estate companies onshore, we would need to do so by increasing the registered capital of our current property development companies or by establishing new real estate companies, and that such real estate companies would have to make prior filings with MOFCOM before foreign exchange registration or the exchange of settlement and sales procedures. Our PRC legal advisers are of the opinion that there are no legal obstacles against which the Group may face in completing such filing procedures in accordance with the current PRC laws and regulations. Currently, there is no project for which the Group had obtained approval to remit proceeds from [●] to the Mainland.

According to the “List of the Seventh Batch of Foreign Invested Real Estate Projects which have completed filing” 《第七批完成備案的外商投資房地產項目名單》 and the “List of the Ninth Batch of Foreign Invested Real Estate Projects which have completed filing” 《第九批完成備案的外商投資房地產項目名單》 published on the website of MOFCOM, our PRC legal advisers are of the opinion that our sino-foreign cooperative joint ventures, Chengdu Huixin (成都匯新置業有限公司), Chengdu Jia’nan (成都嘉南置業有限公司), Chengdu Jinghui (成都景匯置業有限公司), Chengdu Tuosheng (成都拓晟置業有限公司) and Shanghai Hengrui (上海恒睿房地產有限公司) which are established on or after June 1, 2007 and engaged in real estate development, have all completed the relevant filings with MOFCOM, and have complied with the relevant requirements under the said notices.

We originated from Chongqing

We commenced the construction of our first real estate development project in Chongqing in April 1997, known as Longfor Garden Nanyuan, through Chongqing Longhu Properties.

We undertook the development of our second property project, namely, Longfor Garden Xiyuan, in the midst of the development of Longhu Garden Nanyuan in October, 2000. Longfor Garden Xiyuan is adjacent to Longfor Garden Nanyuan which was completed in May, 2001.

HISTORY, REORGANIZATION AND GROUP STRUCTURE

As part of our “multiple products, selected regional focus” strategy, we ventured into our first commercial development project known as North Paradise Walk in 2002. This project became one of the most popular shopping centers in Chongqing with retail units, restaurants and entertainment facilities.

In March 2006, we commenced the development of our first office building, the West Paradise Walk in Chongqing. This project comprised a total of 188 office units, certain retail units and 744 car parks. Construction of the development was completed in April 2008.

We believe our experience in developing a wide variety of products in the property sector and our strong corporate foundation laid in the early stage of our development paved our way to expand into other PRC cities outside of Chongqing.

Our entry into the Chengdu market in 2005

Our first development project outside of Chongqing is King Land in Chengdu, a residential development project which comprised high-rise apartments and retail units undertaken by Chengdu Longhu Jinhua. Construction of Phase 1 of King Land commenced in December, 2005 and was completed in November, 2007 whereas construction of Phase 2 of King Land commenced in March, 2006 and was completed in April, 2008.

As at the Latest Practicable Date, there are six projects under development or for future development.

A successful debut in Beijing in 2005

We entered into the Beijing market in December, 2005 when Beijing Longhu Properties first acquired the land for the Beijing Rose and Ginkgo Villa project, which is a luxurious townhouse residential development in the central villa district of Beijing. Pre-sale of phase 1 of this project commenced in September, 2007.

In Beijing, our first two projects, Beijing Rose and Ginkgo Villa and Beijing Chianti, received an overwhelming market response when they were launched in September 2007, with 95% and 100% of the offered units, respectively, sold on the first day of pre-sales at premium pricing, and generated a total of approximately RMB3.0 billion of contract sales in the first four months of sales.

As at the Latest Practicable Date, we have five projects in Beijing under construction and another two projects are planned for future development. In addition, we have one primary land development project in Beijing with a site area of approximately 374,736 sq.m.

Our entry into the Xi'an and Shanghai markets in 2007

We entered the Xi'an market in the second half of 2007. We plan to develop one commercial project and four residential projects, tentatively to be named as Chang'an Wonder, Qujiang Glory, Xi'an Fairy Castle, Xi'an Flamenco Spain and Xi'an Chianti. It is our current plan to develop Chang'an Wonder into a

HISTORY, REORGANIZATION AND GROUP STRUCTURE

commercial project, Qujiang Glory into townhouses, Xi'an Fairy Castle into high-rise apartments, Xi'an Flamenco Spain into high-rise apartments and Xi'an Chianti into low-rise garden apartments and high-rise apartments.

Shanghai is the first of our target markets in the eastern coastal region of China. We have acquired two separate sites in Qingpu and Jiading in late 2007. It is our current plan to develop these two sites into high-end residential development projects.

As at the Latest Practicable Date, we have five projects and two projects under development or for future development in Xi'an and Shanghai, respectively.

Our entry into the Wuxi, Shenyang and Changzhou markets in 2009

Building on our success in Shanghai, we entered the property market in Wuxi, Jiangsu province in August 2009. We acquired the site for the Taike Yuan Project in Taihu International Scientific and Technology District, Wuxi in August 2009. Our current plan is to develop the site into high-rise residential apartments and villas. We also expanded into the property market in Changzhou, Jiangsu Province by winning an auction of a parcel of land in Qinglong Living Area (青龍生活區) of Changzhou in October 2009. Our current plan is to develop the site into high-rise apartments, low-rise garden apartments and villas. We acquired another piece of land also in Qinglong Living Area in Changzhou in October 2009. Our current plan is to develop the site into high-rise apartments, low-rise garden apartments and stand-alone villas.

We see Shenyang of Liaoning province as a city that has favorable market potential for further development. As part of our plan to expand to the Pan Bohai Rim, we won an auction for a parcel of land in Huishan District, Shenyang in September 2009. Our current plan is to develop the site into townhouse and low-rise residential developments. In October 2009, we won the auction of a parcel of land located in Daoyi District (道義區) of Shenyang as our second project in Shenyang. Our current plan is to develop the site into high-rise apartments, low-rise garden apartments and villas.

As at the Latest Practicable Date, we were undergoing overall planning and design for the above projects in Wuxi, Shenyang and Changzhou.

Our acquisitions and disposals

(a) *Acquisitions*

We made the following acquisitions during the Track Record Period and the period from the expiry of the Track Record Period to the Latest Practicable Date to indirectly acquire further land for future property development or to increase our economic interest in existing projects.

On January 9, 2007, we acquired a 68.18% equity interest in Chengdu Longhu Jincheng from Chengdu Jijian Real Estate Development Co., Ltd. (成都集建房屋開發有限公司), an Independent Third Party, for a consideration of RMB176,370,000. The consideration was determined based on the fair value of the company as of a valuation date agreed between the parties.

HISTORY, REORGANIZATION AND GROUP STRUCTURE

During the financial year ended December 31, 2007, we acquired Xi'an Longhu Xingcheng from Xi'an Gao Ke Chan He Real Estate Co., Ltd. (西安高科鎔河房產有限公司), an Independent Third Party, for a consideration of RMB564,943,038. The consideration was determined based on the fair value of the company as of a valuation date agreed between the parties.

In December 2008, through Chongqing Longhu Properties, we acquired from Chongqing International Trust Investment, an Independent Third Party, its 49% interest in Chongqing Longhu Xijie for a consideration of RMB365,383,000. The consideration was determined based on the parties' pre-existing agreement entered into between the parties at the time when Chongqing International Trust Investment invested in Chongqing Longhu Xijie by reference to the original investment costs of Chongqing International Trust Investment. Following the acquisition, Chongqing Longhu Xijie is held by Chongqing Longhu Properties and Chongqing Longhu Development as to 97.79% and 2.21%, respectively. At around the same period, Chongqing Longhu Properties acquired from COF I SRL, an Independent Third Party, a 30% interest in Shanghai Hengrui for a consideration of RMB537,796,459. Such acquisition was made as a result of the exercise of the right of ING Real Estate China Opportunity Fund LP as part of the joint venture arrangement, under which ING Real Estate China Opportunity Fund LP may require our Group to acquire its interest in the joint venture at a consideration based on a pre-determined formula. The consideration for the 30% interest was determined based on the said pre-determined formula. Following the acquisition, Shanghai Hengrui was held by Chongqing Longhu Properties as to 50% with the remaining 50% interest held by COF I SRL.

In October 2009, through Shanghai Hengchi, we acquired from Jiangsu Changfa Properties Co. Ltd. (江蘇常發地產股份有限公司), an Independent Third Party, its 60% equity interest in Changzhou Jia'nán for a total consideration of RMB30 million which was determined based on arm's length negotiations. Changzhou Jia'nán will develop our Qinglong Project II. In October 2009, through Shanghai Hengchi, we acquired from Changzhou Changfa Agricultural Equipment Co., Ltd. (常州常發農業裝備有限公司), an Independent Third Party, its 1% equity interest in Changzhou Jia'nán for a total consideration of RMB500,000 which was determined based on arm's length negotiations. Following the above acquisitions, Shanghai Hengchi held a 91% equity interest in Changzhou Jia'nán.

(b) *Disposals*

During the financial year ended December 31, 2007, in order to consolidate our Group's business as a property developer, we disposed of our 70% equity interest in a non-wholly owned subsidiary, Chongqing Juntion Architecture Engineering Co., Ltd. (重慶嘉遜建築營造工程有限公司), a construction company, to Mr. Zhao Tie, who is an Independent Third Party, for a total cash consideration of approximately RMB14 million. The consideration was determined on the basis of our original investment cost upon arm's length negotiations with the transferee. We made this disposal because we are not actively involved in the construction business and we would like to focus on our core business as a property developer. For further information, please refer to the sections headed “Accountant's Report — 35. Disposal of a subsidiary” and “Business — Contracting, Procurement, Project Management and Quality Control”.

The preceding paragraphs refer to only part (but not all) of our development projects. For details of our development projects, please refer to the section headed “Business — Our Property Development Projects” below.

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Joint ventures

In recent years, we have formed various joint ventures to undertake different property development projects in the PRC with renowned property developers and investment funds. We set out below the existing joint venture entities, including sino-foreign equity joint ventures and sino-foreign cooperative joint ventures, which members of our Group have established with third parties (not being members of our Group).

(a) *Equity joint ventures*

Chongqing Longhu Development

Chongqing Longhu Development is a sino-foreign equity joint venture incorporated under the laws of the PRC. For further information regarding the corporate development of Chongqing Longhu Development, please refer to the paragraph headed “History and Development” in this section of the document. According to the joint venture contract of August 2002, the duration of Chongqing Longhu Development is for approximately 20 years from the date of amendment to the business licence. The registered capital of Chongqing Longhu Development is in the amount of RMB230 million and is beneficially owned by Juntion Development and Chongqing Xuke as to 91.3% and 8.7%, respectively. Chongqing Xuke is a limited liability company owned by Madam Wu and Mr. Cai. Such registered capital of Chongqing Longhu Development was contributed by Juntion Development and Chongqing Xuke in accordance with their respective percentages of shareholding in Chongqing Longhu Development. The business scope of Chongqing Longhu Development includes property development.

The board of directors of Chongqing Longhu Development comprises 5 directors.

Chengdu Longhu Jinhua

In November 2004, Chongqing Longhu Development, Juntion Development and Topper Industrial entered into the joint venture contract in relation to Chengdu Longhu Jinhua. Topper Industrial was selected as the joint venture partner of Chongqing Longhu Development and Juntion Development by virtue of the company’s experience in and knowledge of property development in the local area in which our project is located. Chengdu Longhu Jinhua is a sino-foreign equity joint venture incorporated under the laws of the PRC. The duration of Chengdu Longhu Jinhua is for 20 years from the date of establishment. Under the joint venture contract, the registered capital of Chengdu Longhu Jinhua is RMB100 million and is beneficially owned by Chongqing Longhu Development, Juntion Development and Topper Industrial as to 67%, 25% and 8%, respectively. Such registered capital of Chengdu Longhu Jinhua is to be contributed by Longhu Development, Juntion Development and Topper Industrial in accordance with their respective percentages of shareholding in Chengdu Longhu Jinhua. According to the capital verification report dated May 16, 2007 issued by Sichuan Zhong Heng Anxin Certified Public Accountants Co., Ltd., the entire registered capital of Chengdu Longhu Jinhua has been fully paid up. The business scope of Chengdu Longhu Jinhua includes properties development and sale of properties. The board of directors of Chengdu Longhu Jinhua comprises 5 directors of which Chongqing Longhu Development, Juntion Development and Topper Industrial have the right to appoint 3 directors, 1 director and 1 director, respectively.

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Sichuan Longhu

In April 2006, Chongqing Longhu Development, Juntion Development and Topper Industrial entered into the joint venture contract in relation to Sichuan Longhu. Topper Industrial was selected as the joint venture partner of Chongqing Longhu Development and Juntion Development by virtue of the company’s experience in and knowledge of property development in the local area in which our project is situated. Sichuan Longhu is a sino-foreign equity joint venture incorporated under the laws of the PRC. The duration of Sichuan Longhu is for 20 years from the date of establishment. Under the joint venture contract, the registered capital of Sichuan Longhu is RMB50 million and is beneficially owned by Chongqing Longhu Development, Juntion Development and Topper Industrial as to 75%, 17% and 8%, respectively. Such registered capital of Sichuan Longhu is to be contributed by Longhu Development, Juntion Development and Topper Industrial in accordance with their respective percentages of shareholding in Sichuan Longhu. According to the capital verification report dated October 29, 2007 issued by Sichuan Zhong Heng Anxin Certified Public Accountants Co., Ltd., the entire registered capital of Sichuan Longhu has been fully paid up. The business scope of Sichuan Longhu includes property development. The board of directors of Sichuan Longhu comprises 5 directors of which Chongqing Longhu Development, Juntion Development and Topper Industrial shall have the right to appoint 3 directors, 1 director and 1 director, respectively.

Beijing Longhu Properties

Beijing Longhu Properties is a limited liability company incorporated under the laws of the PRC in December 2002. The duration of Beijing Longhu Properties is for 20 years from the date of establishment. The registered capital of Beijing Longhu Properties is in the amount of RMB1 billion and is beneficially owned by Chongqing Longhu Development, He Tiantao and Beijing Huanchuan Xinrun Investment Co. Ltd. as to 98.5%, 0.3% and 1.2%, respectively. Such registered capital of Beijing Longhu Properties was contributed by Chongqing Longhu Development, He Tiantao and Beijing Huanchuan Xinrun Investment Co. Ltd. in accordance with their respective percentages of shareholding in Beijing Longhu Properties. According to the capital verification report dated September 2007 issued by Beijing Fangcheng Certified Public Accountants Co., Ltd., the entire registered capital of Beijing Longhu Properties has been fully paid up. The business scope of Beijing Longhu Properties includes property development.

The board of directors of Beijing Longhu Properties comprises 3 directors.

Xi’an Longhu Jincheng

Xi’an Longhu Jincheng is a limited liability company incorporated under the laws of the PRC in September 2007. The initial registered capital of Xi’an Longhu Jincheng was RMB30 million which was subsequently increased to RMB430 million in June 2009. Xi’an Longhu Jincheng is beneficially owned by Xi’an Longhu Properties and Xi’an Lifeng Property Management Co., Ltd. as to 99.3% and 0.7%, respectively. Such registered capital of Xi’an Longhu Jincheng was contributed by Xi’an Longhu Properties and Xi’an Lifeng Property Management Co., Ltd. in accordance with their respective percentages of shareholding in Xi’an Longhu Jincheng. According to the capital verification report dated April 14, 2009 issued by Shanxi Heng Xing Certified Public Accountants Co., Ltd., the entire registered capital of Xi’an Longhu Jincheng has been fully paid up. The business scope of Xi’an Longhu Jincheng includes property development and sale of properties. The board of directors of Xi’an Longhu Jincheng comprises 5 directors as appointed in the shareholders meeting.

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Shanghai Hengrui

In December 2007, COF I SRL and Chongqing Longhu Properties entered into a joint venture contract to incorporate Shanghai Hengrui. COF I SRL, an investment vehicle of ING Real Estate China Opportunity Fund LP, was selected as a joint venture partner of the members of our Group by virtue of our business relationship with ING Real Estate China Opportunity Fund LP and also its capital resources. Shanghai Hengrui is a sino-foreign equity joint venture incorporated under the laws of the PRC. The duration of Shanghai Hengrui is for 20 years from the date of establishment. Under the joint venture contract, the registered capital of Shanghai Hengrui is in the amount of RMB1,589 million and was beneficially owned by COF I SRL and Chongqing Longhu Properties as to 80% and 20%, respectively at the time of establishment of Shanghai Hengrui. Such registered capital of Shanghai Hengrui was contributed by COF I SRL and Chongqing Longhu Properties in accordance with their respective percentages of shareholding. According to the capital verification report dated April 2008 issued by Shanghai Shanhui Certified Public Accountants Co., Ltd., the entire registered capital of Shanghai Hengrui has been fully paid up. The business scope of Shanghai Hengrui includes property development.

In December 2008, Chongqing Longhu Properties acquired from COF I SRL a 30% interest in Shanghai Hengrui. Such acquisition was made as a result of the exercise of the right of ING Real Estate China Opportunity Fund LP as part of the joint venture arrangement, under which ING Real Estate China Opportunity Fund LP may require our Group to acquire its interest in the joint venture at a consideration based on a pre-determined formula. As a result of which, Chongqing Longhu Properties and COF I SRL each owns 50% interest in Shanghai Hengrui.

ING has the right to require our Group to acquire all of its remaining interests in the offshore holding company and all related shareholders’ loan (if any) upon the earlier of (a) the sales (including pre-sales) of units of properties developed by Shanghai Hengrui having exceeded a specified percentage of the total units and (b) the fifth anniversary of the date of establishment of the joint venture. The purchase price payable by our Group will be principally determined by reference to the valuation of the then unsold properties to be agreed between the parties or otherwise determined by an independent valuer, after taking into account applicable taxes payable.

The board of directors of Shanghai Hengrui comprises 5 directors of which COF I SRL and Chongqing Longhu Properties may appoint 4 directors and 1 director, respectively. The Chairman of the board of directors of Shanghai Hengrui shall be appointed by Chongqing Longhu Properties.

(b) *Cooperative joint ventures*

Longhu Land

In June 2005, Chongqing Longhu Properties and Jiaxun Land entered into a joint venture contract to incorporate Longhu Land. Jiaxun Land is a wholly owned subsidiary of a joint venture that we set up with HKL (China West) Property Investments Limited. We effectively hold approximately 47.37% interest in Jiaxun Land. Longhu Land is a sino-foreign cooperative joint venture incorporated under the laws of the PRC. The duration of Longhu Land is for 20 years from the date of establishment. Under the joint venture contract, the registered capital of Longhu Land is USD12 million. The registered capital was subsequently increased to USD27 million in July 2007. Longhu Land is beneficially owned by Chongqing Longhu Properties and Jiaxun Land as to 5% and 95%, respectively. Such registered capital of Longhu Land was

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contributed by Chongqing Longhu Properties and Jiaxun Land in accordance with their respective percentages of shareholding in Longhu Land. According to the capital verification report dated July 2007 issued by the Chongqing Yong He Certified Public Accountants Co., Ltd., the entire registered capital of Longhu Land has been fully paid up. The business scope of Longhu Land includes property development.

The board of directors of Longhu Land comprises 6 directors of which Chongqing Longhu Properties and Jiaxun Land may appoint 1 director and 5 directors, respectively. The first Chairman of the board of directors of Longhu Land shall be appointed by Juntion Land.

Chongqing Longhu Yiheng

In October 2006, Chongqing Longhu Properties and Fantastic Star entered into a joint venture contract to incorporate Chongqing Longhu Yiheng. Fantastic Star was selected as a joint venture partner of the members of our Group by virtue of our business relationship with the company and its affiliates and also the capital resources of the company. Chongqing Longhu Yiheng is a sino-foreign cooperative joint venture incorporated under the laws of the PRC. Chongqing Longhu Yiheng has commenced business during the Track Record Period and the duration of Chongqing Longhu Yiheng is for 20 years from the date of establishment. Under the joint venture contract, the registered capital of Chongqing Longhu Yiheng is RMB50 million. This was subsequently increased to RMB360 million in September 2007. Chongqing Longhu Yiheng is jointly owned by Chongqing Longhu Properties and Fantastic Star as to 51% and 49 %, respectively. The profit generated or loss incurred by the joint venture is also allocated among Chongqing Longhu Properties and Fantastic Star in accordance with these respective percentages. The registered share capital of Chongqing Longhu Yiheng was contributed by Chongqing Longhu Properties and Fantastic Star in accordance with their respective percentages of shareholding in Chongqing Longhu Yiheng. According to the capital verification report dated August 30, 2007 issued by Chongqing Yong He Certified Public Accountants Co., Ltd., the entire registered capital of Chongqing Longhu Yiheng has been fully paid up. The business scope of the Chongqing Longhu Yiheng includes property development.

The board of directors of Chongqing Longhu Yiheng comprises 11 directors of which Chongqing Longhu Properties and Fantastic Star shall have the right to appoint 10 directors and 1 director, respectively. The first Chairman of the board of directors of Chongqing Longhu Yiheng shall be appointed by Chongqing Longhu Properties.

Chengdu Longhu Tongjin

In April 2007, ING COF and Chongqing Longhu Development entered into the joint venture contract in relation to Chengdu Longhu Tongjin. ING COF, an investment vehicle of ING Real Estate China Opportunity Fund LP, was selected as a joint venture partner of the members of our Group by virtue of our business relationship with ING Real Estate China Opportunity Fund LP and also its capital resources. Chengdu Longhu Tongjin is a sino-foreign cooperative joint venture incorporated under the laws of the PRC. The duration of Chengdu Longhu Tongjin is for 20 years from the date of establishment. Under the joint venture contract, the registered capital of Chengdu Longhu Tongjin is in the amount of RMB750 million. The registered capital was subsequently increased to RMB966,549,865. Chengdu Longhu Tongjin was beneficially owned by Chongqing Longhu Development and ING COF as to 51% and 49%, respectively. Such registered capital of Chengdu Longhu Tongjin was contributed by ING COF and Chongqing Longhu

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Development in accordance with their respective percentages of shareholding in Chengdu Longhu Tongjin. According to the capital verification report dated October 15, 2007 issued by Sichuan Zhong Heng Anxin Certified Public Accountants Co., Ltd., the entire registered capital of Chengdu Longhu Tongjin has been fully paid up. The business scope of Chengdu Longhu Tongjin includes property development.

In November 2008, Chengdu Jiaxun acquired from ING COF a 24% interest in Chengdu Longhu Tongjin. Such acquisition was made as a result of the exercise of the right of ING Real Estate China Opportunity Fund LP as part of the joint venture arrangement, under which ING Real Estate China Opportunity Fund LP may require our Group to acquire its interest in the joint venture at a consideration based on a pre-determined formula. The purchase consideration is RMB231,971,968 which was determined based on the said pre-determined formula agreed. Following the acquisition, we hold a total of 75% interest in Chengdu Longhu Tongjin through Chongqing Longhu Development as to 51% and Chengdu Jiaxun as to 24%. ING COF holds the remaining 25% interest.

ING has the right to require our Group to acquire all of its remaining interests in the offshore holding company and all related shareholders’ loan (if any) upon the earlier of (a) the sales (including pre-sales) of units of properties developed by Chengdu Longhu Tongjin having exceeded a specified percentage of the total units and (b) the fifth anniversary of the date of establishment of the joint venture. The purchase price payable by our Group will be principally determined by reference to the valuation of the then unsold properties to be agreed between the parties or otherwise determined by an independent valuer, after taking into account applicable taxes payable.

The board of directors of Chengdu Longhu Tongjin comprises 11 directors of which Chongqing Longhu Development, ING COF and Chengdu Jiaxun may appoint 9 directors, 1 director and 1 director, respectively. The Chairman of the board of directors of Chengdu Longhu Tongjin shall be appointed by Chongqing Longhu Development.

Chengdu Jia’nan

In November 2007, ING COF I (HK) and Chengdu Jiaxun entered into the joint venture contract in relation to Chengdu Jia’nan. Chengdu Jia’nan is a sino-foreign cooperative joint venture incorporated under the laws of the PRC. The duration of Chengdu Jia’nan is for approximately 20 years from the date of establishment. The initial registered capital was RMB100,000,000, which was increased to RMB382,890,100 in November 2007, in which ING COF I (HK) is interested as to 92.16% and Chengdu Jiaxun is interested as to 7.84%. Such registered capital of Chengdu Jia’nan was contributed by ING COF I (HK) and Chengdu Jiaxun in accordance with their respective percentages of shareholding in Chengdu Jia’nan. According to the capital verification report dated November 2007 issued by Sichuan Yuan He Certified Public Accountants Co., Ltd., the entire registered capital of Chengdu Jia’nan has been fully paid up. The business scope of Chengdu Jia’nan includes property development.

The board of directors of Chengdu Jia’nan comprises 5 directors of which ING COF I (HK) and Chengdu Jiaxun may appoint 2 directors and 3 directors, respectively. The Chairman of the board of directors of Chengdu Jia’nan shall be appointed by Chengdu Jiaxun.

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Chengdu Tuosheng

In November 2007, Front Harbour and Chengdu Jiaxun entered into the joint venture contract in relation to Chengdu Tuosheng. Chengdu Tuosheng is a sino-foreign cooperative joint venture incorporated under the laws of the PRC. The duration of Chengdu Tuosheng is for approximately 20 years from the date of establishment. The initial registered capital was RMB100,000,000 which was increased to RMB633,495,100 in November 2007, in which Front Harbour is interested as to 95.26% and Chengdu Jiaxun is interested as to 4.74%. Such registered capital of Chengdu Tuosheng was contributed by Front Harbour and Chengdu Jiaxun in accordance with their respective percentages of shareholding in Chengdu Tuosheng. According to the capital verification report dated November 2007 issued by Sichuan Yuan He Certified Public Accountants Co., Ltd., the entire registered capital of Chengdu Tuosheng has been fully paid up. The business scope of Chengdu Tuosheng includes property development.

The board of directors of Chengdu Tuosheng comprises 5 directors of which Front Harbour and Chengdu Jiaxun may appoint 2 directors and 3 directors, respectively. The Chairman of the board of directors of Chengdu Tuosheng shall be appointed by Chengdu Jiaxun.

Chengdu Jinghui

In November 2007, COF I (HK) and Chengdu Jiaxun entered into the joint venture contract in relation to Chengdu Jinghui. Chengdu Jinghui is a sino-foreign cooperative joint venture incorporated under the laws of the PRC. The duration of Chengdu Jinghui is for 20 years from the date of establishment. The initial registered capital was RMB100,000,000 which was increased to RMB653,275,800 in November 2007, in which COF I (HK) is interested as to 95.41% and Chengdu Jiaxun is interested as to 4.59%. Such registered share capital of Chengdu Jinghui was contributed by COF I (HK) and Chengdu Jiaxun in accordance with their respective percentages of shareholding in Chengdu Jinghui. According to the capital verification report dated November 1, 2007 issued by Sichuan Yuan He Certified Public Accountants Co., Ltd., the entire registered capital of Chengdu Jinghui has been fully paid up. The business scope of Chengdu Jinghui includes property development.

The board of directors of Chengdu Jinghui comprises 5 directors of which COF I (HK) and Chengdu Jiaxun shall have the right to appoint two directors and three directors, respectively. The Chairman of the board of directors of Chengdu Jinghui shall be appointed by Chengdu Jiaxun.

Chengdu Huixin

In November 2007, Chengdu Jiaxun and Sunny Champ entered into the joint venture contract in relation to Chengdu Huixin. Chengdu Huixin is a sino-foreign cooperative joint venture incorporated under the laws of the PRC. The duration of Chengdu Huixin is for 20 years from the date of establishment. The initial registered capital was RMB100,000,000 which was increased to RMB629,993,500 in November 2007, in which Chengdu Jiaxun and Sunny Champ are interested as to 32.05% and 67.95%, respectively. Such registered capital of Chengdu Huixin was contributed by Chengdu Jiaxun and Sunny Champ in accordance with their respective percentages of shareholding in Chengdu Huixin. According to the capital verification report dated November 1, 2007 issued by Sichuan Yuan He Certified Public Accountants Co., Ltd., the entire registered capital of Chengdu Huixin has been fully paid up. The business scope of the Chengdu Huixin includes property development.

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The board of directors of Chengdu Huixin comprises 5 directors of which Chengdu Jiaxun and Sunny Champ shall have the right to appoint three directors and two directors, respectively. The Chairman of the board of directors of Chengdu Huixin shall be appointed by Chengdu Jiaxun.

Our Joint venture for the Century Peak View Project in Chengdu

The four sino-foreign cooperative joint ventures established in November 2007, namely, Chengdu Jia’nan, Chengdu Tuosheng, Chengdu Jinghui and Chengdu Huixin, are specific project companies for development of the Century Peak View project in Chengdu. We invested in these four project companies through our subsidiary Chengdu Jiaxun. The entire project is a joint venture that we set up with an offshore holding company jointly owned by ING Real Estate China Opportunity Fund LP (“ING”) on one part and Aetos Capital Asia T.E. II, Ltd. and Aetos Capital Asia II, Ltd. (collectively, “Aetos”) on the other part. We effectively hold a 9.1% interest in the joint venture.

Under the joint venture arrangement, each of ING and Aetos may require our Group to acquire part or all (as the case may be) of its equity interests (direct or indirect) at prices based on pre-determined formulae upon the occurrence of certain specific events. In particular, ING and Aetos had the right (to be exercised no later than August 30, 2008) to require the Group to acquire from them a total of 45.5556% interest of the offshore holding company jointly owned by ING and Aetos and the related shareholders’ loans (if any) at a price determined by a pre-determined formula in order to give an agreed internal rate of return to ING and Aetos based on their proportionate actual capital contributions to the joint venture from the time of their investments in the joint venture to the date of completion of the equity transfer, being approximately RMB968 million, assuming the acquisition had taken place by September 30, 2008, the prescribed deadline for completion of acquisition. In or about August 2008, ING and Aetos had indicated to us that they wish to exercise such right of redemption.

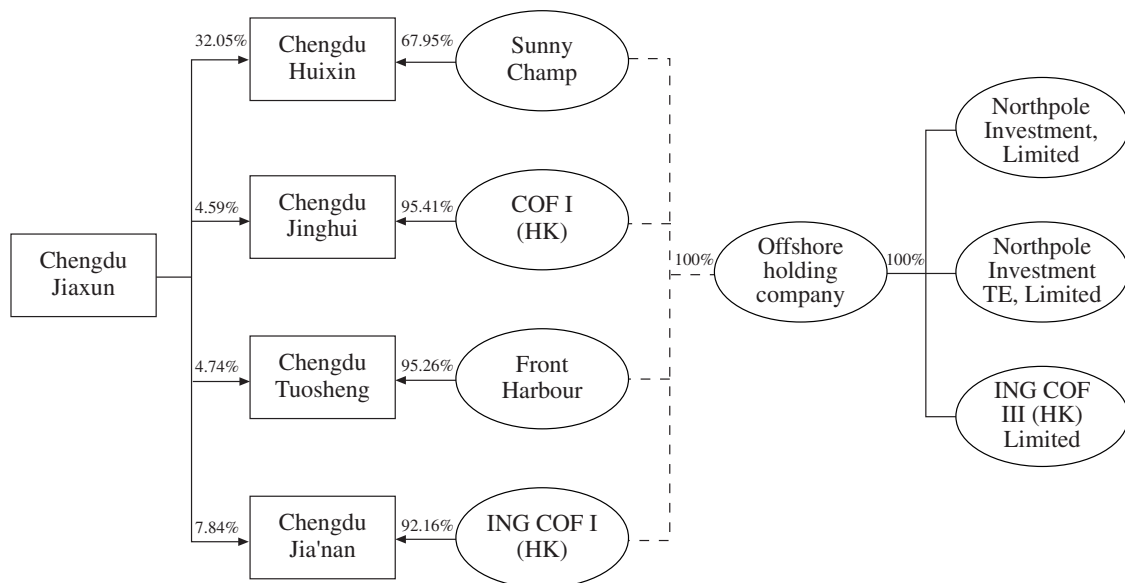
Following discussion and negotiation between the parties, on October 15, 2009, we entered into a supplemental agreement with Northpole Investment, Limited and Northpole Investment TE, Limited which are both subsidiaries of Aetos with their registered office at M&C Corporate Services Limited, PO Box 309GT, Uglund House, South House, South Church Street, George Town, Grand Cayman, Cayman Islands and ING COF III (HK) Limited, an investment vehicle of ING with its registered office at Room 1001-1002, 10F, Man Yee Building, No.68, Des Voeux Road, Central, Hong Kong. Pursuant to such supplemental agreement, condition upon the [●] and [●], we will acquire from ING and Aetos a total of 44.4444% interest of their offshore holding company at a consideration to be determined based on the pre-determined formula, which will give ING and Aetos an agreed internal rate of return based on their proportionate actual capital contributions from the time of their investments in the joint venture to the date of completion of the acquisition. We currently intend to fund the acquisition out of [●]. Assuming the acquisition takes place on December 31, 2009, the purchase price payable under the supplemental agreement will be approximately RMB1.04 billion.

Following the acquisition, our Group will hold 44.4444% interest in the offshore holding company of ING and Aetos, with the remaining 55.5556% interest held by ING and Aetos. Our Group will not be entitled to have majority control of the board of directors of the offshore holding company following the acquisition. The acquisition will increase our Group’s effective interest in the Century Peak View project to 49.13%. At present, we are entitled to nominate and have nominated three out of the total of five directors of each of the PRC joint venture entities; and major financial and operating decisions of any of the PRC joint venture entities, including without limitation, the obtaining of external financings, grant of financial assistance to

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third party, formulation of or material change to business plan, disposal of material assets, change of auditors and dividend declaration require the unanimous approval of the board of directors of the relevant PRC joint venture entity, including the directors nominated by ING and Aetos. These arrangements will continue to be in place after the acquisition. Since our Group, ING and Aetos will continue to share control over the economic activities of the PRC joint venture entities after the acquisition, we expect that the PRC joint venture entities will continue to be accounted for as jointly controlled entities of our Group under IAS. Based on the current completion schedules of the project, we expect the project will start to generate meaningful cash inflow in or about 2010. If the acquisition does not proceed, our effective interest in the Century Peak View project will remain at 9.1%, unless and until ING and/or Aetos exercise their further rights of redemption referred to in the paragraph below. Under the supplemental agreement, completion of the acquisition is to take place within 30 days (or such other date agreed by the parties) after the conditions precedent to the acquisition have been satisfied. Given that the acquisition would be completed pursuant to the supplemental agreement which was executed before the [●], it will not be subject to Chapter 14 or other requirements of the Listing Rules upon its completion after the [●]. However, we will notify our Shareholders of the completion as soon as practicable after that by way of an announcement. If the conditions precedent to the acquisition are not satisfied by May 31, 2010, the provisions of the supplemental agreement shall cease to be effective and the original joint venture agreement between the parties shall remain unchanged.

The following chart depicts the structure in relation to the joint venture as at the Latest Practicable Date:

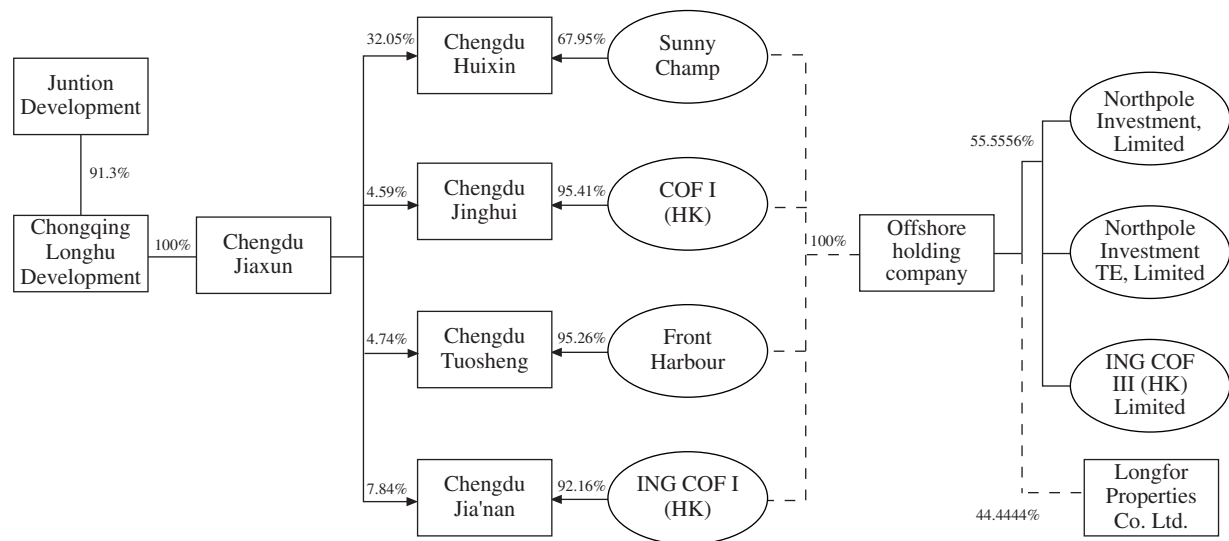


Notes:

1. Dotted lines in the above chart indicate indirect shareholding or control via investment vehicle(s).
2. As at the Latest Practicable Date, our Group effectively held a 9.1% equity interest in the joint venture.

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The following chart depicts the structure in relation to the joint venture upon completion of the proposed acquisition from ING and Aetos of a total of 44.4444% interest of their offshore holding company:



Notes:

1. Dotted lines in the above chart indicate indirect shareholding or control via investment vehicle(s).
2. The four sino-foreign cooperative joint ventures established in November 2007, namely, Chengdu Jia'nian, Chengdu Tuosheng, Chengdu Jinghui and Chengdu Huixin, are specific project companies for development of the Century Peak View project in Chengdu.
3. Chengdu Jiaxun is a wholly owned subsidiary of Chongqing Longhu Development, which is owned by our Group as to 91.3%.
4. Before completion of the proposed acquisition from ING and Aetos of a total of 44.4444% interest of their offshore holding company, ING and Aetos effectively held 90% interest in the joint ventures and Chengdu Jiaxun effectively held 10% interest in the joint ventures (Our Group effectively held a 9.1% in the joint ventures, being 9.13% of the 10% interest of Chengdu Jiaxun). After the completion of the proposed acquisition, our Group will effectively hold a 49.13% interest in the joint ventures, being the aggregate of the initial 9.13% interest plus 44.4444% of the 90% interest of ING and Aetos before completion of the proposed acquisition.
5. For the avoidance of doubt, the holding of equity interest by way of initial capital contributions in the four sino-foreign cooperative joint ventures (as indicated in the shareholding information in the above charts) may not have any correlation to the distribution of the respective interests of the parties in the joint ventures, which is permissible under the laws of the PRC.

The joint venture arrangement between the parties (as amended by the above supplemental agreement) also provides that, in the event that ING and Aetos have made advances to our Group by applying their entitlements to distributions made by the joint venture and the total amount of such advances exceeds a certain percentage of the paid up capital of the PRC joint venture entities, ING may also require our Group to acquire either the shareholder's loan advanced by it to the offshore holding company or the equity interests in each of the PRC joint venture entities so as to reduce ING's capital contributions to the joint venture to 19% and to increase our Group's capital contributions to 56%. The purchase consideration payable will be determined by reference to a specified percentage of the amount of the then paid-up capital of the PRC joint venture entities. As at the Latest Practicable Date, ING and Aetos have not made any advances to our Group pursuant to the joint venture arrangement. We do not expect such right of ING to become exercisable within 12 months after the [●]. In addition, ING and Aetos also have the right to require our Group to acquire all

HISTORY, REORGANIZATION AND GROUP STRUCTURE

of their remaining interests in the offshore holding company and all related shareholders’ loan (if any) upon the earlier of (a) the sales (including pre-sales) of units of properties developed by the PRC joint venture entities having exceeded a specified percentage of the total units and (b) the fifth anniversary of the date of the parties’ investment in the PRC joint venture entities. The purchase price payable by our Group will be principally determined by reference to the valuation of the then unsold properties to be agreed between the parties or otherwise determined by an independent valuer, after taking into account applicable taxes payable. In light of the above arrangement, based on the current completion schedules of the project, we expect we will eventually hold the entire interest in the Century Peak View project by 2013.

The terms of the joint venture with ING and Aetos, including the rights of redemption referred to above were agreed after commercial negotiations between the parties on an arm’s length basis.

According to the valuation report by Savills Valuation and Professional Services Limited, an independent valuer, the market value in existing state as at August 31, 2009 for Phase I of Century Peak View was RMB674,300,000 and the market value in existing state as at August 31, 2009 for Phases II and III of Century Peak View was RMB2,024,000,000. For further information about the valuation, please refer to pages IV-13, IV-16, IV-126, IV-127, IV-128, IV-158 and IV-159 of “Appendix IV - Property Valuation”.

For further information about the above joint venture entities, please refer to the section headed “Appendix VII — Statutory and General Information — (D) Particulars relating to subsidiaries and our joint ventures — Joint ventures”.

The 2007 Term Loan and its full repayment

Juntion Development obtained the 2007 Term Loan in September 2007 provided by various banking institutions and affiliates of real estate developers. The 2007 Term Loan was subject to a variable rate of interest by reference to HIBOR and an applicable margin. The date of repayment is the earlier of September 21, 2009 and the applicable interest payment date (such interest payment date being the last day of any interest period for a duration of one month, two months, three months or six months as may be selected by Juntion Development from time to time or such other period as may be agreed between Juntion Development and the agent of the lenders) immediately following the [●] or if such applicable interest payment date falls on a date earlier than the fourteenth day after the [●], the date falling on the fourteenth day after the [●].

The proceeds of the 2007 Term Loan have been principally applied to pay up capital contributions to certain of our subsidiaries and as general working capital of our offshore subsidiaries. Security interests were created in favor of the lenders of the 2007 Term Loan, including charges over shares in the Company owned by Charm Talent and Precious Full and charges over shares of certain of our offshore subsidiaries. We started to pre-pay the 2007 Term Loan in the end of 2008. As of August 20, 2009, the 2007 Term Loan, together with all interests accrued was fully repaid. Accordingly, all security interests created as security for the 2007 Term Loan were duly released.

HISTORY, REORGANIZATION AND GROUP STRUCTURE

The RMB Bonds

In May 2009, Chongqing Longhu Development issued the RMB Bonds by way of a public offering within the PRC and listing of the bonds on the Shanghai Stock Exchange. Particulars of the RMB Bonds are summarised below:

Total principal amount	:	RMB1.4 billion
Maturity date	:	May 5, 2016, subject to early redemption referred to below
Interest rate	:	6.7% per annum, being the average of the Shanghai Interbank Offered Rates for the five business days preceding the date of offer plus 4.85%. The interest rate is fixed at the above rate for the first five years of issue and is subject to a one-off upward adjustment of up to 100 basis points (inclusive) from May 5, 2014 at the election of the issuer
Early redemption	:	In the event of the issuer’s election of an upward adjustment to the interest rate, a holder of the bonds may elect to redeem all or part of his bonds
Use of proceeds	:	RMB1.12 billion was allocated to finance our development projects in Jade Town project as to RMB306 million, Chunsen Land project as to RMB410 million and Peace Hill County project as to RMB404 million and RMB280 million was allocated as general working capital
Security	:	A mortgage over the land use rights and real property ownership of Basement 3 to the 5th floor of the podium of Longhu West Paradise Walk owned by Chongqing Longhu Xijie was created to secure the obligations of Chongqing Longhu Development under the bonds

REORGANIZATION

Corporate Reorganization

Our Group underwent a reorganization in preparation for the [●] which involves the following:

1. *Incorporation of our Company*

On December 21, 2007, our Company was incorporated in the Cayman Islands as an exempted limited liability company with an authorized share capital of HK\$50,000 divided into 500,000 Shares of HK\$0.10 each, of which 600 Shares and 400 Shares were issued and fully paid up, to Charm Talent and Precious Full, respectively after the transfer of 1 subscriber share from Codan Trust Company (Cayman) Limited as the initial subscriber to Charm Talent, and the allotment and issue of 599 Shares and 400 Shares to Charm Talent and Precious Full, respectively. Charm Talent and Precious Full are companies incorporated in the BVI and collectively owned by Madam Wu and Mr. Cai, respectively.

HISTORY, REORGANIZATION AND GROUP STRUCTURE

2. *Transfer of the entire issued share capital of Juntion Development*

On June 11, 2008, Madam Wu and Mr. Cai transferred 1,200,000 shares and 800,000 shares of HK\$1 each in the share capital in Juntion Development, representing 60% and 40% of the total issued share capital in Juntion Development to Longfor Investment at a purchase consideration of HK\$1,920,693,053 and HK\$1,280,462,036, respectively. Such purchase considerations were determined based on the audited consolidated net asset value of Juntion Development as of December 31, 2007.

3. *Respective assignments of debt by Madam Wu and Mr. Cai to Charm Talent and Precious Full and subsequent assignments of debt by Charm Talent and Precious Full to our Company*

- (a) Pursuant to two deeds of assignment both dated June 11, 2008, Madam Wu and Mr. Cai assigned to Charm Talent and Precious Full at face value the amounts of HK\$1,920,693,053 and HK\$1,280,462,036 due from Longfor Investment respectively thereto as purchase consideration payable by Longfor Investment for the purchase of the entire issued share capital of Juntion Development. Following such assignments, Longfor Investment was indebted to Charm Talent and Precious Full in the respective amounts of HK\$1,920,693,053 and HK\$1,280,462,036.
- (b) Upon completion of the assignments referred to in sub-paragraph (a) above and pursuant to two deeds of assignment dated June 11, 2008, Charm Talent and Precious Full assigned to our Company at face value the same amounts of HK\$1,920,693,053 and HK\$1,280,462,036 due from Longfor Investment. Following such assignment, Longfor Investment was indebted to our Company a total of HK\$3,201,155,089 and our Company was in turn indebted to Charm Talent and Precious Full the amounts of HK\$1,920,693,053 and HK\$1,280,462,036, respectively.

4. *Allotment of shares by Longfor Investment to our Company*

Longfor Investment allotted and issued to our Company one share of US\$1, credited as fully paid, in settlement of the amounts due from Longfor Investment to our Company as referred to in paragraph 3(b) above.

5. *Capitalization of loan due from our Company to Charm Talent and Precious Full*

On June 11, 2008, our Company allotted and issued to Charm Talent and Precious Full 2,361,591,000 Shares and 1,574,394,000 Shares and at the direction of Charm Talent and Precious Full, to Fit All, 64,014,000 Shares, credited as fully paid, in full settlement of the respective amounts of HK\$1,920,693,053 and HK\$1,280,462,036 due from our Company to Charm Talent and Precious Full.

Trust settlements by Madam Wu and Mr. Cai

On June 11, 2008, Madam Wu and Mr. Cai transferred to Silver Sea and Silverland the entire issued share capital of, respectively, Charm Talent and Precious Full, for nil consideration for the settlement of, respectively, the Wu Family Trust and the Cai Family Trust with HSBC International Trustee acting as the trustee. The discretionary objects of the Wu Family Trust include certain family members of Madam Wu and the discretionary objects of the Cai Family Trust include certain family members of Mr. Cai. For implementation of the Pre-[●] Share Award Scheme adopted on July 31, 2009, Fit All was added as a discretionary object of the Wu Family Trust and the Cai Family Trust on July 31, 2009.

HISTORY, REORGANIZATION AND GROUP STRUCTURE

Pre-[●] Share Award Schemes

In recognition of the contributions of certain employees of our Group and to incentivize them, we adopted two Pre-[●] Share Award Schemes on November 30, 2007 and July 31, 2009, respectively. Pursuant to the Pre-[●] Share Award Scheme adopted on November 30, 2007, at the direction of Charm Talent and Precious Full, our Company issued a total of 64,014,000 Shares (38,408,400 Shares in the case of Charm Talent and 25,605,600 Shares in the case of Precious Full), representing approximately 1.6% of the then issued share capital of our Company to Fit All for the benefit of a total of 121 employees of our Group. Pursuant to the Pre-[●] Share Award Scheme adopted on July 31, 2009, Charm Talent and Precious Full transferred to Fit All, as a discretionary object of each of the Wu Family Trust and the Cai Family Trust, a total of 30 million Shares (18 million Shares in the case of Charm Talent and 12 million Shares in the case of Precious Full) for the benefit of a total of 463 employees of our Group, of whom 34 employees had been awarded Shares under the Pre-[●] Share Award Scheme adopted on November 30, 2007. The vesting period for the Shares awarded under the Pre-[●] Share Award Schemes is either four or five years commencing from January 1, 2009 (in the case of the scheme adopted on November 30, 2007) and July 1, 2010 (in the case of the scheme adopted on July 31, 2009).

Fit All was incorporated by Madam Wu as a special purpose vehicle for holding the relevant Shares with the intention that such Shares are to be held on trust by a professional trustee for the benefit of the selected employees of our Group. On June 11, 2008, the Fit All Trust was established with HSBC (HK) Trustee acting as the trustee thereof and thereupon Madam Wu transferred the entire issued share capital of Fit All to HSBC (HK) Trustee. The total number of employees who are beneficiaries of the Fit All Trust is 550.

No further Shares will be transferred by Charm Talent or Precious Full and no new Shares will be issued by our Company for the purpose of the Pre-[●] Share Award Schemes. However, we intend to adopt another share award scheme or other similar incentive scheme after the [●]. Thereupon, we will comply with all applicable legal and regulatory requirements, including the Listing Rules, in respect of the adoption and implementation of such share award scheme or any incentive scheme(s) to be adopted.

Based on the valuation of an independent valuer, the weighted average fair value of the Shares awarded under the Pre-[●] Share Award Scheme adopted on November 30, 2007 is approximately RMB116.0 million which will be amortized on a straight line basis over a period of 4 or 5 years of the vesting period (as the case may be) and hence, there had been and will be an impact on our income statements for the financial years 2007 to 2012. The impacts for the two financial years ended December 31, 2007 and 2008 and the six months ended June 30, 2009 are RMB4 million, RMB47.6 million and RMB12.2 million, respectively. Based on the valuation of an independent valuer, the weighted average fair value of the Shares awarded under the Pre-[●] Share Award Scheme adopted on July 31, 2009 is approximately RMB71.3 million, which will be amortized on a straight line basis over a period of 4 years of the vesting period and hence, there will be impact on our income statements for the financial years 2009 to 2013. It is estimated that the overall impact of both Pre-[●] Share Award Schemes for the financial year ending December 31, 2009 will be approximately RMB38.3 million (as to RMB24.3 million for the scheme adopted on November 30, 2007 and as to RMB14 million for the scheme adopted on July 31, 2009).

Please refer to the section headed “Appendix VII — Pre-[●] Share Award Schemes” to this document for a summary of the principal terms of the Pre-[●] Share Award Schemes.

HISTORY, REORGANIZATION AND GROUP STRUCTURE

Pre-[●] Option Scheme

In recognition of the contributions of our senior management personnel and to incentivize them, we have adopted the Pre-[●] Option Scheme pursuant to which options were granted to a total of six senior management personnel (including two executive directors) on November 30, 2007, which entitle the holders to subscribe for Shares representing 0.75% of our total issued Share capital immediately following completion of the [●] as enlarged by the number of Shares which may be allotted and issued pursuant to the full exercise of the subscription right attached to the Pre-[●] Options (taking no account of any option that may be granted under the Post-[●] Option Scheme or any Shares which may be allotted and issued upon the exercise of the [●]), at the exercise price of HK\$2.94 per Share and subject to the terms and conditions of the Pre-[●] Option Scheme. The Pre-[●] Options shall vest in equal portion on January 1, 2009, 2010, 2011 and 2012 and will become exercisable for a period following the respective vesting dates and ending on November 30, 2017.

The Pre-[●] Options were transferred to Long Faith on June 11, 2008. Long Faith was incorporated by Madam Wu as a special purpose vehicle for holding the Pre-[●] Options with the intention that such options are to be held on trust by a professional trustee for the benefit of the senior management personnel concerned. On the same day, the Long Faith Trust was established as a discretionary trust with HSBC (HK) Trustee acting as the trustee thereof and thereupon Madam Wu transferred the entire issued share capital of Long Faith to HSBC (HK) Trustee. As at the date of this document, Long Faith, whose registered office is situated at P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, the British Virgin Islands, is the registered holder of all the Pre-[●] Options.

The Pre-[●] Options are the only options granted under the Pre-[●] Option Scheme and no further options will be granted thereunder after the [●]. If all the Pre-[●] Options are exercised in full, the public shareholders of our Shares under the [●] (assuming the [●] is not exercised) may experience share ownership dilution from 20% to 19.85%, whereby their percentage ownership of our Shares issued and outstanding will decrease.

Any exercise of the options to be granted under the Pre-[●] Option Scheme will result in a dilution in the earnings per Share and net asset value per Share. Assuming that all the Pre-[●] Options are exercised in full, the estimated earnings per Share in 2009 will be diluted from RMB 47.02 to RMB 47.01. Under the IFRS, the costs of the Pre-[●] Options have been charged to our income statement for the year ended 2007 by reference to the fair value at the date at which such options were granted.

Based on the valuation of an independent valuer, the fair value of our Pre-[●] Options as at November 30, 2007 is approximately RMB33.9 million. Our Pre-[●] Options will be amortized on a straight line basis over a period of 4 years of vesting period and hence, there had been and will be an impact on our income statements for the financial years 2007 to 2011. The impacts for the two financial years ended December 31, 2007 and 2008 are approximately RMB1.0 million and RMB12.5 million respectively. The impacts for the three financial years ending December 31, 2009, 2010 and 2011 are expected to be approximately RMB12.5 million, RMB5.5 million and RMB2.4 million, respectively.

Please refer to the section headed “Appendix VII — Pre-[●] Option Scheme” to this document for a summary of the principal terms of the Pre-[●] Option Scheme.

HISTORY, REORGANIZATION AND GROUP STRUCTURE

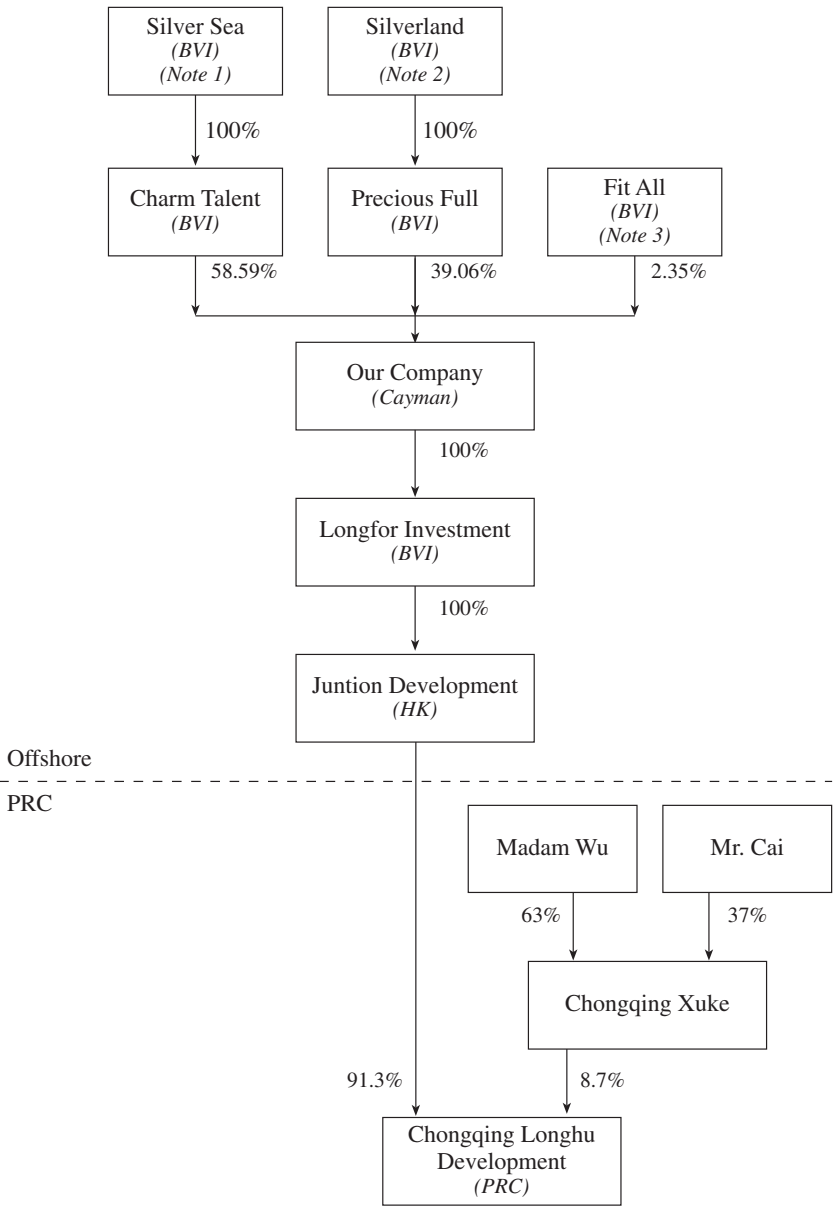
Post-[●] Option Scheme

We have adopted the Post-[●] Option Scheme. The Post-[●] Option Scheme provides for the grant of options to subscribe for our Shares to our senior management personnel including our directors, and full-time employees that meet criteria set by us from time to time. The principal terms of the Post-[●] Option Scheme are summarised in the section headed “Appendix VII — Post-[●] Option Scheme” to this document.

SHAREHOLDING AND CORPORATE STRUCTURE

Shareholding structure of our Group

The following chart depicts the structure of our Group following completion of the Reorganization, the trust settlements by Madam Wu and Mr. Cai, and the adoption and implementation of the Pre-[●] Share Award Schemes:

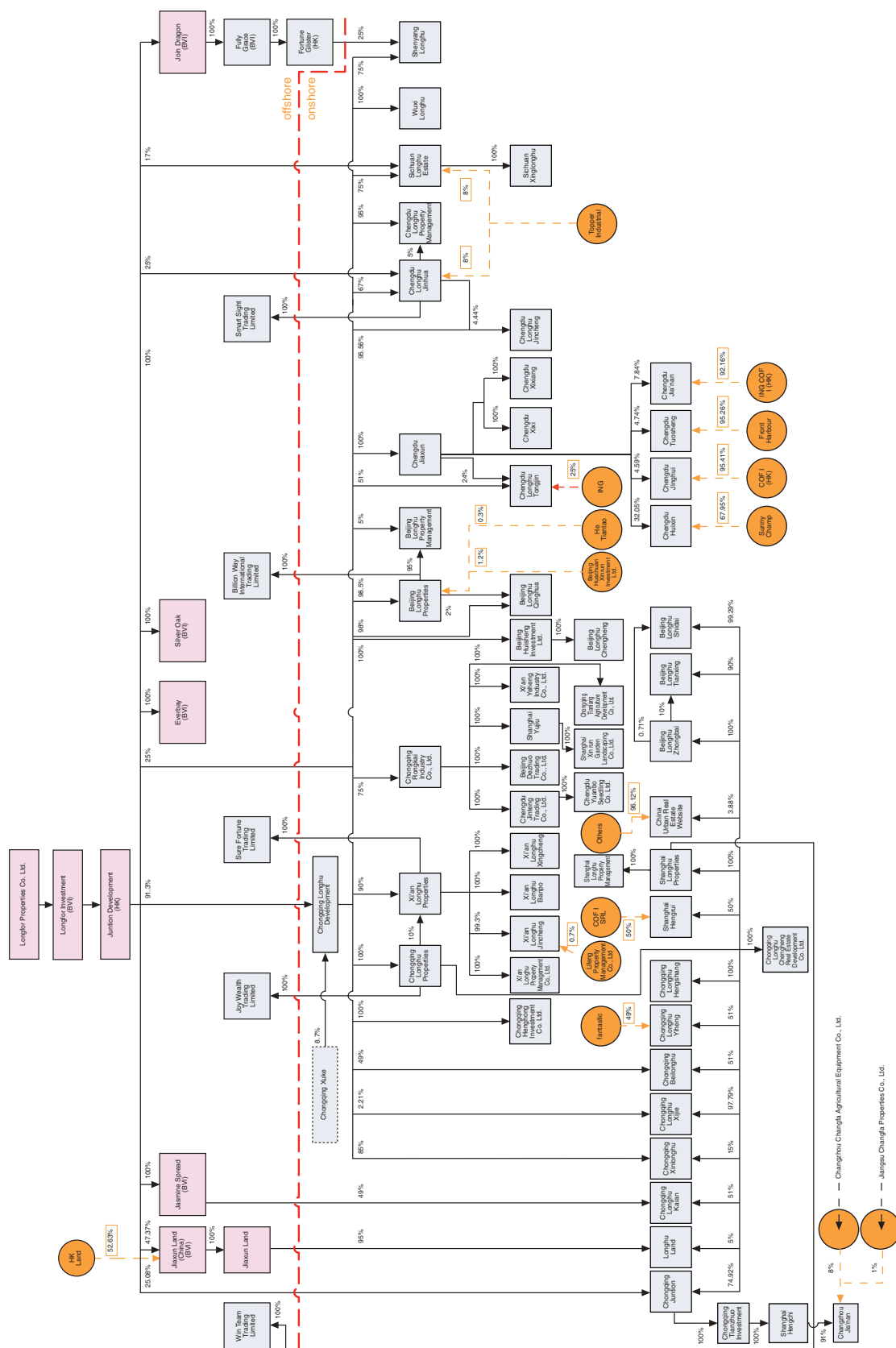


HISTORY, REORGANIZATION AND GROUP STRUCTURE

Notes:

1. The entire share capital of Silver Sea is wholly-owned by HSBC International Trustee as the trustee of the Wu Family Trust. The Wu Family Trust is a discretionary trust set up by Madam Wu as settlor and protector and HSBC International Trustee as trustee on June 11, 2008. The beneficiary objects of the Wu Family Trust include certain family members of Madam Wu and Fit All. Madam Wu (as founder of the Wu Family Trust), Mr. Cai (as the spouse of Madam Wu), Silver Sea and HSBC International Trustee are taken to be interested in the 2,343,591,600 Shares held by Charm Talent immediately upon completion of the [●] pursuant to Part XV of the SFO.
2. The entire share capital of Silverland is wholly-owned by HSBC International Trustee as the trustee of the Cai Family Trust. The Cai Family Trust is a discretionary trust set up by Mr. Cai as settlor and protector and HSBC International Trustee as trustee on June 11, 2008. The beneficiary objects of the Cai Family Trust include certain family members of Mr. Cai and Fit All. Mr. Cai (as founder of the Cai Family Trust), Madam Wu (as the spouse of Mr. Cai), Silverland and HSBC International Trustee are taken to be interested in the 1,562,394,400 Shares held by Precious Full immediately upon completion of the [●] pursuant to Part XV of the SFO.
3. The entire share capital of Fit All is wholly-owned by HSBC (HK) Trustee as the trustee of the Fit All Trust. The Fit All Trust was set up on June 11, 2008 with HSBC (HK) Trustee acting as the trustee thereof. The beneficiary objects of the Fit All Trust are 550 selected employees of our Group (including four executive directors) as participants of the Pre-[●] Share Award Scheme. As of the Latest Practicable Date, a total of 15,792,125 Shares awarded under the Pre-[●] Award Scheme adopted on November 30, 2007 had been vested in the relevant employees under the scheme and held on trust by Fit All.

The following diagram illustrates our corporate group structure:



RELATIONSHIP WITH OUR FOUNDERS AND OUR CONTROLLING SHAREHOLDERS

OUR FOUNDERS AND OUR CONTROLLING SHAREHOLDERS

Madam Wu and Mr. Cai are the founders of our Group and are married to each other. Each of them have transferred their equity interests in our Group to, respectively, the Wu Family Trust and the Cai Family Trust, two separate discretionary trusts the beneficiaries of which are certain family members (hence associates) of, respectively, Madam Wu and Mr. Cai. HSBC International Trustee acts as the trustee of both trusts, and each of Madam Wu and Mr. Cai acts as the protector of the relevant trust. Prior to the establishment of the Wu Family Trust and the Cai Family Trust, Madam Wu and Mr. Cai held their beneficial interests in our Group through, respectively, Charm Talent and Precious Full. On June 11, 2008, Madam Wu transferred the entire issued share capital of Charm Talent to Silver Sea, a company incorporated in the BVI and wholly owned by HSBC International Trustee, and Mr. Cai transferred the entire issued share capital of Precious Full to Silverland, a company also incorporated in the BVI and wholly owned by HSBC International Trustee. The said transfers were made at nil consideration by way of gift, for the settlement of the Wu Family Trust and the Cai Family Trust respectively. Upon establishment of the said two trusts, Madam Wu and Mr. Cai ceased to be beneficially interested in the shareholding of our Group but they remain interested, through Chongqing Xuke, in 8.7% of the registered capital of Chongqing Longhu Development. As at the date of this document, Charm Talent is the registered holder of 2,343,591,600 Shares and Precious Full is the registered holder of 1,562,394,400 Shares.

INDEPENDENCE OF OUR FOUNDERS AND OUR CONTROLLING SHAREHOLDERS

We believe that our Group is capable of carrying on its business independently of our Controlling Shareholders, our founders and their respective associates after the [●] for the following reasons:

- Management and investment decisions are made by our board of directors, management committee and investment decision committee (as the case may be), in each case, in a collective manner, and each of our board of directors, management committee and investment decision committee consists of management personnel with appropriate expertise and experience and each of our board or the afore-mentioned committees operates in accordance with our Articles of Association and terms of reference (in the case of the management committee and the investment decision committee) approved and adopted by the board of directors of Chongqing Longhu Development;
- There do not exist any continuing connected transactions between our Controlling Shareholders, founders and their respective associates and our Group which will be subject to the announcement and independent shareholders’ approval requirement under [●] upon the [●];
- None of our Controlling Shareholders, founders and their respective associates has any interest which competes with or is likely to compete with the business of our Group; and
- Charm Talent and Precious Full are holding companies and do not carry on any business other than holding the equity interests in our Company.

NON-COMPETITION DEED

We have entered into the Non-competition Deed dated November 1, 2009 with the Controlling Shareholders pursuant to which Madam Wu, Charm Talent and Silver Sea have jointly and severally undertaken, and Mr. Cai, Precious Full and Silverland have jointly and severally undertaken, not to compete with our Group.

RELATIONSHIP WITH OUR FOUNDERS AND OUR CONTROLLING SHAREHOLDERS

The Controlling Shareholders have undertaken with our Company (for itself and as trustee for the benefit of members of our Group) that they shall not, and shall use their best endeavours to procure that their respective associates (other than members of our Group and any member of the group of companies comprised of HSBC Holdings plc. and its subsidiaries from time to time, other than HSBC International Trustee acting solely in its capacity as trustee of the Wu Family Trust or the Cai Family Trust) (the “**Affiliates**”) will not, engage, invest, participate or be interested (economically or otherwise) in any Property Business during the period commencing on the [●] and ending on the earlier of:

- (i) the date when collectively the Controlling Shareholders, the Wu Family Trust and the Cai Family Trust, and, as the case may be, any of their Affiliates, cease to hold, or otherwise be interested in, beneficially in aggregate, whether directly or indirectly, 30% or more of the issued ordinary share capital of our Company;
- (ii) the date when the Shares cease to be [●]; or
- (iii) in relation to a particular Controlling Shareholder individually, the date when such Controlling Shareholder and all of his/her/its Affiliates cease to hold, or otherwise be interested in beneficially, whether directly or indirectly, any of the Shares (the “**Non-competition Period**”),

whether alone or jointly with another person and whether directly or indirectly or on behalf of or to assist or act in concert with any other person) except:

- (a) in the case of Madam Wu and Mr. Cai, the existing Property Business held by Madam Wu, Mr. Cai and their respective Affiliates as disclosed in this document (See “Property Development Businesses and Investments Excluded from our Group” below). For the avoidance of doubt, to the extent Chongqing Xuke, Dujiangyan Qingcheng Co., Chengdu Tiancheng Investment Co., Ltd. or Madam Wu, Mr. Cai and any of their respective Affiliates, propose to change the use of the land in Yangjiang City already acquired by Yangjiang Hong Jing Real Estate Development Co., Ltd. or propose to acquire or are offered the right to acquire, any further land use rights in respect of the development project in Yangjiang City Guangdong province or land use rights of the site for which Dujiangyan Qingcheng Co. or Chengdu Tiancheng Investment Co., Ltd. is currently engaged in its primary land development as mentioned below in this section, such proposals would be regarded as a New Opportunity (as defined below) and should first be referred to the Company in accordance with the terms of the Non-competition Deed;
- (b) through their interests in our Group;

RELATIONSHIP WITH OUR FOUNDERS AND OUR CONTROLLING SHAREHOLDERS

- (c) through acquiring or holding any investment or interest in units or shares of any company, investment trust, joint venture, partnership or other entity in whatever form which engages in any Property Business (a “**Competing Entity**”) where such investment or interest does not exceed 5% of the outstanding voting shares of such Competing Entity provided such investment or interest does not grant, nor does the relevant party and/or his Affiliates otherwise hold, any right to control the composition of the board of directors or managers of such Competing Entity nor any right to participate, directly or indirectly, in such Competing Entity (“**Passive Investments**”);
- (d) interests in properties in the PRC acquired and held solely for residential use (only in the case of Madam Wu and Mr. Cai and including the residential use of their family), or for investment purposes for so long as such interests do not involve any office or retail property development in the PRC and are not in competition with the business of our Group from time to time;
- (e) any Property Business which we have decided not to make an investment as approved in writing by a majority of all the independent non-executive directors of our Company; or
- (f) interests in properties situated outside of the PRC.

Each of Madam Wu, Mr. Cai, Charm Talent, Precious Full, Silver Sea and Silverland has undertaken with our Company (for itself and as trustee for the benefit of members of our Group) to procure that any investment or commercial opportunity relating to any Property Business (“**New Opportunity**”) that they or any of their respective Affiliates identify or propose or that is offered or presented to them by a third party, be first referred to the Company in accordance with the terms of the Non-competition Deed. The independent non-executive directors of the Company will determine whether to exercise the right to acquire the relevant land site in the event that the Group is offered the first right of refusal to acquire such site.

Under the Non-competition Deed, the obligations and liabilities of Madam Wu, Mr. Cai, Charm Talent, Precious Full, Silver Sea and Silverland are several, but the obligations and liabilities of Madam Wu, Charm Talent and Silver Sea are joint and several, and the obligations and liabilities of Mr. Cai, Precious Full and Silverland are also joint and several.

For the purpose of the Non-competition Deed, the term “**Property Business**” means the conducting of any one or more of the following business or investment activities in the PRC:

- (a) acquiring, holding, developing, transferring, disposing, leasing or otherwise dealing in, whether directly or indirectly, solely or jointly, land, real estate properties, or any property-related investments;
- (b) engaging in, directly or indirectly, solely or jointly, the business of property management;
- (c) engaging, having a right or in any way having an economic interest in, directly or indirectly, solely or jointly, the promotion or development of or investment in land or real estate properties or any property management business;

RELATIONSHIP WITH OUR FOUNDERS AND OUR CONTROLLING SHAREHOLDERS

- (d) acquiring, holding, transferring, disposing or otherwise dealing in, directly or indirectly, solely or jointly, any option, right or interest over any of the matters set out in paragraphs (a) to (c) above; or
- (e) acquiring, holding, transferring, disposing or otherwise dealing in, directly or indirectly, solely or jointly, any interest in (including, without limitation, shares of) any company, joint venture, corporation or entity of any nature, whether or not incorporated, with any interest in the matters set out in paragraphs (a) to (d) above.

In the event of any disagreement between any of the Covenantors and our Company as to whether or not any activity or proposed activity of any of the Covenantors constitutes a Property Business, the matter will be determined by the independent non-executive directors of our Company whose majority decision is final and binding.

Each of the Controlling Shareholders has also undertaken with our Company (for itself and as trustee for the benefit of members of our Group) that, during the Non-Competition Period, each of them:

- (a) will provide all information necessary for the annual review by the independent board committee of our Company for the enforcement of the undertakings contained in the Non-competition Deed by each of them;
- (b) will make an annual declaration on compliance with such undertakings in the annual reports of our Company; and
- (c) shall excuse themselves from, and abstain from voting and not be counted as quorum of, any meetings of shareholders and/or board of directors of our Company for consideration and approval of any matters referred to in the Non-competition Deed which have given or may give rise to conflicts of interest, whether actual or potential, of the relevant Controlling Shareholders.

We confirm that our independent non-executive directors will review, at least on an annual basis, the compliance with the undertakings in the Non-competition Deed by the Controlling Shareholders, including the right of first refusal regarding any New Opportunity given by them hereunder and we will disclose decisions of our independent non-executive directors either in our annual reports or by way of announcements. We also confirm that our directors, apart from the Controlling Shareholders, will make similar annual declarations on compliance in respect of their own undertakings on non-competition in our annual report.

In considering whether to pursue this New Opportunity, our independent non-executive directors will take into account ordinary commercial considerations, such as the Company’s financial condition, management efficiency, operational performance, growth prospect and earning potentials of the relevant business and any other information at the relevant time with reference to the prevailing circumstances. Our independent non-executive directors will always act in the best interests of the Company and the Shareholders as a whole. They will review annually all the decisions taken in each quarter of the year in relation to whether to pursue the New Opportunity and disclose such decisions and the rationales in the Company’s annual report. The Controlling Shareholders and their respective associates will abstain from voting for or against the relevant resolutions and will not be counted as part of the quorum at the relevant Shareholders’ meeting.

RELATIONSHIP WITH OUR FOUNDERS AND OUR CONTROLLING SHAREHOLDERS

PROPERTY DEVELOPMENT BUSINESSES AND INVESTMENTS EXCLUDED FROM OUR GROUP

Madam Wu and Mr. Cai, through their associates, hold equity interests in the following three development proposals:

(1) **A proposed tourism and recreational development in Yangjiang City (陽江市), Guangdong province**

This is a development project proposed to be undertaken by a joint venture company, Yangjiang Hong Jing Real Estate Development Co., Ltd. (陽江弘景房地產開發有限公司), formed by Chongqing Xuke and an Independent Third Party. Chongqing Xuke and the Independent Third Party hold equity interests in 51% and 49% of the joint venture, respectively and Chongqing Xuke is entitled to nominate 2 out of a total of 3 directors of the joint venture company with the remaining 1 director to be nominated by the independent joint venture partner. As at the Latest Practicable Date, the joint venture has acquired land use rights of approximately 209,000 sq. m. As at the Latest Practicable Date, no plan has yet been formulated for the development of the site already acquired by the joint venture and therefore no revenue has yet been generated out of the project. As at June 30, 2009, the unaudited net asset value of Yangjiang Hong Jing Real Estate Development Co., Ltd. is approximately RMB189,000, representing approximately 0.003% of the audited consolidated net asset value of our Group as of the same date.

(2) **Primary land development of a site for tourism and recreational use in Dujiangyan City (都江堰市), Sichuan province**

Dujiangyan Qingcheng Co., a wholly owned subsidiary of Chongqing Xuke (and hence managed and controlled by Chongqing Xuke) and established on December 25, 2007, is currently engaged in the primary land development of a site of approximately 530,000 sq. m., which would be made available principally for tourism and recreational use, including but not limited to theme parks and sports and recreational facilities (actual use is subject to final determination of the relevant government authority). Since the land use rights for this site will be granted by way of public tender, auction and listing-for-bidding, it is unclear as to whether Dujiangyan Qingcheng Co. will be able to acquire any land use rights in respect of this site or when such land use rights can be acquired. The primary land development has not been commenced and Dujiangyan Qingcheng Co. was not in active operations as at the Latest Practicable Date, and therefore no revenue or profit has been generated out of it. As at June 30, 2009, the unaudited net asset value of Dujiangyan Qingcheng Co. amounts to approximately RMB59 million representing approximately 1.0% of the audited consolidated net asset value of our Group as of the same date.

(3) **Primary land development of a site for tourism and recreational use in Xinjin county (新津縣), Chengdu, Sichuan province**

Chengdu Tiancheng Investment Co., Ltd. (成都天城投資有限公司), a limited liability company owned by Chongqing Xuke as to 98% and Mr. Jiang Bin, a director of Chengdu Longhu Jinhua and Sichuan Longhu as to 2% and established on August 7, 2008, is currently engaged in the primary land development of a site of approximately 1,000,000 sq. m. which subject to final decision of the relevant government authority, is currently designated for tourism and recreational use, including the

RELATIONSHIP WITH OUR FOUNDERS AND OUR CONTROLLING SHAREHOLDERS

development of sports facilities. Same as the Dujiangyan project, the land use rights for this site will be granted by way of public tender, auction and listing-for-bidding, it is therefore unclear if Chengdu Tiancheng Investment Co., Ltd. will be able to acquire the land use rights of the site or the way how or when such land use rights can be obtained. Chengdu Tiancheng Investment Co., Ltd. has not commenced the primary land development and the company was not in active operations as at the Latest Practicable Date, and therefore no revenue or profit has been generated out of it. As at June 30, 2009, the unaudited net asset value of Chengdu Tiancheng Investment Co., Ltd. amounted to approximately RMB2 million representing approximately 0.03% of the audited consolidated net asset value of our Group as at the same date.

The afore-mentioned development projects can be delineated from the business carried on by the Group in the way that the relevant sites are proposed to be used for tourism and recreational development, including but not limited to theme parks and sports and recreational facilities, which is not within the current product range of our Group. In addition, we have no current intention to develop tourism and recreational property.

The above three proposed development projects are excluded from our Group for the reasons that:

- (a) they are both at the preliminary development stage;
- (b) the land usage of the site at Yangjiang is neither residential nor commercial; and
- (c) we have never been involved in any tourism and recreational development and we are therefore unfamiliar with the specific risks, if any, associated with such kind of development project.

Given that the above development projects were undertaken by Madam Wu and Mr. Cai as founders and Controlling Shareholders of our Group through Chongqing Xuke, Dujiangyan Qingcheng Co. and Chengdu Tiancheng Investment Co., Ltd. in the first place for the same reasons as stated above, our Company is of the view that such development projects do not constitute competition to the Group, and that any future competition arising out of such development projects will be subject to the terms of the Non-competition Deed. Therefore, it has been decided that Chongqing Xuke, Dujiangyan Qingcheng Co. and Chengdu Tiancheng Investment Co., Ltd. will continue to undertake their respective projects.

In light of the current scale of our operations, we are of the view that we are capable of carrying on our business independently of the excluded business referred to above. We have no current plan to acquire the interests of Madam Wu and Mr. Cai in the above proposed development projects, but we will review the position from time to time. Madam Wu and Mr. Cai have both confirmed to us that they will comply with, and will procure their respective Affiliates to comply with, their respective obligations under the Non-competition Deed as regards their interests in the above projects. As of the Latest Practicable Date, our directors confirm that none of our Controlling Shareholders, directors or their respective associates holds any property interests in the PRC which compete, may compete or are likely to compete, directly or indirectly, with our property business.

RELATIONSHIP WITH OUR FOUNDERS AND OUR CONTROLLING SHAREHOLDERS

Madam Wu is the sole director of Chongqing Xuke; Madam Wu, Mr. Cai and Ms. Fan Qi are directors of Dujiangyan Qingcheng Co.; and Mr. Cai, Ms. Fan Qi and the 2% shareholder of Chengdu Tiancheng Investment Co., Ltd. are the directors of Chengdu Tiancheng Investment Co., Ltd. The senior management of Chongqing Xuke, Dujiangyan Qingcheng Co. and Chengdu Tiancheng Investment Co., Ltd. are independent of the Group. Despite the common directorships, we are of the view that the aforesaid companies are capable of functioning independently and the interests of our minority shareholders are safeguarded on the basis that:

- (i) Chongqing Xuke, Dujiangyan Qingcheng Co. and Chengdu Tiancheng Investment Co., Ltd. are not in active operations as at the Latest Practicable Date and their business interests and development plans referred to above are at a very preliminary stage, therefore the directors of Chongqing Xuke, Dujiangyan Qingcheng Co. and Chengdu Tiancheng Investment Co., Ltd. are not required to devote substantial time and effort in managing the companies;
- (ii) our Group operates under the leadership and management of the management team at our Company level as well as the local project company level and does not rely on any individual director for operations; and
- (iii) our directors, including the said common directors, are subject to fiduciary or other duties to our Company under common law, the laws of the Cayman Islands and the articles of association of the Company, which together provide sufficient protection to the minority shareholders.

In the event that each of Chongqing Xuke, Dujiangyan Qingcheng Co. or Chengdu Tiancheng Investment Co., Ltd. commences operations in the future, Madam Wu will participate as a non-executive director of Chongqing Xuke or each of Madam Wu and Ms. Fan Qi will participate as a non-executive director of Dujiangyan Qingcheng Co. or Ms. Fan Qi will participate as a non-executive director of Chengdu Tiancheng Investment Co., Ltd. (as the case may be). In addition to the above, Madam Wu and Mr. Cai also hold interests in certain residential properties with an aggregate GFA of approximately 2,638 sq.m. in the PRC for self occupation purposes. The size of the residential properties held by Madam Wu and Mr. Cai is insignificant relative to the scale of business of our Group and these properties are being occupied by them and their families for residential use. On this basis, our directors consider that the holding of such property interests by our Controlling Shareholders does not constitute competition against our Group.

FINANCIAL ASSISTANCE FROM OUR GROUP TO DUJIANGYAN QINGCHENG CO.

Dujiangyan Qingcheng Co. obtained a bank loan facility in the principal amount of RMB100 million in the PRC in June 2009 for future business operations. At the request of the bank lender, each of Chongqing Longhu Development and Chengdu Longhu Jinhua provided a guarantee on June 30, 2009 as security of the loan facility. Neither Chongqing Longhu Development nor Chengdu Longhu Jinhua has charged Dujiangyan Qingcheng Co. for any guarantee fee or its equivalent. Pursuant to a subsequent agreement between Chongqing Longhu Development and Chengdu Longhu Jinhua and the bank, such guarantee will be released automatically on the Listing Date.

RELATIONSHIP WITH OUR FOUNDERS AND OUR CONTROLLING SHAREHOLDERS

RELATED PARTY TRANSACTIONS

The details of the significant related party transactions which we carried out during the Track Record Period are set out in the section headed “Appendix I — Accountants’ Report” in this document. Our directors consider that these transactions were carried out in the ordinary and usual course of business and on normal commercial terms.

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OVERVIEW

We are engaged in the property development, property investment and property management businesses in China. In Chongqing, the largest and most populous municipality in China, we were the market leader in terms of both contract sales and GFA sold of residential properties in 2006, 2007 and 2008, according to the China Index Academy¹. Leveraging our premium brand and management capabilities, we expanded into Chengdu in 2005 and Xi'an in the second half of 2007, two of the most populous and affluent cities in western China, and into Beijing in late 2005 and Shanghai in the second half of 2007. In Chengdu and Beijing, we have quickly established ourselves as a leading player in the residential property market. In Chengdu, we were ranked third in 2007 and 2008 in terms of annual contract sales of residential properties, according to the China Index Academy. In Beijing, we were ranked second in 2008 in terms of annual contract sales of residential properties, according to the China Index Academy. In 2009, we entered the Wuxi, Shenyang and Changzhou markets and we plan to continue to expand our national footprint in other selected high growth areas throughout China, including the Pan Bohai Rim and the Yangtze River Delta. Our aim is to become one of the most respected and trustworthy national market leaders in the property industry in China.

We have a wide product spectrum and a broad customer base. Our residential property development projects cover a wide range of middle-to-high end products, including high-rise apartment buildings, low-rise garden apartments (花園洋房), townhouses and luxury stand-alone houses, offering residences for the mass market, the middle class and the upper class. We have also built various middle to large scale shopping malls and other commercial properties.

We have adopted a threefold “multiple products, selected regional focus” strategy under which we initially focus on supplying a wide range of property products in the cities where we already operate. Secondly, we will selectively penetrate into other regions that are expected to have a large population inflow and in particular, locations where higher income and well-educated people prefer to reside. Finally, we aim to become a market leader in every regional market where we have a business presence. Under this strategy, we have, in the past ten years, taken a disciplined and systematic approach to accumulate experience and expertise on a wide variety of property development and property investment projects, and on building a professional management team, a decentralized corporate structure and an information technology platform that can support rapid regional expansion.

As of August 31, 2009, we had completed 15 residential and commercial projects, as well as certain phases of four residential and commercial projects, with a total GFA of approximately 5,054,792 sq.m. (including car parks). As of August 31, 2009, we had retained four shopping malls in Chongqing with a total GFA of approximately 331,843 sq.m. (including car parks), which are currently being held for investment.

1 Based on a report dated September 9, 2009. We commissioned the report by China Index Academy and paid a total of RMB150,000 for its services. China Index Academy derived this information based on data from the Housing Administration, Real Estate Exchange Centres of Chongqing, Chengdu, Xi'an, Beijing and Shanghai, and annual reports and corporate returns of listed real estate companies. According to its website, China Index Academy is a Chinese property research institution, which was integrated in 2004 with a number of China research resources, including China Real Estate Index System, Soufun Research Institute, China Villa Index System and China Real Estate Top 10 Research Team. China Index Academy is independent of our Group, its connected persons and the Joint Sponsors.

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As of August 31, 2009, we had 35 projects under development or held for future development (including land for which we have obtained land-use rights and land for which we have not obtained land-use rights but have obtained the State-owned Land Use Right Grant Contract or the Confirmation Letter on Tender for the Granting of State-owned Land Use Right), of which ten are in Chongqing, six in Chengdu, seven in Beijing, five in Xi'an, two in Shanghai, one in Wuxi, two in Shenyang and two in Changzhou. These projects have a total planned GFA of approximately 19,086,710 sq.m., with approximately 8,807,520 sq.m. in Chongqing, approximately 3,208,989 sq.m. in Chengdu, approximately 1,710,601 sq.m. in Beijing, approximately 1,930,210 sq.m. in Xi'an, approximately 689,476 sq.m. in Shanghai, approximately 270,657 sq.m. in Wuxi, approximately 1,705,826 sq.m. in Shenyang and approximately 763,430 sq.m. in Changzhou. We also have one primary land development project with a site area of approximately 374,736 sq.m. in Beijing. For further information regarding the GFA breakdown of our portfolio of projects under various stages of development, please refer to the section of the document headed “Business — Our Business — Overview of Our Projects.”

Our strong market position has resulted in high brand and product recognition among regulators (such as those mentioned below), customers and suppliers. Over the past ten years, we have received a multitude of recognition and awards, including the following:

- For the years (2003, 2005 and 2006) that we have been surveyed, we were consistently ranked number one in the “National Residential Customers’ Satisfaction Survey” (全國住宅用戶滿意度調查), a survey conducted by the China Association for Quality (中國質量協會). For instance, in 2006, we scored 92.3 points, out of a total of 100 points, in user satisfaction and 89.5 points in customer loyalty, the highest among more than 20 property companies surveyed;
- In 2009, our King Land project in Chengdu was awarded the Gold Prize of the “Zhan Tianyou Prize for Excellent Residential Project Areas 2009” by the China Civil Engineering Society (2009中國土木工程詹天佑獎優秀住宅小區金獎);
- In 2008, our “Longhu” (龍湖) brand name was accredited by the State Administration for Industry and Commerce as a “Well-known Trademark in China” (中國馳名商標);
- In 2007, we were recognized as one of the “Top 10 Brand Names of the Year in the PRC Real Estate Industry” (中國房地產行業年度10佳品牌) at the “First Chinese Brand Name Festival” conducted by Brand China Industry Alliance (品牌中國產業聯盟);
- In 2007, our Crystal Town project in Chongqing was granted the “China Construction Project Luban Prize” (中國建築工程魯班獎), a prize given in recognition of the highest quality of construction work, by the Ministry of Construction and the Architecture Association of China (中國建築業協會);

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- In 2007, we were recognized as one of the “Top 500 in 2006 China Enterprise Informatization” (2006年度中國企業信息化500強) by the China Electronic Commerce Association of the National Informatization Evaluation Center (國家信息化測評中心) (one of the only two real estate companies in China winning such recognition); and
- In 2004, our Chunsen Land project in Chongqing won the “Next LA Citation Award” by the American Institute of Architects, Los Angeles in connection with its design.

In 2006, 2007, 2008 and the nine months ended September 30, 2009, we entered into sales contracts for our property development projects (including those undertone by our joint ventures) with an aggregate contract value of RMB3.5 billion, RMB9.5 billion, RMB10.2 billion and RMB13.2 billion, respectively. We believe our geographic expansion, together with the organic growth of our business in cities in which we have already established a presence, have contributed to our strong growth in contract sales and reduced the geographic concentration of our business. In 2006, we generated approximately 73.6% of our contract sales in Chongqing with the remainder generated in Chengdu. In 2007, approximately 38.9% of our contract sales were generated in Chongqing, with the remaining 29.1% and 32.0% generated in Chengdu and Beijing, respectively. In 2008, approximately 39.4% of our contract sales were generated in Beijing, with the remaining 33.4%, 21.8%, 3.3% and 2.1% generated in Chongqing, Chengdu, Shanghai and Xi'an, respectively. For the nine months ended September 30, 2009, approximately 33.6% of our contract sales were generated in Chongqing, with the remaining 32.1%, 19.7%, 8.8% and 5.8% generated in Beijing, Chengdu, Shanghai and Xi'an, respectively.

Prior to the [●], our Company is owned as to 58.59% by Charm Talent and 39.06% by Precious Full, with the remaining 2.35% owned by 550 employees via Fit All. Charm Talent is beneficially owned by the Wu Family Trust, a discretionary trust set up by Madam Wu, one of the co-founders of our Group. Precious Full is beneficially owned by the Cai Family Trust, a discretionary trust set up by Mr. Cai, the other co-founder of our Group. Fit All holds the 2.35% interest in our Company subject to the terms of the Fit All Trust, a fixed trust set up for the benefit of the said 550 employees. Furthermore, six of our senior management personnel are entitled to subscribe for Shares under the Pre-[●] Option Scheme in an aggregate amount of up to approximately 0.75% of our enlarged share capital immediately after the [●] assuming the Pre-[●] Options are exercised in full and the [●] is not exercised.

OUR STRENGTHS

We believe that our success and future prospects are supported by a combination of the following competitive strengths.

We are a market leader in Chongqing, Chengdu and Beijing and have expanded our national footprint to other major cities in China.

We are the market leader in Chongqing, in terms of both contract sales and GFA sold during 2006, 2007 and 2008, according to the China Index Academy. Since we entered into Chengdu in 2005, we have leveraged our premium brand and management capabilities to become a leading player in the Chengdu residential property market, having been ranked third in terms of annual contract sales of residential properties in 2007 and 2008, according to the China Index Academy.

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In Beijing, our first two projects, Beijing Rose and Ginkgo Villa and Beijing Chianti, received an overwhelming market response upon their launch in September 2007, with 95% and 100% of the offered units, respectively, sold on the first day of pre-sales at premium pricing. These projects generated a total of approximately RMB3.0 billion of contract sales in the first four months of sales. Riding on this successful debut, we have become a leading player in the residential property market in Beijing, having been ranked second in terms of annual contract sales in 2008, according to the China Index Academy.

In addition, under our “multiple products, selected regional focus” strategy, we have continued to expand our national footprint in China. In the second half of 2007, we entered the Xi’an and Shanghai markets. In 2009, we expanded into Wuxi, Shenyang and Changzhou and we plan to continue to expand into other selected high growth areas throughout China, including the Pan Bohai Rim and the Yangtze River Delta.

Our strong market position has resulted in high brand and product recognition among regulators, customers and suppliers and has enabled us to continue to attract and retain talent to join our workforce. Nationally in China, we ranked ninth among the “Top 10 Real Estate Enterprises by Scale in 2009” (2009 中國房地產百強企業 “規模性Top 10”), according to a survey conducted by China Real Estate Association, Enterprise Institute of Development Research Center of the State Council, Real Estate Institute of Tsinghua University and China Index Academy.

We offer a wide spectrum of high-quality property products, which gives us a broad customer base and diversifies risks.

We have substantial experience in developing a wide range of properties including high-rise apartment buildings, low-rise garden apartments (花園洋房), townhouses and luxury stand-alone houses, offering residences for the mass market, the middle class and the upper class. Apart from residential properties, we also have expertise in developing and operating shopping malls.

We have maintained high quality standards across different product lines and have earned strong market recognition. Some of our projects that have won numerous awards nationally and locally include the Crystal Town project for the mass market and the Fragrant Forest and the Blue Lake County projects for the luxury segment. Our main shopping center, the North Paradise Walk Mall, is regarded as a landmark mall in the Guanyinqiao (觀音橋) shopping area, one of the most popular shopping areas in Chongqing.

We believe our broad portfolio of high-quality products allows us to capture a wide range of customers in different age groups and income brackets. It also increases our chance of securing upgrade demand from our existing customers since we can offer them choices in higher-end property when they want to improve their living conditions. Our diversified product range also puts us in a better position to mitigate regulatory as well as market risks in the PRC.

BUSINESS

Our property management services are highly regarded in China’s real estate industry.

We believe our highly acclaimed property management division has helped to differentiate our brand name. Good property management promotes customer satisfaction and preserves the investment value of our properties. On December 13, 2005, Chongqing Xinlonghu was accredited as a Grade I Quality Property Management Enterprise (一級資質物業管理企業) as assessed by the Ministry of Construction.

We have received numerous awards in recognition of our property management services. We were consistently ranked number one in the three years (2003, 2005 and 2006) that we were included in the “National Residential Customers’ Satisfaction Survey” (全國住宅用戶滿意度調查) conducted by the China Association for Quality (中國質量協會). In January 2007, Chongqing Xinlonghu was awarded with the title of “Property Owners’ Most Satisfactory Enterprise of the Year in China Property Management Carnival Golden Chart (2006年中國物業管理嘉年華金榜之年度業主最滿意企業)”. In March 2008, we were recognized as one of the “Top 10 Brand Names of Property Management Industry in China” (中國物業行業十大品牌) by People’s Daily and China High-Tech Industrialization Association. In November 2008, we were recognized as one of the “Top 10 Excellent Property Management Enterprises with High Quality of Services of the Year.” (2008中國優秀物業服務企業服務質量Top 10) by China Real Estate Top 10 Research Group (中國房地產Top 10研究組).

We have a premium brand as evidenced by our loyal customer base and superior pricing power.

Our superior product quality and outstanding property management have enabled us to develop a quality brand image as evidenced by our loyal customer base and our strong pricing power.

According to a survey conducted by FG Consulting Co., Ltd. (北京賽惟諮詢有限公司)¹, our products and services achieved a customer satisfaction rate of 81% in 2008. That same survey found that approximately 78% of our purchasers in 2008 recommend our properties to others. Furthermore, even in light of challenging economic conditions in 2008, our products were recommended on average to 7.58 people by each of our purchasers, a 34.1% increase from 2007. We believe that customer loyalty played an important role in driving our sales during the global economic crisis in 2008 and in our efforts to expand outside of Chongqing.

The success of our “Longhu” (龍湖) brand is also evidenced by our ability to command premium pricing for our property projects. For example, although Beijing Rose and Ginkgo Villa, our townhouse project, was priced at a higher average unit price than most luxury stand-alone villas (which generally command higher prices than townhouses) in the same district, the project still generated overwhelming market demand, with 95% of the offered units sold on the first day of pre-sales.

2 Based on a report dated November 30, 2008. We commissioned the report by FG Consulting Co., Ltd. and paid a total of RMB510,130 for its services. FG Consulting Co., Ltd. derived this information based on data from a sample survey of 1,385 families, representative of Longfor’s 27,367 homeowners. The survey was conducted from September to November 2008 by computer-assisted telephone interviews and personal in-home interviews. FG Consulting Co., Ltd. is a marketing research institution headquartered in Beijing, which was established in 2007 by a team of former Gallup (China) staff with extensive experience in the real estate industry. FG Consulting Co., Ltd. is independent of our Group, its connected persons and the Joint Sponsors.

BUSINESS

We have a decentralized decision-making organizational structure supported by a robust information technology system which facilitates our rapid expansion into other cities.

Since 1999, we have systematically invested in information technology to make our processes and product know-how easy to use and convenient to share. For example, our enterprise portal (the “OA system”) enables us to assess the back-end IT platform via the internet or wireless cell phones anytime, anywhere as long as connectivity can be established. Our OA system comprises expandable modules which include office automation, knowledge management, cost management, project planning, human resources, and customer relationship management. In addition, we are also in the process of implementing business intelligence systems. Employees can, among other things, access the latest sales information, approve contracts, make payment instructions, share work experience, check the cost status and progress of each project, read company policies and regulations and handle administrative procedures such as filing expenses claims on a real-time basis.

Our use of information technology allows us to maintain a high degree of intra-group transparency, which greatly enhances our internal control environment, and we attempt to institutionalize our best practices. This enables us to delegate more decision-making authority to our local subsidiaries while still monitoring the overall consistency of our operations. Our decentralized decision-making structure also allows us to remain responsive and sensitive to local market conditions despite the increasing size of our operations. We believe this is critical given the localized nature of the property business and the distinctive subcultures in different regions of China.

Our decentralized structure also enables our management team to make quick decisions at the local level, which has contributed to a high asset turnover rate for our residential development projects. For instance, for our first project in Chengdu, it took only four months from the day we first acquired the site to the day we commenced construction, six months to start pre-selling properties and less than 12 months to generate positive net operating cash flow. For our Beijing Chianti project, it took less than 11 months from the day we first acquired the site to generate positive net operating cash flow. For further information, please refer to the section of the document headed “Business — Project Development — Roles of Our Headquarters and Regional Companies.”

Our proprietary bank of product designs enables us to expand quickly while maintaining the quality and versatility of our product offerings.

Over the years, we have developed a proprietary bank of product designs encompassing various structural layouts, such as the quasi-detached villa and the courtyard-townhouse, and property styles, such as the Toscana and contemporary Chinese styles. These product designs are stored on our OA system and can be quickly fine-tuned and applied to suit the tastes of customers in a broad range of markets. This enables us to maximize flexibility and efficiency when expanding into new regions without compromising quality.

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For example, our vertical split-level garden apartments (一種豎向錯疊式花園洋房住宅) combine practicality with an innovative design. The design was awarded a patent in the PRC and features low density and high construction quality in a compact layout. We are then able to relatively quickly and easily tailor the structural design to suit local tastes. As another example, we incorporated contemporary Chinese architectural designs into our Wisdom Town project, British architectural designs into our Peace Hill County project and Mediterranean architectural designs into our Shanghai Rose and Ginkgo Villa project. We believe all of these projects have been well-received in the marketplace and illustrate the quality and versatility of our proprietary bank of product designs.

We have a comprehensive human resources strategy and we focus on developing a professional and entrepreneurial management team to support our rapid business growth.

We have adopted a comprehensive human resources strategy that aims at recruiting, developing and retaining a sufficiently large and qualified workforce to support our long-term growth.

Since 2004, we have systematically recruited employees from top universities throughout China under our graduate trainee program. For instance, in 2007, we recruited, through this program, five candidates with doctorate degrees and 46 candidates with masters’ degrees. We also retain international as well as national recruitment agents on a long-term basis to search for senior executives. Apart from technical skills, we emphasize leadership quality and an entrepreneurial mindset for our middle to top-level management, and have developed a corporate culture and training programs that helps nurture such qualities. For further information, please refer to the section of this document headed “Directors, Senior Management and Employees.”

We adopt a staff remuneration policy that offers excellent compensation in return for a high standard of work and high productivity. Our remuneration structure generally consists of a competitive base salary, a year-end discretionary bonus and long-term share and option schemes. We currently have in place two pre-[●] Share Award Schemes and a pre-[●] Option Scheme.

OUR STRATEGY

Our strategic goal is to become one of the most respected and trustworthy national market leaders in the PRC property industry.

Given China’s rapid economic growth, urbanization trends, high savings rates, increasing availability of financing options and industry consolidation, we believe the PRC property sector has excellent long term prospects. With the localized nature of the property business and the distinctive subcultures in different regions of China, we believe future winners in the property industry will need to have a decentralized decision-making business model, a scalable corporate structure, an ability to recruit and retain a large pool of talent and multiple ways of acquiring land. Furthermore, given the vast land area of China and the project-based nature of the real estate business, we believe future national market leaders must be able to supply a wide range of products over multiple regions across China.

In order to achieve our goal, we have adopted a “multiple products, selected regional focus” strategy under which we have focused initially on cultivating the capability to develop multiple types of properties in cities where we already operate and then expand selectively into other PRC regions that are expected to have a large population inflow and in particular, locations where higher income and well-educated people

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prefer to reside. We will then aim to become a local market leader in every regional market we enter into by establishing a business presence in a wide range of market segments. We believe once we have a sizable market share in the targeted regional markets, we can maximize our bargaining power with suppliers and customers, attract more talented employees and be more effective in dealing with local government authorities.

We believe our strategy will be effective in exploiting the long-term growth of the PRC property market. We will continue to execute this strategy based on the following priorities.

Consolidate and accelerate our region-by-region growth strategy.

We will continue to expand into other high growth areas in the PRC. For example, we intend to capitalize on our initial success in Beijing and increase our investments in the capital city of China with a view to further strengthen our position there in the near future. We also plan to continue to consolidate our leading position in western China by maintaining our market leadership in Chongqing, increasing our market share in Chengdu and reinforcing our presence in Xi'an. In addition, we intend to gradually increase the number of projects in and around the Yangtze River Delta, which includes our expansion into the Wuxi and Changzhou markets, and expand our Shanghai management team to support such growth. We also plan to seek to establish or expand our presence in key cities in the Pan Bohai Rim, such as Shenyang, Tianjin, Qingdao, Yantai and Dalian, by leveraging our human resources in Beijing. Finally, we will explore business opportunities in the Pearl River Delta area and seek possibilities for sourcing appropriate projects in this area.

Shorten our property development cycle to address the latest regulatory restrictions.

Since the property market is heavily regulated in the PRC, we believe it is important to align our business with trends in government policies.

Prevailing government policies discourage the hoarding of excess land by, among other means, the local governments repossessioning idle and vacant land and enhancing administration on LAT. Therefore, we believe the way to maximize investment return in residential property projects is to emphasize asset turnover by shortening the development cycle, while seeking to maintain a reasonable profit margin. A shorter development cycle can also improve our operating cash flow which could help us in mitigating any adverse effect of market volatility. As such, we have been reorganizing our regional subsidiaries by introducing the concept of the project management office (“PMO”) to boost our operational efficiency when we are running multiple projects concurrently.

Gradually expand our investment property portfolio into selected regions.

Building on our success in developing and operating investment properties in Chongqing, we plan to expand our investment property portfolio into selected regional markets. We will selectively retain investment properties that are located in prime locations and that are likely to appreciate in value to create an investment property portfolio to help mitigate against any possible downturn in the PRC real estate industry. Furthermore, we believe that holding investment properties will allow us to share in the fruits of urbanization and economic growth in the PRC, while avoiding the regulatory risks associated with the hoarding of land in the residential sector.

BUSINESS

Further strengthen our well-recognized brand name by providing better value to our customers through innovative design.

We will continue to reinforce our premium brand image by providing better value to our customers. Apart from continuing to provide high-quality products, superior property management and beautiful landscaping, we will, among other things, focus on maximizing the use of space to increase customer value through creative architectural planning and innovative product design. For example, we have introduced the “sky townhouse” (天空聯排) in the Sunshine Riverside project in Chongqing and the “quasi-detached house” (類獨棟) in our Beijing Chianti project. These products provide our customers with a more comfortable living environment and better use of space compared to traditional architectural designs with a similar plot ratio and should enable us to price our products at a premium.

Continue to align the interest of our management with those of our Shareholders and cultivate leadership and entrepreneurship qualities among our senior management team.

We will further increase employee ownership in our Group to an appropriate level as we believe this will align our employees’ interests with those of our Shareholders. For further information, please refer to the section of this document headed “Directors, Senior Management and Employees.”

We believe that apart from possessing professional skills, a senior management team possessing leadership and entrepreneurial qualities is another key for us to remain competitive in the long term and forms the basis on which we can formulate our management succession plan. We will continue to emphasize such qualities in our recruitment policy and offer internal as well as external training to equip our staff with entrepreneurial leadership skills.

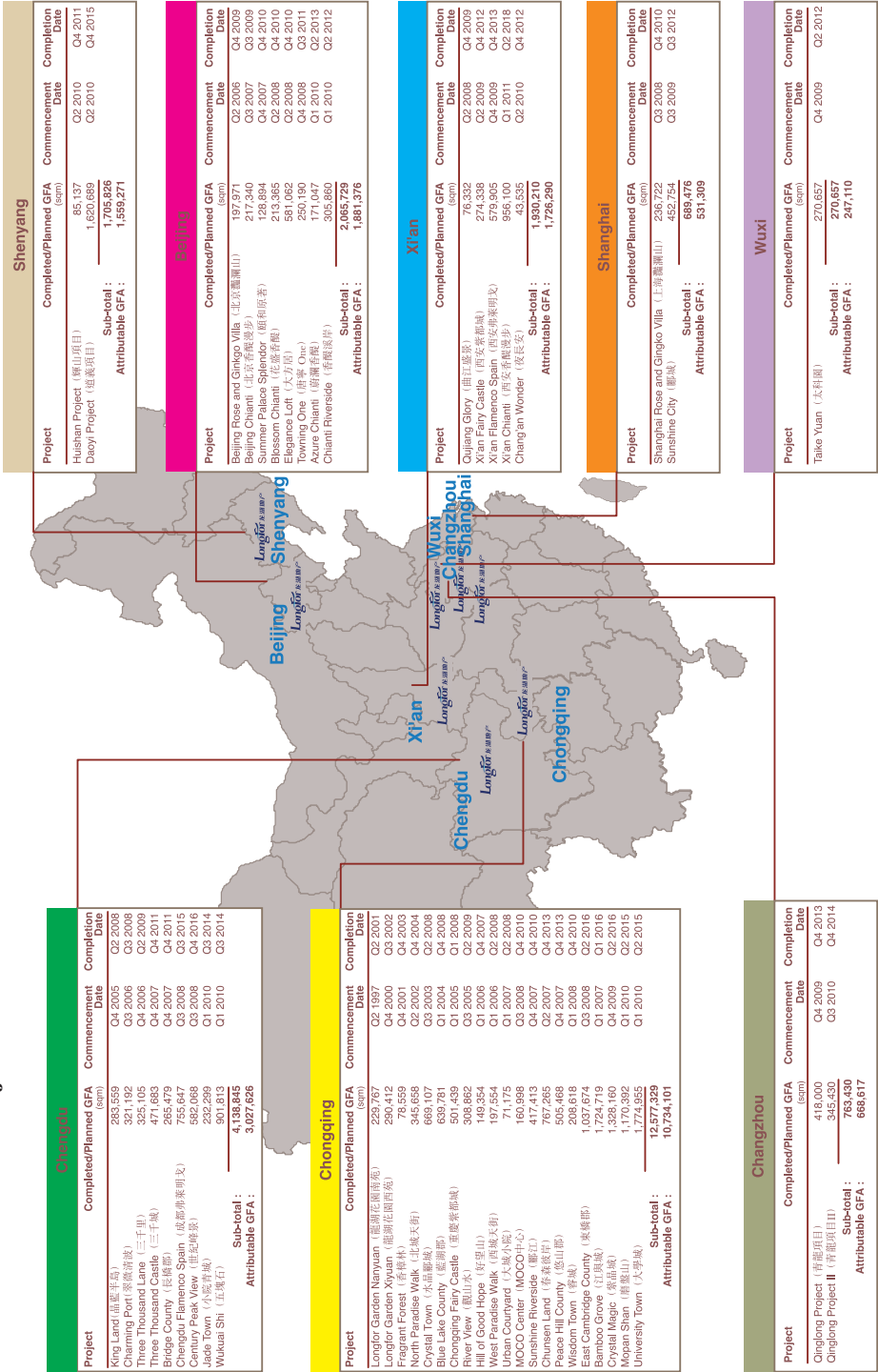
OUR BUSINESS

Overview of Our Projects

Our current portfolio of property developments consists of 50 projects under various stages of development in Chongqing, Chengdu, Beijing, Shanghai, Xi’an, Wuxi, Shenyang and Changzhou, which includes residential, retail, office and other types of developments. The following map shows the geographical locations and key details of each of our property development projects as of August 31, 2009.

BUSINESS

Geographical Locations of Our Projects (1) (2) (3)



- Notes:
- (1) The planned GFA of each of the above projects and the attributable GFA which is attributable to us, based on our effective interests in the relevant project. Our interests in the relevant projects as of August 31, 2009.
 - (2) The attributable GFA represents the portion of the total GFA which is attributable to us, based on our effective interests in the relevant project. Our interests in the relevant projects are set out in Property Valuation in Appendix IV.
 - (3) Includes total planned GFA of (i) 85,137 sq.m. at Huishan in Shenyang for a planned residential project for which we won an auction for the underlying land in September 2009, (ii) 1,170,392 sq.m. at Mopan Shan in Chongqing for a planned residential project for which we won an auction for the underlying land in September 2009, (iii) 1,774,955 sq.m. at University Town in Chongqing for a planned residential project for which we won an auction for the underlying land in September 2009, (iv) 910,813 sq.m. at Wukui Shi in Chengdu for a planned residential project for which we won an auction for the underlying land in September 2009, (v) 1,620,689 sq.m. at Daoyi in Shenyang for a planned residential project for which we won an auction for the underlying land in October 2009, (vi) 418,000 sq.m. at Qinglong in Changzhou for a planned residential project for which we won an auction for the underlying land in October 2009, and (vii) 345,430 sq.m. at Qinglong II in Changzhou for a planned residential project for which we won an auction for the underlying land in October 2009.

BUSINESS

We classify our property developments into three categories:

- completed projects;
- projects under development; and
- projects for future development.

As some of our projects comprise multiple-phase developments on a rolling basis, a single project may include different phases at various stages of completion, under development or for future development. A project or certain phase of a project is considered completed when we have received the Completed Construction Works Certified Report from the relevant government construction authorities. A project or certain phase of a project is considered to be under development immediately following the issuance of the required construction works commencement permits and before completion of the project or the relevant phase of the project. A project or certain phase of a project is considered to be future development when we have received the relevant land use rights certificates, have signed the relevant land use rights contract but have not yet obtained land use rights certificates, or have signed the confirmation letter on bidding for granting land use right, but have not yet signed the relevant land use right contracts. As regards properties for which confirmation letters on bidding for granting land use right have been signed with the relevant government authority, according to the Rules on Bidding, Auctioning and Listing of State-owned Land Use Rights, which took effect on November 1, 2007, the confirmation letter on bidding for granting land use right has legal effect on the successful bidders as well as the auctioneers. If the auctioneers change the bidding result, or if the successful bidders give up on the target land, they shall assume legal responsibility. The winning bidders shall sign the State-owned Land Granting Contract with the auctioneers as prescribed in the confirmation letter on bidding for granting land use right. The Group does not need to fulfill any legal obligation nor pay any fees to land authorities before signing the State-owned Land Granting Contract upon receipt of the confirmation letter on bidding for granting land use right. On such basis, we have classified the relevant properties as properties for future development. For further details, please refer to the sections headed “Appendix IV — Property Valuation” and “Appendix I — Accountants’ Report” in this document.

BUSINESS

We set out below the GFA breakdown of our portfolio of projects under various stages of development by planned use as of August 31, 2009:

	Completed	Under Development	Future Development		
			Land Use Right Certificate Obtained (A)	Land Use Right Certificate Not Yet Obtained (B)	Total GFA ⁽¹⁾ (A+B)
	Total ⁽¹⁾ (sq.m)	Total GFA ⁽¹⁾ (sq.m)	(sq.m)	(sq.m)	(sq.m)
Residential.	3,555,451	3,219,581	4,318,066	5,243,466	9,561,533
Retail	466,441	234,041	367,702	1,209,956	1,577,658
SOHO ⁽²⁾	151,585	60,080	31,678	619,697	651,375
Office.	53,973	45,473	20,280	121,937	142,217
Commercial	—	—	31,404	—	31,404
Carpark.	543,128	419,230	541,836	1,101,666	1,643,502
Others	284,214	526,404	565,095	409,118	974,213
Total⁽³⁾	<u>5,054,792</u>	<u>4,504,809</u>	<u>5,876,061</u>	<u>8,705,840</u>	<u>14,581,901</u>
Attributable GFA. . .	<u>4,468,524</u>	<u>3,413,073</u>	<u>4,453,550</u>	<u>8,047,424</u>	<u>12,500,974</u>

Notes:

- (1) Includes saleable GFA and non-saleable GFA such as amenities.
- (2) GFA for residential, retail, SOHO, office, commercial and carpark consists of saleable GFA. Others includes amenities which are non-saleable.
- (3) Includes total planned GFA of (i) 85,137 sq.m. at Huishan in Shenyang for a planned residential project for which we won an auction for the underlying land in September 2009, (ii) 1,170,392 sq.m. at Mopan Shan in Chongqing for a planned residential project for which we won an auction for the underlying land in September 2009, (iii) 1,774,955 sq.m. at University Town in Chongqing for a planned residential project for which we won an auction for the underlying land in September 2009, (iv) 910,813 sq.m. at Wukuai Shi in Chengdu for a planned residential project for which we won an auction for the underlying land in September 2009, (v) 1,620,689 sq.m. at Daoyi in Shenyang for a planned residential project for which we won an auction for the underlying land in October 2009, (vi) 418,000 sq.m. at Qinglong in Changzhou for a planned residential project for which we won an auction for the underlying land in October 2009, and (vii) 345,430 sq.m. at Qinglong II in Changzhou for a planned residential project for which we won an auction for the underlying land in October 2009.

We have obtained all the relevant long-term title certificates for the land of our completed properties and properties under development. As of August 31, 2009, we had not yet obtained land use rights certificates to approximately 8,705,840 sq.m. of GFA of our projects held for future developments, representing approximately 59.7% in terms of aggregate planned GFA of this category of projects.

As for projects that have entered into the relevant state-owned land granting contracts but which have not been issued with State-owned Land Certificates, Commerce & Finance is of the opinion that there are no material legal impediments to obtaining the relevant state-owned land certificates provided the obligations under the State-owned Land Granting Contracts, including the payment of land premiums, land development costs (if any) and relevant deed tax, are performed by the relevant companies.

BUSINESS

A property is treated as “pre-sold” when the purchase contract has been executed but the property has not yet been delivered to the customer. A property is considered “sold” when the purchase contract with a customer has been executed and the property has been delivered to the customer. Delivery is deemed to take place on the date stated on the property delivery document.

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

Overview of Our Land Bank and Our Completed Projects

We set forth certain information about our land bank, in particular, details regarding projects in our property portfolio as of August 31, 2009, which were under development or were held for future development as well as projects which had been completed as shown in the table below. For further details of our land bank that are not set forth in this table, please refer to the section headed “Business — Our Property Development Projects”. As of August 31, 2009, we had completed development of properties with an aggregate total GFA of approximately 5,054,792 sq.m. We also held the land use rights to land of our properties under development and properties for future development with an aggregate total GFA of approximately 10,380,870 sq.m. Furthermore, we had interests in parcels of land for which we signed the relevant land use rights contract or the confirmation letter on bidding for granting land use rights but have not yet obtained land use rights certificates with an aggregate total GFA of 8,705,840 sq.m. as of August 31, 2009.

BUSINESS

Project ⁽¹⁾	Site Area	Actual/ Estimated Commence Date	Actual/ Estimated Completion Date	COMPLETED			UNDER DEVELOPMENT			FUTURE DEVELOPMENT			Group's Interest in the Project	Attributable Capital Value ⁽¹⁾	Reference to Property Valuation Report		
				GFA Completed ⁽²⁾	GFA Sold ⁽⁴⁾	Saleable GFA Remaining Unsold ⁽⁴⁾	Rentable GFA Held for Investment ⁽⁴⁾	GFA Under Development ⁽³⁾	Saleable/ Rentable GFA ⁽⁵⁾	Of Which Was Pre-sold ⁽⁶⁾	Planned GFA ⁽²⁾	Land Use Rights Not Yet Obtained ⁽⁴⁾				Development Costs Incurred	Estimated Future Development Costs
				(sq.m.)	(sq.m.)	(sq.m.)	(sq.m.)	(sq.m.)	(sq.m.)	(sq.m.)	(sq.m.)	(sq.m. in GFA)				(RMB million)	(RMB million)
CHONGQING																	
龍湖花園南苑 Longfor Garden Nanyuan	163,689	Q2 1997	Q2 2001	229,767	212,278	9,677	—	—	—	—	—	360	—	91.30%	58	1, 11	
Residential				195,569	—	—	—	—	—	—	—	—	—	—	—		
Retail				12,510	8,305	4,205	—	—	—	—	—	—	—	—	—		
Carpark				13,876	8,404	5,472	—	—	—	—	—	—	—	—	—		
龍湖花園西苑 Longfor Garden Xiyuan	143,248	Q4 2000	Q3 2002	290,412	253,503	15,793	—	—	—	—	—	462	—	91.30%	61	2 12	
Residential				215,584	215,584	—	—	—	—	—	—	—	—	—	—		
Retail				16,517	16,517	—	—	—	—	—	—	—	—	—	—		
Carpark				37,195	21,402	15,793	—	—	—	—	—	—	—	—	—		
香樟林 Fragrant Forest	192,310	Q4 2001	Q4 2003	78,559	73,572	—	—	—	—	—	—	337	—	91.30%	8	3	
Residential				73,572	73,572	—	—	—	—	—	—	—	—	—	—		
Retail				—	—	—	—	—	—	—	—	—	—	—	—		
Carpark				—	—	—	—	—	—	—	—	—	—	—	—		
北城天街 North Paradise Walk	58,710	Q2 2002	Q4 2004	345,658	177,276	14,497	146,262	—	—	—	—	778	—	91.30%	2,652	4, 13, 14, 70	
Residential				133,931	133,931	—	—	—	—	—	—	—	—	—	—		
Retail				151,568	30,790	—	120,778	—	—	—	—	—	—	—	—		
SOHO				15,456	8,816	6,640	—	—	—	—	—	—	—	—	—		
Carpark				37,081	3,739	7,858	25,484	—	—	—	—	—	—	—	—		
水晶郦城 Crystal Town	233,799	Q3 2003	Q2 2008	669,107	561,117	41,350	44,514	—	—	—	—	1,368	5	91.30%	273	5, 9, 15, 71	
Residential				442,367	442,367	—	—	—	—	—	—	—	—	—	—		
Retail				58,881	40,532	701	17,648	—	—	—	—	—	—	—	—		
SOHO				27,742	27,742	—	—	—	—	—	—	—	—	—	—		
Office				23,005	20,932	2,073	—	—	—	—	—	—	—	—	—		
Carpark				94,986	29,544	38,576	26,866	—	—	—	—	—	—	—	—		
藍湖郡 Blue Lake County	914,343	Q1 2004	Q4 2008	639,781	603,871	12,494	—	—	—	—	—	2,352	88	91.30%	117	6, 16	
Residential				558,094	558,094	—	—	—	—	—	—	—	—	—	—		
Retail				27,668	19,602	8,066	—	—	—	—	—	—	—	—	—		
Carpark				30,603	26,175	4,428	—	—	—	—	—	—	—	—	—		
重慶紫都城 Chongqing Fairy Castle	199,064	Q1 2005	Q1 2008	501,439	441,069	19,451	29,413	—	—	—	—	1,127	46	91.30%	396	7, 17, 18, 72	
Residential				316,727	316,727	—	—	—	—	—	—	—	—	—	—		
Retail				66,722	37,050	259	29,413	—	—	—	—	—	—	—	—		
SOHO				57,499	57,499	—	—	—	—	—	—	—	—	—	—		
Carpark				48,985	29,794	19,192	—	—	—	—	—	—	—	—	—		

BUSINESS

Project ⁽¹⁾	Site Area (sq.m.)	Actual/ Estimated Commence Date	Actual/ Estimated Completion Date	COMPLETED			UNDER DEVELOPMENT			FUTURE DEVELOPMENT			Group's Interest in the Project	Attributable Capital Value ⁽¹⁾ (RMB million)	Reference to Property Valuation Report		
				GFA Completed ⁽²⁾ (sq.m.)	GFA Sold ⁽⁴⁾ (sq.m.)	Saleable GFA Remaining Unsold ⁽⁴⁾ (sq.m.)	Rentable GFA Held for Investment ⁽⁴⁾ (sq.m.)	GFA Under Development ⁽³⁾ (sq.m.)	Saleable/ Rentable GFA ⁽⁵⁾ (sq.m.)	Of Which Was Pre-sold ⁽⁶⁾ (sq.m.)	Planned GFA ⁽²⁾ (sq.m.)	Land Use Rights Not Yet Obtained ⁽⁴⁾ (sq.m. in GFA)				Development Costs Incurred (RMB million)	Estimated Future Development Costs (RMB million)
觀山水 River View	81,846	Q3 2005	Q2 2009	308,862	291,557	12,238	—	—	—	—	—	707	9	91.30%	37	19	
				267,600	267,600	—	—	—	—	—	—	—	—	—	—	—	—
				5,154	3,305	1,849	—	—	—	—	—	—	—	—	—	—	—
				31,041	20,652	10,389	—	—	—	—	—	—	—	—	—	—	—
好望山 Hill of Good Hope	120,169	Q1 2006	Q4 2007	149,354	137,343	8,481	—	—	—	—	—	381	23	93.48%	20	8, 21	
				125,871	125,871	—	—	—	—	—	—	—	—	—	—	—	—
				759	759	—	—	—	—	—	—	—	—	—	—	—	—
				19,193	10,712	8,481	—	—	—	—	—	—	—	—	—	—	—
西城天街 West Paradise Walk	28,316	Q1 2006	Q2 2008	197,554	81,009	847	111,654	—	—	—	—	582	12	91.30%	1,071	20, 73	
				77,144	—	—	77,144	—	—	—	—	—	—	—	—	—	—
				50,888	50,824	64	—	—	—	—	—	—	—	—	—	—	—
				30,968	30,185	783	—	—	—	—	—	—	—	—	—	—	—
大城小院 Urban Courtyard	39,201	Q1 2007	Q2 2008	71,175	62,068	5,583	—	—	—	—	—	178	2	91.30%	14	22	
				56,009	56,009	—	—	—	—	—	—	—	—	—	—	—	—
				282	192	90	—	—	—	—	—	—	—	—	—	—	—
				11,359	5,867	5,493	—	—	—	—	—	—	—	—	—	—	—
MOCO中心 MOCO Center	20,500	Q3 2008	Q4 2010	—	—	—	—	160,998	156,610	95,831	—	211	231	91.30%	446	44	
				—	—	—	—	—	51,658	51,658	—	—	—	—	—	—	—
				—	—	—	—	—	29,104	—	—	—	—	—	—	—	—
				—	—	—	—	—	—	—	—	—	—	—	—	—	—
鵬江 Sunshine Riverside	111,741	Q4 2007	Q4 2010	60,478	54,371	6,107	—	356,935	334,853	156,232	—	973	489	46.56%	435	27, 37	
				47,926	47,787	140	—	—	265,729	156,232	—	—	—	—	—	—	—
				—	—	—	—	—	15,602	—	—	—	—	—	—	—	—
				12,551	6,584	5,967	—	—	53,522	—	—	—	—	—	—	—	—
春森彼岸 Chunsen Land	160,191	Q2 2007	Q4 2013	—	—	—	—	317,430	310,971	143,527	449,835	956	2,527	91.30%	1,990	33, 53	
				—	—	—	—	—	227,537	143,527	317,416	120,184	—	—	—	—	—
				—	—	—	—	—	33,702	—	29,139	11,033	32,637	12,357	—	—	—
				—	—	—	—	—	—	—	—	21,651	8,198	43,675	16,537	—	—

BUSINESS

Project ⁽¹⁾	Site Area	Actual/ Estimated Commence Date	Actual/ Estimated Completion Date	COMPLETED			UNDER DEVELOPMENT			FUTURE DEVELOPMENT			Group's Interest in the Project	Attributable Capital Value ⁽¹⁾	Reference to Property Valuation Report		
				GFA Completed ⁽²⁾	GFA Sold ⁽⁴⁾	Saleable GFA Remaining Unsold ⁽⁴⁾	Rentable GFA Held for Investment ⁽⁴⁾	GFA Under Development ⁽³⁾	Saleable/ Rentable GFA ⁽⁵⁾	Of Which Was Pre-sold ⁽⁶⁾	Planned GFA ⁽²⁾	Land Use Rights Not Yet Obtained ⁽⁴⁾				Development Costs Incurred	Estimated Future Development Costs
悠山郡 Peace Hill County	246,951	Q4 2007	Q4 2013	52,621	38,662	10,877	—	234,614	228,183	145,402	218,233	—	800	1,061	91.30%	746	26, 36, 67
Residential				46,597	38,662	7,935	—	—	199,199	145,402	178,027	—	—	—	—	—	—
Retail				2,942	—	2,942	—	—	2,073	—	11,455	—	—	—	—	—	—
Carpark				—	—	—	—	—	26,911	—	16,361	—	—	—	—	—	—
譽城 Wisdom Town	98,274	Q1 2008	Q4 2010	—	—	—	—	208,618	170,404	134,758	—	—	381	337	95.56%	449	34
Residential				—	—	—	—	—	128,993	125,722	—	—	—	—	—	—	—
Retail				—	—	—	—	—	17,453	9,036	—	—	—	—	—	—	—
SOHO				—	—	—	—	—	8,628	—	—	—	—	—	—	—	—
Carpark				—	—	—	—	—	15,330	—	—	—	—	—	—	—	—
東橋郡 East Cambridge County	615,175	Q3 2008	Q2 2016	—	—	—	—	171,395	130,992	74,415	866,280	370,035	790	3,120	95.56%	1,405	35, 54
Residential				—	—	—	—	—	130,317	74,415	521,328	234,900	—	—	—	—	—
Retail				—	—	—	—	—	675	—	111,792	50,371	—	—	—	—	—
SOHO				—	—	—	—	—	—	—	7,000	3,154	—	—	—	—	—
Carpark				—	—	—	—	—	—	—	83,182	37,480	—	—	—	—	—
江與城 Bamboo Grove	778,648	Q1 2007	Q1 2016	175,043	150,271	16,418	—	249,131	226,591	160,553	1,300,545	—	1,910	3,822	49.57%	1,995	25, 32, 52
Residential				137,029	134,554	2,475	—	—	204,423	160,553	953,760	—	—	—	—	—	—
Retail				—	—	—	—	—	—	—	145,500	—	—	—	—	—	—
SOHO				—	—	—	—	—	—	—	—	—	—	—	—	—	—
Commercial				—	—	—	—	—	—	—	—	—	—	—	—	—	—
Carpark				29,660	15,717	13,943	—	—	22,168	—	163,005	—	—	—	—	—	—
紫晶城 Crystal Magic	199,986	Q4 2009	Q2 2016	—	—	—	—	—	—	—	1,328,160	1,328,160	1,190	5,525	91.30%	4,342	55
Residential				—	—	—	—	—	—	—	486,042	486,042	—	—	—	—	—
Retail				—	—	—	—	—	—	—	347,592	347,592	—	—	—	—	—
SOHO				—	—	—	—	—	—	—	182,258	182,258	—	—	—	—	—
Office				—	—	—	—	—	—	—	35,100	35,100	—	—	—	—	—
Carpark				—	—	—	—	—	—	—	218,161	218,161	—	—	—	—	—
磨盤山 Mopan Shan	224,378	Q1 2010	Q2 2015	—	—	—	—	—	—	—	1,170,392	1,170,392	—	6,141	93.48%	—	83
Residential				—	—	—	—	—	—	—	539,640	539,640	—	—	—	—	—
Retail				—	—	—	—	—	—	—	81,300	81,300	—	—	—	—	—
SOHO				—	—	—	—	—	—	—	318,000	318,000	—	—	—	—	—
Carpark				—	—	—	—	—	—	—	157,000	157,000	—	—	—	—	—

BUSINESS

Project ⁽¹⁾	Site Area (sq.m.)	Actual/ Estimated Commence Date	Actual/ Estimated Completion Date	COMPLETED				UNDER DEVELOPMENT				FUTURE DEVELOPMENT				Group's Interest in the Project	Attributable Capital Value ⁽¹⁾ (RMB million)	Reference to Property Valuation Report
				GFA Completed ⁽²⁾		GFA Sold ⁽⁴⁾ (sq.m.)	Saleable GFA Remaining Unsold ⁽⁴⁾ (sq.m.)	Rentable GFA Held for Investment ⁽⁴⁾ (sq.m.)	GFA Under Development ⁽³⁾ (sq.m.)	Saleable/ Rentable GFA ⁽⁵⁾ (sq.m.)	Of Which Was Pre-sold ⁽⁶⁾ (sq.m.)	Planned GFA ⁽²⁾ (sq.m.)	Land Use Rights Not Yet Obtained ⁽⁴⁾ (sq.m. in GFA)	Development Costs Incurred (RMB million)	Estimated Future Development Costs (RMB million)			
				(sq.m.)	(sq.m.)													
CHENGDU																		
大學城 University Town	588,220	Q1 2010	Q2 2015	—	—	—	—	—	—	—	—	1,774,955	1,774,955	—	5,647	95.56%	—	84
Residential				—	—	—	—	—	—	—	—	1,217,775	1,217,775					
Retail				—	—	—	—	—	—	—	—	160,026	160,026					
Carpark				—	—	—	—	—	—	—	—	265,109	265,109					
晶藍半島 King Land	59,476	Q4 2005	Q2 2008	283,559	257,880	214,483	10,677	—	—	—	—	—	—	802	11	86.17%	43	10, 24
Residential				214,483	214,483	—	—	—	—	—	—	—	—	—	—	—	—	
Retail				19,193	16,711	2,483	—	—	—	—	—	—	—	—	—	—	—	
Carpark				34,880	26,686	8,194	—	—	—	—	—	—	—	—	—	—	—	
翠微清波 Charming Port	87,490	Q3 2006	Q3 2008	321,192	270,428	245,830	35,412	—	—	—	—	—	—	950	54	86.17%	82	28
Residential				246,772	245,830	942	—	—	—	—	—	—	—	—	—	—	—	
Retail				7,840	7,649	191	—	—	—	—	—	—	—	—	—	—	—	
Carpark				51,229	16,949	34,280	—	—	—	—	—	—	—	—	—	—	—	
三千里 Three Thousand Lane	55,088	Q4 2006	Q2 2009	325,105	292,620	262,899	21,827	—	—	—	—	—	—	1,126	118	86.17%	65	29
Residential				262,899	262,899	—	—	—	—	—	—	—	—	—	—	—	—	
Retail				16,664	16,019	644	—	—	—	—	—	—	—	—	—	—	—	
Carpark				34,884	13,702	21,182	—	—	—	—	—	—	—	—	—	—	—	
三千城 Three Thousand Castles	75,787	Q4 2007	Q4 2011	—	—	—	—	—	471,683	455,433	230,143	—	—	1,490	846	46.56%	1,058	38
Residential				—	—	—	—	—	—	287,060	220,244	—	—	—	—	—	—	
Retail				—	—	—	—	—	—	56,466	3,631	—	—	—	—	—	—	
SOHO				—	—	—	—	—	—	32,826	6,268	—	—	—	—	—	—	
Carpark				—	—	—	—	—	—	79,080	—	—	—	—	—	—	—	
長橋郡 Bridge County	469,883	Q4 2007	Q4 2011	—	—	—	—	—	218,129	209,646	110,961	47,350	—	747	876	91.07%	1,515	39, 56
Residential				—	—	—	—	—	—	209,646	110,961	47,350	—	—	—	—	—	
成都弗萊明戈 Chengdu Flamingo Spain	126,137	Q3 2008	Q3 2015	—	—	—	—	—	243,853	208,828	54,509	511,794	—	822	1,632	91.30%	912	46, 59
Residential				—	—	—	—	—	—	139,167	54,509	371,822	—	—	—	—	—	
Retail				—	—	—	—	—	—	1,886	—	8,870	—	—	—	—	—	
Carpark				—	—	—	—	—	—	67,776	—	15,988	—	—	—	—	—	
世紀峰景 Century Peak View	48,062	Q3 2008	Q4 2016	—	—	—	—	—	143,489	139,711	561	438,580	—	2,241	1,803	9.13%	246	45, 58
Residential				—	—	—	—	—	—	115,617	561	357,402	—	—	—	—	—	
Retail				—	—	—	—	—	—	—	—	—	—	—	—	—	—	
Carpark				—	—	—	—	—	—	24,094	—	59,949	—	—	—	—	—	

BUSINESS

Project ⁽¹⁾	COMPLETED				UNDER DEVELOPMENT				FUTURE DEVELOPMENT			Group's Interest in the Project	Attributable Capital Value ⁽¹⁾	Reference to Property Valuation Report		
	Actual/ Estimated Commence Date	Actual/ Estimated Completion Date	COMPLETED		UNDER DEVELOPMENT		FUTURE DEVELOPMENT									
			GFA Completed ⁽²⁾	GFA Sold ⁽⁴⁾	Saleable GFA Remaining Unsold ⁽⁴⁾	Rentable GFA Held for Investment ⁽⁴⁾	GFA Under Development ⁽³⁾	Saleable/ Rentable GFA ⁽⁵⁾	Of Which Was Pre-sold ⁽⁶⁾	Planned GFA ⁽²⁾	Land Use Rights Not Yet Obtained ⁽⁴⁾				Development Costs Incurred	Estimated Future Development Costs
Site Area	(sq.m.)	(sq.m.)	(sq.m.)	(sq.m.)	(sq.m.)	(sq.m.)	(sq.m.)	(sq.m.)	(sq.m.)	(sq.m. in GFA)	(RMB million)	(RMB million)	(RMB million)	(RMB million)	(Property number)	
小院青城 Jade Town	210,505	Q1 2010	Q3 2014	—	—	—	—	—	—	232,299	—	800	821	85.48%	690	57
Residential				—	—	—	—	—	—	173,392	—	—	—	—	—	
Retail				—	—	—	—	—	—	6,264	—	—	—	—	—	
Carpark				—	—	—	—	—	—	—	—	—	—	—	—	
五缘石 Wukuai Shi	184,487	Q1 2010	Q3 2014	—	—	—	—	—	—	901,813	901,813	—	4,592	91.30%	—	85
Residential				—	—	—	—	—	—	350,991	350,991	—	—	—	—	
Retail				—	—	—	—	—	—	223,474	223,474	—	—	—	—	
SOHO				—	—	—	—	—	—	101,836	101,836	—	—	—	—	
Office				—	—	—	—	—	—	74,480	74,480	—	—	—	—	
Carpark				—	—	—	—	—	—	151,032	151,032	—	—	—	—	
BEIJING																
北京懋源山 Beijing Rose and Ginkgo Villa	164,637	Q2 2006	Q4 2009	137,788	74,275	593	—	60,183	33,679	31,068	—	—	294	89.93%	757	30, 40
Residential				74,868	74,275	593	—	—	33,679	31,068	—	—	—	—	—	
北京香麗漫步 Beijing Chianti	168,569	Q3 2007	Q3 2009	217,340	144,208	19,034	—	—	—	—	—	841	252	91.27%	100	31
Residential				139,552	137,020	2,532	—	—	—	—	—	—	—	—	—	
Retail				2,597	—	2,597	—	—	—	—	—	—	—	—	—	
Carpark				21,093	7,188	13,904	—	—	—	—	—	—	—	—	—	
颐和原著 Summer Palace Splendor	97,809	Q4 2007	Q4 2010	—	—	—	—	128,894	115,564	14,957	—	—	769	89.93%	3,225	41
Residential				—	—	—	—	—	94,763	14,957	—	—	—	—	—	
Retail				—	—	—	—	—	20,801	—	—	—	—	—	—	
Carpark				—	—	—	—	—	—	—	—	—	—	—	—	
花盛香麗 Blossom Chianti	99,442	Q2 2008	Q4 2010	—	—	—	—	213,365	154,518	65,691	—	—	916	91.30%	1,125	42
Residential				—	—	—	—	—	137,462	65,691	—	—	—	—	—	
Retail				—	—	—	—	—	3,829	—	—	—	—	—	—	
Carpark				—	—	—	—	—	13,227	—	—	—	—	—	—	
大方居 Elegance Loft	168,388	Q2 2008	Q4 2010	—	—	—	—	581,062	538,761	452,042	—	—	876	91.30%	1,219	43
Residential				—	—	—	—	—	536,089	452,042	—	—	—	—	—	
Retail				—	—	—	—	—	2,672	—	—	—	—	—	—	
Carpark				—	—	—	—	—	—	—	—	—	—	—	—	

BUSINESS

Project ⁽¹⁾	Site Area (sq.m.)	Actual/ Estimated Commence Date	Actual/ Estimated Completion Date	COMPLETED				UNDER DEVELOPMENT			FUTURE DEVELOPMENT				Group's Interest in the Project	Attributable Capital Value ⁽¹⁾ (RMB million)	Reference to Property Valuation Report
				GFA Completed ⁽²⁾ (sq.m.)	GFA Sold ⁽⁴⁾ (sq.m.)	Saleable GFA Remaining Unsold ⁽⁴⁾ (sq.m.)	Rentable GFA Held for Investment ⁽⁴⁾ (sq.m.)	GFA Under Development ⁽³⁾ (sq.m.)	Saleable/ Rentable GFA ⁽⁵⁾ (sq.m.)	Of Which Was Pre-sold ⁽⁶⁾ (sq.m.)	Planned GFA ⁽²⁾ (sq.m.)	Land Use Rights Not Yet Obtained ⁽⁴⁾ (sq.m. in GFA)	Development Costs Incurred (RMB million)	Estimated Future Development Costs (RMB million)			
				(sq.m.)	(sq.m.)	(sq.m.)	(sq.m.)	(sq.m.)	(sq.m.)	(sq.m.)	(sq.m.)	(sq.m. in GFA)	(RMB million)	(RMB million)			
唐寧one Towing One Residential SOHO Retail Carpark	41,971	Q4 2008	Q3 2011	—	—	—	—	250,190	210,466	85,880	—	—	2,605	1,160	91.30%	2,783	47
				—	—	—	—	—	134,505	69,026	—	—	—	—	—	—	—
				—	—	—	—	—	18,626	—	—	—	—	—	—	—	—
				—	—	—	—	—	33,762	16,854	—	—	—	—	—	—	—
				—	—	—	—	—	23,573	—	—	—	—	—	—	—	—
蔚瀾 Azure Chianti Residential Retail Carpark	55,435	Q1 2010	Q2 2013	—	—	—	—	—	—	—	171,047	171,047	297	1,042	91.30%	799	60
				—	—	—	—	—	—	—	120,571	120,571	—	—	—	—	—
				—	—	—	—	—	—	—	906	906	—	—	—	—	—
				—	—	—	—	—	—	—	19,280	19,280	—	—	—	—	—
				—	—	—	—	—	—	—	—	—	64	1,529	91.27%	890	66
香港匯岸 Chianti Riverside Residential Retail Carpark	187,514	Q1 2010	Q2 2012	—	—	—	—	—	—	—	305,860	—	—	—	—	—	—
				—	—	—	—	—	—	—	283,688	—	—	—	—	—	—
				—	—	—	—	—	—	—	1,000	—	—	—	—	—	—
				—	—	—	—	—	—	—	12,557	—	—	—	—	—	—
				—	—	—	—	—	—	—	—	—	—	—	—	—	—
SHANGHAI 上海灘蘭山 Shanghai Rose and Ginkgo Villa Residential Retail	144,496	Q3 2008	Q4 2010	—	—	—	—	236,722	149,580	67,919	—	—	1,942	616	45.65%	923	49
				—	—	—	—	—	144,686	67,919	—	—	—	—	—	—	—
				—	—	—	—	—	4,894	—	—	—	—	—	—	—	—
				—	—	—	—	—	—	—	—	—	—	—	—	—	—
				—	—	—	—	99,780	64,722	—	352,974	81,216	941	1,499	93.48%	1,472	50, 61
麗城 Sunshine City Residential SOHO Retail Carpark	178,248	Q3 2009	Q3 2012	—	—	—	—	—	54,777	—	211,347	64,043	—	—	—	—	—
				—	—	—	—	—	—	—	20,631	6,252	—	—	—	—	—
				—	—	—	—	—	9,945	—	23,080	6,994	—	—	—	—	—
				—	—	—	—	—	—	—	12,960	3,927	—	—	—	—	—
				—	—	—	—	—	—	—	—	—	—	—	—	—	—
XI'AN 曲江盛景 Qujiang Glory Residential Retail Carpark	34,795	Q2 2008	Q4 2009	—	—	—	—	76,332	58,911	57,289	—	—	310	106	82.17%	435	48
				—	—	—	—	—	58,911	57,289	—	—	—	—	—	—	—
				—	—	—	—	—	—	—	—	—	—	—	—	—	—
				—	—	—	—	—	—	—	—	—	—	—	—	—	—
				—	—	—	—	—	—	—	—	—	—	—	—	—	—
西安紫韻城 Xi'an Fairy Castle Residential Retail Carpark	68,939	Q2 2009	Q4 2012	—	—	—	—	82,006	79,981	45,589	192,332	—	312	772	82.17%	230	51, 65
				—	—	—	—	—	65,363	45,589	172,963	—	—	—	—	—	—
				—	—	—	—	—	1,176	—	1,700	—	—	—	—	—	—
				—	—	—	—	—	13,442	—	10,754	—	—	—	—	—	—
				—	—	—	—	—	—	—	—	—	—	—	—	—	—

BUSINESS

Project ⁽¹⁾	Site Area (sq.m.)	Actual/ Estimated Commence Date	Actual/ Estimated Completion Date	COMPLETED			UNDER DEVELOPMENT			FUTURE DEVELOPMENT			Group's Interest in the Project	Attributable Capital Value ⁽¹⁾ (RMB million)	Reference to Property Valuation Report		
				GFA Completed ⁽²⁾ (sq.m.)	GFA Sold ⁽⁴⁾ (sq.m.)	Saleable GFA Remaining Unsold ⁽⁴⁾ (sq.m.)	Rentable GFA Held for Investment ⁽⁴⁾ (sq.m.)	GFA Under Development ⁽³⁾ (sq.m.)	Saleable/ Rentable GFA ⁽⁵⁾ (sq.m.)	Of Which Was Pre-sold ⁽⁶⁾ (sq.m.)	Planned GFA ⁽²⁾ (sq.m.)	Land Use Rights Not Yet Obtained ⁽⁴⁾ (sq.m. in GFA)				Development Costs Incurred (RMB million)	Estimated Future Development Costs (RMB million)
西安弗萊明戈 Xi'an Flamenco Spain . . . Residential Retail Carpark	176,049	Q4 2009	Q4 2013	—	—	—	—	—	—	—	579,905	—	229	1,945	91.30%	551	63
				—	—	—	—	—	436,300	—	—	—	—	—	—		
				—	—	—	—	—	42,000	—	—	—	—	—	—		
				—	—	—	—	—	69,840	—	—	—	—	—	—		
西安香麗漫步 Xi'an Chianti Residential Retail Carpark	369,653	Q1 2011	Q2 2018	—	—	—	—	—	—	—	956,100	—	571	2,854	91.30%	1,057	64
				—	—	—	—	—	712,400	—	—	—	—	—	—		
				—	—	—	—	—	55,300	—	—	—	—	—	—		
				—	—	—	—	—	102,378	—	—	—	—	—	—		
夜長安 Chang'an Wonder Commercial Carpark	30,889	Q2 2010	Q4 2012	—	—	—	—	—	—	—	43,535	—	118	279	82.17%	119	62
				—	—	—	—	—	31,404	—	—	—	—	—	—		
				—	—	—	—	—	9,131	—	—	—	—	—	—		
				—	—	—	—	—	—	—	—	—	—	—	—		
WUXI 太湖園 Taike Yuan Residential Retail Carpark	188,496	Q4 2009	Q2 2012	—	—	—	—	—	—	—	270,657	270,657	57	1,537	91.30%	607	68
				—	—	—	—	—	202,333	202,333	—	—	—	—	—		
				—	—	—	—	—	3,260	3,260	—	—	—	—	—		
				—	—	—	—	—	5,000	5,000	—	—	—	—	—		
SHENYANG 輝山項目 Huishan Project Residential Retail Carpark	84,086	Q2 2010	Q4 2011	—	—	—	—	—	—	—	85,137	85,137	—	396	93.48%	—	81
				—	—	—	—	—	75,987	75,987	—	—	—	—	—		
				—	—	—	—	—	7,070	7,070	—	—	—	—	—		
				—	—	—	—	—	950	950	—	—	—	—	—		
道義項目 Daoyi Project Residential Retail Carpark	684,420	Q2 2010	Q4 2015	—	—	—	—	—	—	—	1,620,689	1,620,689	203	5,996	91.30%	—	82
				—	—	—	—	—	1,269,000	1,269,000	—	—	—	—	—		
				—	—	—	—	—	247,000	247,000	—	—	—	—	—		
				—	—	—	—	—	104,689	104,689	—	—	—	—	—		
CHANGZHOU 青龍項目 Qinglong Project Residential Retail Carpark	164,855	Q4 2009	Q4 2013	—	—	—	—	—	—	—	418,000	418,000	—	1,629	91.30%	—	86
				—	—	—	—	—	301,000	301,000	—	—	—	—	—		
				—	—	—	—	—	48,000	48,000	—	—	—	—	—		
				—	—	—	—	—	65,000	65,000	—	—	—	—	—		

BUSINESS

Project ⁽¹⁾	Site Area (sq.m.)	Actual/ Estimated Commence Date	Actual/ Estimated Completion Date	COMPLETED				UNDER DEVELOPMENT			FUTURE DEVELOPMENT			Group's Interest in the Project	Attributable Capital Value ⁽¹⁾ (RMB million)	Reference to Property Valuation Report
				GFA Completed ⁽²⁾ (sq.m.)	GFA Sold ⁽⁴⁾ (sq.m.)	Saleable GFA Remaining Unsold ⁽⁴⁾ (sq.m.)	Rentable GFA Held for Investment ⁽⁴⁾ (sq.m.)	GFA Under Development ⁽³⁾ (sq.m.)	Saleable/ Rentable GFA ⁽⁵⁾ (sq.m.)	Of Which Was Pre-sold ⁽⁶⁾ (sq.m.)	Planned GFA ⁽²⁾ (sq.m.)	Land Use Rights Not Yet Obtained ⁽⁴⁾ (sq.m. in GFA)	Development Costs Incurred (RMB million)	Estimated Future Development Costs (RMB million)		
青龍項目 III Qinglong Project II	143,965	Q3 2010	Q4 2014	—	—	—	—	—	—	—	345,430	345,430	—	1,370	85.07%	69
Residential				—	—	—	—	—	—	—	261,000	261,000				
Retail				—	—	—	—	—	—	—	22,930	22,930				
Carpark				—	—	—	—	—	—	—	57,500	57,500				
Total	9,788,328			5,054,792	4,177,380	261,355	331,843	4,504,809	3,978,404	2,127,326	14,581,901	8,705,840	38,255	65,433		
Attributable GFA (sq.m.)	8,439,674			4,468,524	3,686,734	225,720	302,973	3,413,073	3,000,132	1,669,561	12,500,974	8,047,424	30,080	56,084		

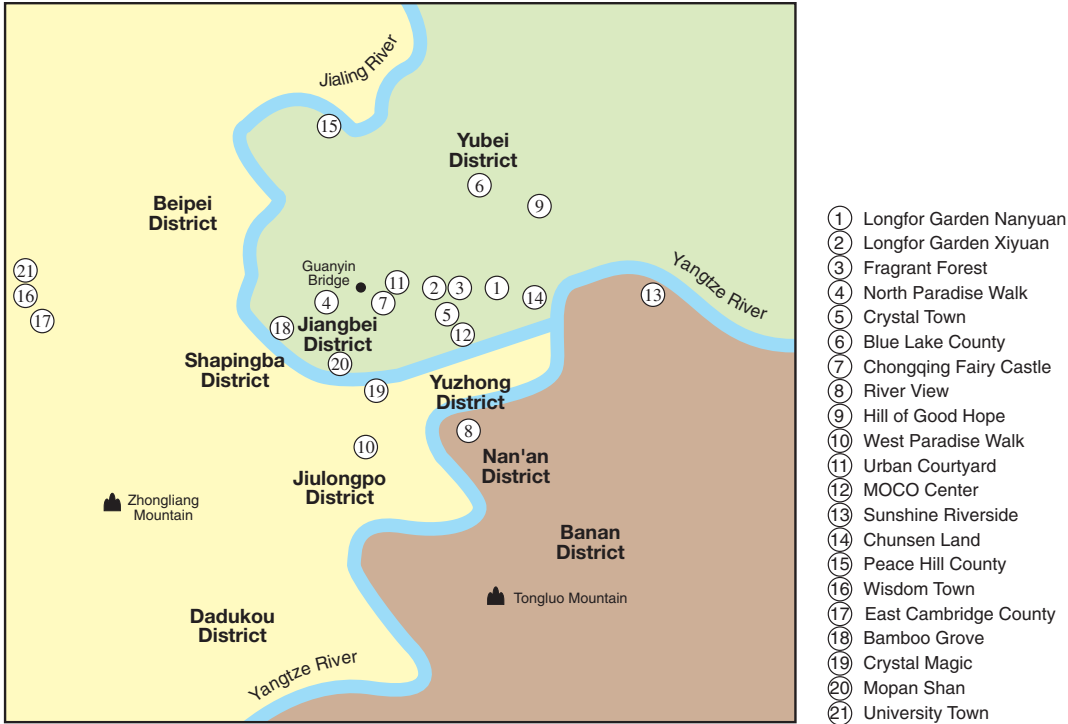
Notes:

- (1) Include attributable value of amenities.
- (2) “GFA Completed” is based on figures provided in surveying reports or Record of Acceptance Examination Upon Project Completion (竣工驗收備案證明) by relevant government departments.
- (3) “Total GFA” under development is based on figures provided in the Planning Permit for Construction Works (建設工程規劃許可證).
- (4) The following information that appear is based on our internal records and estimates: (a) figures for “GFA Sold” of Completed development, (b) “Saleable GFA Remaining Unsold” of completed development, (c) “Rentable GFA Held for Investment”, (d) “Rentable GFA” under development (e) “Total GFA” for future development and (f) “Land Use Rights Not Yet Obtained”.
- (5) “Saleable GFA” under development are derived from the Pre-Sale Permit for Commodity Housing (預售許可證) or where Pre-sale Permit for Commodity Housing is not yet available, our internal records and estimates.
- (6) Figures for GFA pre-sold is based on our internal records. A property is pre-sold when a binding sales agreement has been executed.
- (7) Includes total planned GFA of (i) 85,137 sq.m. at Huishan in Shenyang for a planned residential project for which we won an auction for the underlying land in September 2009, (ii) 1,170,392 sq.m. at Mopan Shan in Chongqing for a planned residential project for which we won an auction for the underlying land in September 2009, (iii) 1,774,955 sq.m. at University Town in Chongqing for a planned residential project for which we won an auction for the underlying land in September 2009, (iv) 910,813 sq.m. at Wukui Shi in Chengdu for a planned residential project for which we won an auction for the underlying land in September 2009, (v) 1,620,689 sq.m. at Daoyi in Shenyang for a planned residential project for which we won an auction for the underlying land in October 2009, (vi) 418,000 sq.m. at Qinglong in Changzhou for a planned residential project for which we acquired the underlying land in October 2009, and (vii) 345,430 sq.m. at Qinglong II in Changzhou for a planned residential project for which we won an auction for the underlying land in October 2009.

BUSINESS

OUR PROPERTY DEVELOPMENT PROJECTS

Chongqing



BUSINESS

Longfor Garden Nanyuan (龍湖花園南苑)



Longfor Garden Nanyuan is located in Yubei District, Chongqing (重慶市渝北區), adjacent to the Jiulong Lake. The project is our first premium residential development and was awarded one of the “Top Ten Chongqing City Residential Districts” (第一屆及第二屆重慶市十大最佳住宅小區) in 1998 and 2000, respectively. Longfor Garden Nanyuan was developed by Chongqing Longhu Properties. We entered into the land grant contracts with respect to Longfor Garden Nanyuan in March 1996 and January 1997. We have paid land premium totaling approximately RMB22.3 million for this project. This represented the total land premium for this project.

The entire project occupies a total site area of approximately 163,689 sq.m. and has an aggregate completed GFA of 229,767 sq.m. It comprises townhouses, low-rise and high-rise apartments, retail units and carparks with an aggregate saleable GFA of approximately 221,955 sq.m. The project also provides a number of amenities for the residents, including a clubhouse, a kindergarten, and a school.

As of August 31, 2009, we had sold all the residential units. We still held retail spaces with an aggregate saleable GFA of approximately 4,205 sq.m., and 187 car parking spaces with an aggregate saleable GFA of approximately 5,472 sq.m..

Details of the development as of August 31, 2009 were as follows:

Construction period	Q2 1997 — Q2 2001
Development costs incurred	RMB 360 million
Estimated future development costs	Nil

BUSINESS

Longfor Garden Xiyuan (龍湖花園西苑)



Longfor Garden Xiyuan is another completed residential project located next to Longfor Garden Nanyuan. The project was awarded one of the “Top Ten Chongqing City Residential Districts” (第三屆重慶市十大最佳住宅小區) in 2002. The project was developed by Chongqing Longhu Properties. We entered into the land grant contract with respect to Longfor Garden Xiyuan in December 1998. We have paid land premium totaling approximately RMB49.1 million for this project. This represented the total land premium for this project.

This project occupies a total site area of approximately 143,248 sq.m. and has an aggregate completed GFA of approximately 290,412 sq.m.. It consists of low-rise garden apartments and high-rise apartments, retail units and carparks with an aggregate saleable GFA of approximately 269,296 sq.m..

As of August 31, 2009, we had sold all the residential units and retail spaces. We still held 386 unsold car parking spaces with an aggregate saleable GFA of 15,793 sq.m..

BUSINESS

Details of the development as of August 31, 2009 were as follows:

Construction period	Q4 2000 — Q3 2002
Development costs incurred	RMB 462 million
Estimated future development costs	Nil

Fragrant Forest (香樟林)



Fragrant Forest is a garden-style residential project located on the northern shore of the Jiulong Lake, opposite to the Longhu Garden Nanyuan and Longhu Garden Xiyuan. The development was awarded as one of the “Top Ten Garden Style Residential Districts” (重慶十佳園林小區) in 2007. The project is the first development in Chongqing that adopted the ISO14001 environment quality assurance system. Fragrant Forest was developed by Chongqing Longhu Properties. We entered into the land grant contract with respect to Fragrant Forest in November 2000. We have paid land premium totaling approximately RMB47.2 million for this project. This represented the total land premium for this project.

The entire project occupies a total site area of approximately 192,310 sq.m. and has an aggregate completed GFA of approximately 78,559 sq.m.. It consists of luxury stand-alone houses and townhouses with an aggregate saleable GFA of approximately 73,572 sq.m..

As of August 31, 2009, we had sold all the residential properties in the project.

Details of the development as of August 31, 2009 were as follows:

Construction period	Q4 2001 — Q4 2003
Development costs incurred	RMB 337 million
Estimated future development costs	Nil

BUSINESS

North Paradise Walk (北城天街)

North Paradise Walk is a mixed-use project with residential and retail usage. The development is situated in the Guanyinqiao commercial area of Jiangbei District of Chongqing (重慶市江北區觀音橋片區). The project was developed by Chongqing Longhu Development. We entered into the land grant contract with respect to North Paradise Walk in December 2001. We have paid land premium totaling approximately RMB26.3 million for this project. This represented the total land premium for this project.

The project occupies a total site area of approximately 58,710 sq.m. and has an aggregate completed GFA of approximately 345,658 sq.m.. The project consists of a residential block named Waft Yard (楓香庭), a SOHO block named New Star (北岸星座) and a commercial complex named North Paradise Walk Mall (北城天街商區).

North Paradise Walk Mall (北城天街商區)



North Paradise Walk Mall, which we hold for investment purposes, is a popular shopping centre in Chongqing with retail, restaurant and entertainment facilities. The project has an aggregate completed GFA of approximately 146,262 sq.m. or an aggregate rentable GFA of approximately 120,778 sq.m. and 501 car parking spaces of approximately 25,484 sq.m.. As of August 31, 2009, the total rented GFA was approximately 118,456 sq.m. with an occupancy rate of 98% out of the rentable GFA.

BUSINESS

Details of North Paradise Walk Mall as of August 31, 2009 were as follows:

Construction period	Q2 2002 — Q2 2004
Development costs incurred	RMB 357 million
Estimated future development costs	Nil

Waft Yard (楓香庭)



Waft Yard is the residential portion of the North Paradise Walk.

Waft Yard has an aggregate completed GFA of approximately 154,400 sq.m.. It consists of high-rise apartments, retail spaces and carparks with an aggregate saleable GFA of approximately 153,146 sq.m..

As of August 31, 2009, we had sold all the residential and retail units in this phase, and still have 143 unsold car parking spaces with an aggregate saleable GFA of approximately 4,313 sq.m..

Details of Waft Yard as of August 31, 2009 were as follows:

Construction period	Q2 2002 — Q2 2004
Development costs incurred	RMB 310 million
Estimated future development costs	Nil

New Star (北岸星座)



New Star consists of one SOHO block as well as retail facilities and carparks. The project has an aggregate completed GFA of approximately 37,918 sq.m..

As of August 31, 2009, we had sold all the SOHO units except for an aggregate saleable GFA of 6,640 sq.m. for our own use and still have 33 unsold car parking spaces with an aggregate saleable GFA of approximately 3,545 sq.m..

Details of New Star as of August 31, 2009 were as follows:

Construction period	Q2 2002 — Q1 2004
Development costs incurred	RMB 68 million
Estimated future development costs	Nil

BUSINESS

North Paradise Walk Mall II (北城天街商區 II)

North Paradise Walk Mall II is a retail complex well-connected with transportation facilities and the other shopping malls nearby. It has an aggregate completed GFA of approximately 7,078 sq.m.. As of August 31, 2009, we have sold all of the retail units.

Details of this phase as of August 31, 2009 were as follows:

Construction period	Q4 2003 — Q4 2004
Development costs incurred	RMB 43 million
Estimated future development costs	Nil

Crystal Town (水晶郦城)



Crystal Town is a large-scale project that consists of residential units, retail spaces and SOHO units. The development is located in the High-tech Zone (高新區) of North New Area (北部新區) of Chongqing and is next to a sports park. The project is being developed by Chongqing Longhu Development. We entered into the land grant contracts with respect to Crystal Town in November 2000, December 2002 and January 2005. We have paid land premium totaling approximately RMB115.2 million for this project. This represented the total land premium for this project.

BUSINESS

The project occupies a total site area of approximately 233,799 sq.m. and has an aggregate completed GFA of approximately 669,107 sq.m.. The project was developed in three phases with different varieties of properties.

Phases 1 and 2

Phases 1 and 2 have an aggregate completed GFA of approximately 562,190 sq.m.. These two phases were awarded the “Chongqing Building Award Gold Prize - Residential Category” (重慶廣廈獎金獎－住宅類) in 2007 and “the Fifth Top Ten Residential Developments in Chongqing” (重慶市第五屆十佳住宅小區) in 2005.

The two phases consist of high-rise apartments, retail units and carpark with an aggregate saleable GFA of approximately 551,720 sq.m..

As of August 31, 2009, we had sold all the apartments in these two phases and still held retail spaces with an aggregate saleable GFA of 701 sq.m. and 925 car parking spaces with an aggregate saleable GFA of 38,576 sq.m..

Details of the phases as of August 31, 2009 were as follows:

Construction period	Q3 2003 — Q4 2005
Development costs incurred	RMB 1,125 million
Estimated future development costs	Nil

Phase 3

Phase 3 comprises a building named Crystal Star (水晶星座) with SOHO units, an office building named Crystal Cosmo (水晶國際), a retail complex named Crystal Constellation (晶艷館) together with carpark. The retail complex was awarded the “China Construction Project Luban Prize” (2007年度中國建築工程魯班獎(國家優質工程)) in 2007, which is the most reputable building quality award at the national level.

This phase has an aggregate completed GFA of approximately 106,916 sq.m.. The construction of Crystal Star and Crystal Constellation was completed in June 2006 and all the SOHO units of Crystal Star were sold. The construction of Crystal Cosmo was completed in June 2008 and we have sold the office units of an aggregate GFA of 20,932 sq.m.. We intend to retain retail spaces of an aggregate rentable GFA of 17,648 sq.m. and 584 car parking spaces of an aggregate rentable GFA of 26,866 sq.m. in Crystal Constellation for investment purpose and office spaces of an aggregate GFA of 2,073 sq.m. in Crystal Cosmo for the Group’s office uses. As of August 31, 2009, the total rented GFA was 17,648 sq.m. with an occupancy rate of 100% out of the rentable GFA.

Details of Phase 3 of the project as of August 31, 2009 were as follows:

Construction period	Q1 2004 — Q2 2008
Development costs incurred	RMB 243 million
Estimated future development costs	RMB 5 million

BUSINESS

MOCO Center (MOCO中心)

MOCO Center is a residential and commercial development located near the High-tech Zone of North New Area of Chongqing with a sports park nearby. The project is currently being developed by Chongqing Longhu Development. We entered into the land grant contracts with respect to Longhu MOCO Center in November 2000, December 2002 and January 2005. We have paid land premium totaling approximately RMB23.0 million for this project. This represented the total land premium for this project.

The project occupies a total site area of approximately 20,500 sq.m. and has a total GFA of approximately 160,998 sq.m. under development. The project will have a total saleable and rentable GFA comprising two buildings of high-rise apartments with a GFA of approximately 51,658 sq.m., office area of approximately 45,473 sq.m., retail area of approximately 29,104 sq.m., and carparks of approximately 30,375 sq.m..

As of August 31, 2009, this project was under development. All of high-rise apartments and 44,173 sq.m. of offices had been pre-sold.

We expect to complete the project according to the following timetable:

Planned construction period	Q3 2008 — Q4 2010
Development costs incurred	RMB 211 million
Estimated future development costs	RMB 231 million

Blue Lake County (藍湖郡)

Blue Lake County is a large-scale, high-end residential project. It is situated in the North New Area of Chongqing and is well-connected by two main roads - Jinkai Avenue (金開大道) and Jinshan Avenue (金山大道) and is only 20 minutes from the city centre. The project was awarded the “Chongqing Grade AAA Residential Area” 重慶AAA級住宅 in 2007. The project was developed by Chongqing Longhu Properties. We acquired the land by public auction and entered into the land grant contract with respect to Blue Lake County in July 2003. We have paid land premium totaling approximately RMB482.9 million which represented the total land premium for this project.

The project occupies a total site area of approximately 914,343 sq.m. and has an aggregate GFA of approximately 639,781 sq.m.. The project was developed in five phases involving a wide variety of properties. A brief description of the various phases is set out below:

Name of the Buildings	Types of Properties
Phase 1 Blue Lake County East (藍湖郡·東岸)	• Luxury stand-alone houses, townhouses, retail space
Phase 2 Blue Lake County West (藍湖郡·西岸)	• Luxury stand-alone houses and townhouses
Phase 3 Chongqing Flamenco Spain (重慶弗萊明戈)	• Low-rise garden apartments and carparks
Phase 4 Blue Lake Garden Villa (藍湖香頌)	• Townhouses and retail space
Phase 5 Blue Lake Apartment (藍湖時光)	• High-rise apartments and carparks

BUSINESS

As part of the project, we provide a full range of facilities and amenities such as a large stadium with indoor and outdoor swimming pools and a wide variety of sports facilities, a garden, a large shopping mall and an international kindergarten.

As of August 31, 2009, we had completed construction of all the five phases of this project.

Phase 1 — Blue Lake County East (藍湖郡•東岸)



This phase has an aggregate completed GFA of approximately 214,254 sq.m.. It comprises luxury stand-alone houses of American-style and retail units with an aggregate saleable GFA of approximately 197,646 sq.m., with amenities for the residents, including a kindergarten and a primary school.

As of August 31, 2009, we had sold all the residential units in this phase, and still held retail spaces with an aggregate saleable GFA of approximately 8,066 sq.m..

Details of Phase 1 of the project as of August 31, 2009 were as follows:

Construction period	Q1 2004 — Q1 2006
Development costs incurred	RMB 826 million
Estimated future development costs	Nil

Phase 2 — Blue Lake County West (藍湖郡•西岸)



The project has an aggregate completed GFA of approximately 200,319 sq.m., consisting of luxury stand-alone houses and townhouses of Mediterranean style with an aggregate saleable GFA of approximately 198,116 sq.m..

As of August 31, 2009, we had sold all the residential units in this phase.

Details of Phase 2 of the project as of August 31, 2009 were as follows:

Construction period	Q2 2005 — Q3 2007
Development costs incurred	RMB 903 million
Estimated future development costs	RMB 22 million

BUSINESS

Phase 3 — Chongqing Flamenco Spain (弗萊明戈)



This phase has an aggregate completed GFA of approximately 105,876 sq.m. and consists of low-rise garden apartments and carparks with an aggregate saleable GFA of approximately 104,610 sq.m.. The buildings in this phase also adopt Mediterranean style architecture and each block of buildings has a unique design.

As of August 31, 2009, we had sold all the apartments and still held 143 car parking spaces with an aggregate saleable GFA of approximately 4,392 sq.m..

Details of Phase 3 of the project as of August 31, 2009 were as follows:

Construction period	Q4 2005 — Q2 2007
Development costs incurred	RMB 240 million
Estimated future development costs	RMB 19 million

Phase 4 — Blue Lake Garden Villa (藍湖香頌)

This phase has an aggregate completed GFA of approximately 69,175 sq.m.. It consists of 218 townhouses in Tuscan style with an aggregate saleable GFA of approximately 56,679 sq.m., car parking spaces of 9,567 sq.m. and retail units with an aggregate saleable GFA of approximately 583 sq.m..



As of August 31, 2009, we had sold all the townhouses, retail units and carparks in this phase.

Details of Phase 4 of the project as of August 31, 2009 were as follows:

Construction period	Q4 2006 — Q3 2008
Development costs incurred	RMB 239 million
Estimated future development costs	RMB 36 million

Phase 5 — Blue Lake Apartments (藍湖時光)

This phase has an aggregate completed GFA of 50,157 sq.m.. It consists of 328 high-rise apartments with an aggregate saleable GFA of 42,727 sq.m. and 122 car parking spaces of 6,437 sq.m..

BUSINESS

We had sold all of the apartments and still held 1 carparks with an aggregate saleable GFA of approximately 36 sq.m. as of August 31, 2009.

Details of Phase 5 of the project as of August 31, 2009 were as follows:-

Construction period	Q1 2007 — Q4 2008
Development costs incurred	RMB 145 million
Estimated future development costs	RMB 11 million

Chongqing Fairy Castle (重慶紫都城)

Chongqing Fairy Castle is a large-scale project with residential, retail and SOHO development. The project is situated in Yubei District (渝北區) of Chongqing. The project was developed by Chongqing Longhu Properties. We acquired the land by public auction and entered into the land grant contract with respect to Chongqing Fairy Castle in July 2004. We have paid land premium totaling approximately RMB205.2 million which represented the total land premium for this project.

The project occupies a total site area of approximately 199,064 sq.m.. It has an aggregate completed GFA of approximately 501,439 sq.m.. The project was developed in three phases with different types of properties including high-rise apartments, SOHO units, retail spaces and carparks.

Phases 1 and 2 — Chongqing Fairy Castle — Residential District (重慶紫都城住區)

It has an aggregate completed GFA of 393,800 sq.m.. There are high-rise apartments, retail units and carparks with an aggregate saleable GFA of 383,903 sq.m..



Details of Phases 1 and 2 of the project as of August 31, 2009 were as follows:

Construction period	Q1 2005 — Q1 2008
Development costs incurred	RMB 850 million
Estimated future development costs	RMB 32 million

We completed construction of high-rise apartments with an aggregate saleable GFA of 316,727 sq.m., retail area with an aggregate saleable GFA of 25,587 sq.m. and carparking spaces with an aggregate saleable GFA of 41,590 sq.m. in these two phases in the first quarter of 2008.

As of August 31, 2009, we had sold all the residential apartments and retail units and still held 328 car parking spaces with an aggregate saleable GFA of approximately 13,070 sq.m..

BUSINESS

Phase 3 — Chongqing Fairy Castle — Commercial District (重慶紫都城商區)

This phase comprises a block consisting of 1,101 SOHO units known as Fairy Constellation (紫都星座), a retail street called Fairy Paradise Walk (紫都天街), a shopping mall called Fairy Castle Mall (紫都主力店) and car parks.

This phase has an aggregate completed GFA of 107,639 sq.m. and an aggregate saleable/rentable GFA of 106,029 sq.m..

We completed construction of the retail street and the shopping mall in December 2006 and construction of the small offices and home offices in December 2007. As of August 31, 2009, we sold all the SOHO units with an aggregate saleable GFA of 57,499 sq.m. and still held one retail units with 259 sq.m. as well as 140 car parks with 6,122 sq.m.. We still held the shopping mall with a rentable GFA of 29,413 sq.m. for investment purpose. As of August 31, 2009, the occupancy rate of the shopping mall was 100%. Our tenants include internationally renowned retailers such as Wal-Mart Stores, Inc and B&Q Asia Limited.

Details of Phase 3 of the project as of August 31, 2009 were as follows:

Construction period	Q4 2005 — Q4 2007
Development costs incurred	RMB 277 million
Estimated future development costs	RMB 14 million

River View (觀山水)



River View is a high-end residential project with retail facilities located in the Jingkai District (經開區) of Chongqing. The project was developed by Chongqing Longhu Properties. We entered into the land grant contracts with respect to River View in November 2003 and April 2005. We have paid land premium totaling approximately RMB199.6 million for this project. This represented the total land premium for this project.

BUSINESS

The project occupies a total site area of approximately 81,846 sq.m. and has an aggregate completed GFA of approximately 308,862 sq.m., comprising 267,600 sq.m. of high-rise apartments, 5,154 sq.m. of retail facilities and 31,041 sq.m. of carparks. This high-end residential project has many facilities including commercial outlets, a kindergarten, a combined outdoor tennis and basketball court, three outdoor and one indoor swimming pool, an indoor badminton court and a gymnasium.

The project was developed in four phases. As of August 31, 2009, we had completed all the four phases.

As of August 31, 2009, we had sold all the high-rise apartments, and 1,849 sq.m. of retail units and 267 car parks with an aggregate GFA of 10,389 sq.m. were held for sale.

Details of the project as of August 31, 2009 were as follows:

Construction period	Q3 2005 — Q2 2009
Development costs incurred	RMB 707 million
Estimated future development costs	RMB 9 million

Hill of Good Hope (好望山)



Hill of Good Hope is a residential project located in the new area of the North New Area of Chongqing. The project was developed by Chongqing Juntion. We entered into the land grant contracts with respect to Hill of Good Hope in May and July of 2004. We have paid land premium totaling approximately RMB77.4 million for this project. This represented the total land premium for this project.

The project occupies a total site area of approximately 120,169 sq.m. and has an aggregate completed GFA of approximately 149,354 sq.m.. The project consists of low-rise garden apartments, townhouses with retail facilities and carparks with an aggregate saleable GFA of 145,824 sq.m..

As of August 31, 2009, we had sold all the residential and retail units. We still held 269 car parking spaces with an aggregate saleable GFA of approximately 8,481 sq.m..

Details of the project as of August 31, 2009 were as follows:

Construction period	Q1 2006 — Q4 2007
Development costs incurred	RMB 381 million
Estimated future development costs	RMB 23 million

BUSINESS

West Paradise Walk (西城天街)



West Paradise Walk is a commercial complex with SOHO units, office and retail spaces. The development is situated in a prime location of the Yangjiaping Pedestrian Zone within the Jiulongpo District (九龍坡區楊家坪步行街核心地段), Chongqing. The project was developed by Chongqing Longhu Xijie. We acquired the land by acquiring interest in a company which holds the land.

BUSINESS

The project occupies a total site area of approximately 28,316 sq.m. and has a total completed GFA of 197,554 sq.m.. In addition to retail facilities, it consists of 188 offices with an aggregate saleable GFA of 30,968 sq.m., 980 SOHO units of 50,888 sq.m.. We intend to hold all retail units with an aggregate rentable GFA of 77,144 sq.m. and 744 car parking spaces with an aggregate rentable GFA of 34,510 sq.m. for investment purposes.

As of August 31, 2009, we held one SOHO unit with an aggregate saleable GFA of 64 sq.m. and 4 office units with an aggregate saleable GFA of approximately 783 sq.m..

Details of the project as of August 31, 2009 were as follows:

Construction period	Q1 2006 — Q2 2008
Development costs incurred	RMB 582 million
Estimated future development costs	RMB 12 million

Urban Courtyard (大城小院)



BUSINESS

Urban Courtyard, a modern residential development, is located to the west of Fairy Castle and in the central business area of Yubei District (渝北區), Chongqing. The project was developed by Chongqing Longhu Properties. We acquired the land by public auction and entered into the land grant contract with respect to Urban Courtyard in March 2005. We have paid land premium totaling RMB48.20 million which represented the total land premium for this project.

The project occupies a total site area of approximately 39,201 sq.m. and has an aggregate completed GFA of approximately 71,175 sq.m.. It comprises 251 low-rise garden apartments with an aggregate saleable GFA of 42,282 sq.m., and 112 high-rise apartments of 13,727 sq.m., retail area of 282 sq.m. and 326 car parking spaces of 11,359 sq.m..

As of August 31, 2009, we had sold all the apartments, and still held retail units of 90 sq.m. and 163 car parking spaces of 5,493 sq.m..

Details of the project as of August 31, 2009 were as follows:

Construction period	Q1 2007 — Q2 2008
Development costs incurred	RMB 178 million
Estimated future development costs	RMB 2 million

Bamboo Grove (江與城)



Bamboo Grove, an exclusive low-rise residential development with cultural amenities and integrated facilities, is situated in the northern part of the North New Area of Chongqing and is next to Jialing River. The project is being jointly developed by Juntion Development and Hongkong Land Holdings Limited, which is owned as to 49.6% by us and 50% by Hongkong Land Holdings Limited. We acquired the land by public auction and entered into the land grant contracts with respect to Bamboo Grove in July and September of 2006. We have paid land premium totaling approximately RMB960.2 million which represented the total land premium for this project.

BUSINESS

Based on our current plan, the project will occupy a total site area of approximately 778,648 sq.m. and an aggregate GFA of approximately 1,724,719 sq.m..

Details of the project as of August 31, 2009 were as follows:

Planned construction period

Phase 1 and Phase 2-A	Q1 2007 — Q2 2009
Phase 2-B	Q3 2007 — Q4 2009
Phase 3-A	Q3 2008 — Q4 2010
Phase 3-B — Phase 8	Q4 2009 — Q1 2016
Development costs incurred	RMB 1,910 million
Estimated future development costs	RMB 3,822 million

Phase 1 and Phase 2-A

There is an aggregate completed GFA of approximately 131,661 sq.m. in Phase 1 and 43,382 sq.m. in Phase 2-A. Phase 1 comprises 652 low-rise garden apartments with an aggregate saleable GFA of 102,727 sq.m. and 652 car parking spaces of 21,910 sq.m.. Phase 2-A comprises 198 low-rise garden apartments with an aggregate saleable GFA of 34,302 sq.m. and 209 car parking spaces of 7,750 sq.m..

As of August 31, 2009, there were still 1,216 sq.m. of low-rise garden apartments and 10,260 sq.m. of car park spaces in phase 1 as well as 1,260 sq.m. of low-rise garden apartments and 3,683 sq.m. of car park spaces in phase 2 remaining unsold.

Phase 2-B

There is an aggregate GFA under development of approximately 161,737 sq.m. in Phase 2-B, which comprises 466 low-rise garden apartments with an aggregate saleable GFA of 78,550 sq.m., 204 high-rise apartments with an aggregate saleable GFA of 34,115 sq.m., duplex villas with an aggregate saleable GFA of 23,686 sq.m. and carparking spaces with an aggregate saleable GFA of 22,168 sq.m..

As of August 31, 2009, we had pre-sold 33,384 sq.m. of high-rise apartments, 73,849 sq.m. of low-rise garden apartments and 11,402 sq.m. of duplex villas.

Phase 3-A

Phase 3-A has an aggregate GFA under development of approximately 87,394 sq.m., which primarily comprises 68,072 sq.m. of townhouses, of which, 41,918 sq.m. had been pre-sold as of August 31, 2009.

Phases 3-B - 8

We have an aggregate GFA held for future development of approximately 1,300,545 sq.m. and these phases comprise high-rise apartments of 824,760 sq.m., townhouses of 93,000 sq.m., stand-alone villas of 36,000 sq.m., retail spaces of 145,500 sq.m., and carparks of 163,005 sq.m..

BUSINESS

Chunsen Land (春森彼岸)

Chunsen Land, a large-scale premium residential and retail project, is located adjacent to Jiangbei District, Chongqing. The project was designed by MRY, America and was awarded the grand prize of “Next LA Citation Award” by the American Institute of Architects. The project is being developed by Chongqing Beilonghu. We entered into the land grant contract with respect to Chunsen Land in August 2004. We have paid land premium totaling approximately RMB147.8 million for this project. This represented the total land premium for this project.

Based on our current plan, the project will occupy a total site area of approximately 160,191 sq.m. and has an aggregate GFA of 767,265 sq.m..

Details of the project as of August 31, 2009 were as follows:

Planned construction period

Phase 1 - A	Q2 2007 — Q4 2009
Phase 1 - B	Q2 2009 — Q4 2010
Phase 1 - C	Q2 2009 — Q2 2011
Phase 2	Q4 2008 — Q2 2011
Phase 3	Q4 2009 — Q4 2012
Phase 4	Q4 2010 — Q2 2013
Phase 5	Q1 2011 — Q4 2013
Development costs incurred	RMB 956 million
Estimated future development costs	RMB 2,527 million

Phase 1 - 2

Phase 1 - A has an aggregate GFA under development of approximately 133,229 sq.m.. Phase 1 - A comprises 627 high-rise apartments with an aggregate saleable GFA of 90,727 sq.m., retail units with an aggregate saleable GFA of 13,602 sq.m., and carparking spaces with an aggregate saleable GFA of 24,485 sq.m..

As of August 31, 2009, we had pre-sold 82,793 sq.m. of high-rise apartments and no retail units or carparking spaces were pre-sold by then.

Phase 1 - B has an aggregate GFA under development of approximately 15,198 sq.m., comprising 85 high-rise apartments with an aggregate saleable GFA of 13,858 sq.m., of which, 13,097 sq.m. were pre-sold as of August 31, 2009.

Phase 1 - C has an aggregate GFA under development of approximately 29,898 sq.m. of 237 high-rise apartments, of which, 10,816 sq.m. were pre-sold as of August 31, 2009.

Phase 2 has an aggregate GFA under development of approximately 139,104 sq.m.. Phase 2 comprises high-rise apartments with an aggregate GFA of 93,054 sq.m., retail units of 20,100 sq.m. and carparking spaces of 25,247 sq.m..

As of August 31, 2009, 36,821 sq.m. of high-rise apartments were pre-sold.

BUSINESS

Phases 3 - 5

Phases 3 - 5 have an aggregate GFA held for future development of approximately 449,835 sq.m.. Phase 3, which comprises 179,991 sq.m. of high-rise apartments, 17,112 sq.m. of retail units and 16,463 sq.m. of carparking spaces, is expected to be completed in the fourth quarter of 2012. Phases 4 will consist of high-rise apartments with a total planned GFA of 137,425 sq.m., retail area of 7,583 sq.m., small offices and home offices of 3,144 sq.m., and car parking spaces of 17,890 sq.m.. Phases 5 will consist of offices of 32,637 sq.m., small offices and home offices of 18,507 sq.m., retail units of 4,444 sq.m., and car parking spaces of 9,322 sq.m..

Wisdom Town (睿城)

We plan to develop the Wisdom Town as a large-scale integrated project with SOHO units, residential and retail units. It is located in the University Town area of Shapingba District (沙坪壩區大學城片區), Chongqing. The project is being developed by Chongqing Longhu Kaian. We acquired the land by public auction and entered into the land grant contract with respect to Wisdom Town in March 2007. We have paid land premium totaling approximately RMB97.7 million which represented the total land premium for this project.

Based on our current plan, the project will occupy a total site area of approximately 98,274 sq.m. and has an aggregate GFA of approximately 208,618 sq.m..

Details of the project as of August 31, 2009 were as follows:

Planned construction period	
Phase 1	Q1 2008 — Q3 2009
Phase 2	Q1 2008 — Q4 2009
Phase 3	Q1 2008 — Q4 2010
Development costs incurred	RMB 381 million
Estimated future development costs	RMB 337 million

Phase 1

Phase 1 has an aggregate GFA under development of approximately 60,560 sq.m.. Phase 1 comprises 18,673 sq.m. duplex villas and 19,840 sq.m. of townhouses.

As of August 31, 2009, we had pre-sold all the duplex villas and 18,909 sq.m. of townhouses.

Phase 2

Phase 2 has an aggregate GFA of 55,971 sq.m. under development, comprising approximately 36,380 sq.m. of low-rise elevator houses and 8,628 sq.m. of small offices and home offices.

As of August 31, 2009, we had pre-sold 34,040 sq.m. of low-rise elevator apartments.

BUSINESS

Phase 3

Phase 3 has an aggregate GFA of 92,087 sq.m. under development, comprising approximately 54,100 sq.m. of apartments, saleable retail spaces of 14,862 sq.m., carparking spaces of 15,330 sq.m. and rentable retail units of 2,591 sq.m..

As of August 31, 2009, we had pre-sold all the apartments and 9,036 sq.m. of retail spaces.

East Cambridge County (東橋郡)

We plan to develop the East Cambridge County as a large-scale low-density project with low-rise garden apartments, townhouses, high-rise apartments and retail units. It is located in the University Town area of Shapingba District (沙坪壩區大學城片區), Chongqing. The project is being developed by Chongqing Longhu Kaian. We acquired the land by public auction and entered into the land grant contract with respect to East Cambridge County in March 2007. The total land premium for this land is approximately RMB602.3 million. As at September 30, 2009, the outstanding land premium was RMB215.0 million.

Based on our current plan, the project will occupy a total site area of approximately 615,175 sq.m. and has an aggregate GFA of approximately 1,037,674 sq.m..

Details of the project as of August 31, 2009 were as follows:

Planned construction period

Phase 1	Q3 2008 — Q3 2010
Phase 2	Q2 2009 — Q4 2010
Phase 3	Q3 2009 — Q3 2011
Phase 4	Q4 2010 — Q2 2012
Phase 5	Q4 2010 — Q3 2013
Phase 6	Q4 2009 — Q3 2011
Phase 7	Q4 2011 — Q2 2013
Phase 8	Q3 2012 — Q2 2014
Phase 9	Q2 2014 — Q4 2015
Phase 10	Q3 2014 — Q2 2016
Development costs incurred	RMB 790 million
Estimated future development costs	RMB 3,120 million

Phase 1 - 2

Phase 1 has an aggregate GFA under development of approximately 107,267 sq.m., comprising primarily townhouses of 82,769 sq.m..

Phase 2 has an aggregate GFA under development of approximately 64,127 sq.m., comprising townhouses of 47,548 sq.m. and retail units of 675 sq.m..

As of August 31, 2009, we had pre-sold townhouses of 74,415 sq.m..

BUSINESS

Phase 3 - 10

Phase 3 - 10 have an aggregate planned GFA of 866,280, comprising 253,539 sq.m. of townhouses, 71,732 sq.m. of low-rise elevator apartments, 196,057 sq.m. of high-rise apartments, 60,074 sq.m. of saleable retail units, 7,000 sq.m. of small offices and home offices and 83,182 sq.m. of carparking spaces. In addition, phase 10 includes retail units with a total rentable area of 51,718 sq.m..

As of August 31, 2009, no units in these phases had been pre-sold.

Peace Hill County (悠山郡)



Peace Hill County is planned to be a large-scale residential community. It is located in the economic and technology zone of Lijia Area (禮嘉片區), Chongqing. It is being developed by Chongqing Longhu Properties. We acquired the land by public auction and entered into the land grant contract with respect to Peace Hill County in December 2006. We have paid land premium totaling approximately RMB327.8 million, which represented the total land premium for this project.

Based on our current plan, the project will occupy a total site area of approximately 246,951 sq.m. and has an aggregate GFA of approximately 505,468 sq.m..

BUSINESS

Details of the project as of August 31, 2009 were as follows:

Planned construction period

Phase 1 - A	Q4 2007 — Q2 2009
Phase 1 - B	Q4 2007 — Q1 2010
Phase 2 - A	Q1 2008 — Q4 2009
Phase 2 - B	Q1 2008 — Q4 2010
Phase 3 - A	Q4 2008 — Q4 2010
Phase 3 - B	Q1 2010 — Q4 2011
Phase 3 - C	Q4 2011 — Q4 2013
Development costs incurred	RMB800 million
Estimated future development costs	RMB1,061 million

Phase 1 - A

Phase 1 - A has an aggregate completed GFA of 52,621 sq.m., comprising stand-alone villas of 46,597 sq.m., retail units of 2,942 sq.m..

As of August 31, 2009, 7,935 sq.m. of stand-alone villas and all the retail were held for sale.

Phase 1 - B

Phase 1 - B has an aggregate 18,001 sq.m. of stand-alone villas under development, all of which had been pre-sold as of August 31, 2009.

Phase 2 - A

Phase 2 - A has an aggregate GFA of 54,504 sq.m. under development, comprising low-rise garden apartments of 34,917 sq.m. and car parks of 19,587 sq.m..

As of August 31, 2009, 34,628 sq.m. of low-rise garden apartments had been pre-sold.

Phase 2 - B

Phase 2 - B has an aggregate GFA of 70,218 sq.m. under development, comprising high-rise apartments of 49,114 sq.m., low-rise garden apartment of 17,817 sq.m. and retail units of 2,073 sq.m..

As of August 31, 2009, we had pre-sold high-rise apartments of 38,355 sq.m. and low-rise garden apartments of 15,212 sq.m..

Phase 3 - A

Phase 3 - A has an aggregate GFA of 91,891 sq.m. under development, comprising low-rise garden apartments of 79,350 sq.m. and carparking spaces of 7,324 sq.m..

As of August 31, 2009, we had pre-sold 39,206 sq.m. of low-rise garden apartments.

BUSINESS

Phase 3 - B

Phase 3 - B has an aggregate planned GFA of 105,521 sq.m. for future development, comprising high-rise of apartments 95,353 sq.m. and carparking spaces of 4,177 sq.m..

Phase 3 - C

Phase 3 - C has an aggregate planned GFA 112,712 sq.m. for future development, comprising high-rise apartments of 82,674 sq.m., retail units of 11,455 sq.m. and carparking spaces of 12,184 sq.m..

Sunshine Riverside (鄺江)



Sunshine Riverside is a high-end residential project located in the Danzishi area of Nanan District (南岸區彈子石片區), Chongqing. The project is a joint venture which is owned as to 46.6% by us and 49% by ING Real Estate China Opportunity Fund LP. The project is being developed by Chongqing Longhu Yiheng. We acquired the land by public auction and entered into the land grant contract with respect to Sunshine Riverside in February 2007. We have paid land premium totaling approximately RMB419.4 million which represented the total land premium for this project.

Based on our current plan, the project will occupy a total site area of approximately 111,741 sq.m. and has an aggregate GFA of approximately 417,413 sq.m..

BUSINESS

Details of the project as of August 31, 2009 were as follows:

Planned construction period

Phase 1 - A	Q4 2007 — Q1 2009
Phase 1 - B	Q4 2007 — Q4 2009
Phase 2 - A	Q1 2008 — Q4 2009
Phase 2 - B	Q1 2008 — Q1 2010
Phase 2 - C	Q3 2008 — Q2 2010
Phase 3	Q3 2008 — Q4 2010
Development costs incurred	RMB973 million
Estimated future development costs	RMB489 million

Phases 1 - A

Phases 1 - A has an aggregate completed GFA of 60,478 sq.m.. Phase 1 - A comprises 332 low-rise garden apartments with a total saleable GFA of 47,926 sq.m. and 362 carparks of 12,551 sq.m..

As of August 31, 2009, one unit of low-rise garden apartment of 140 sq.m. and 5,967 sq.m. carparking area were held for sale.

Phase 1 - B

Phase 1 - B has an aggregate GFA of 65,447 sq.m. under development, comprising 468 high-rise apartments with a total saleable GFA of 52,603 sq.m., retail units with a total rentable GFA of 1,161 sq.m. and carparks with a total saleable GFA of 9,565 sq.m..

As of August 31, 2009, we had pre-sold 50,440 sq.m. of the high-rise apartments of these phases.

Phase 2 - A

Phase 2 - A has an aggregate GFA of 89,399 sq.m. under development, comprising high-rise apartments of 60,167 sq.m. and carparking spaces of 25,046 sq.m..

As of August 31, 2009, 59,822 sq.m. of high-rise apartments were pre-sold.

Phase 2 - B

Phase 2 - B has an aggregate GFA of 19,408 sq.m. under development, comprising retail units of 14,441 sq.m. and carparking spaces of 4,328 sq.m.. As of August 31, 2009, no units in this phase had been pre-sold.

Phase 2 - C

Phase 2 - C has an aggregate GFA of 54,934 sq.m. under development, comprising high-rise bare shell and fitted-out houses of 37,642 sq.m. and 16,722 sq.m., of which, 18,012 sq.m. and 16,593 sq.m. were pre-sold as of August 31, 2009.

BUSINESS

Phase 3

Phase 3 has an aggregate GFA of 127,747 sq.m. under development, comprising bare shell high-rise apartments of 98,595 sq.m. and carparking spaces of 14,583 sq.m..

As of August 31, 2009, we had pre-sold 11,365 sq.m. of bare shell high-rise apartments.

Crystal Magic (紫晶城)

Crystal Magic is a large-scale integrated development situated in Yuzhong District (渝中區), Chongqing. The project will be developed by Chongqing Longhu Properties. We acquired the land by public auction and entered into the land title transfer contract with respect to Crystal Magic in August 2007. The total land premium is approximately RMB3,025.0 million. As at September 30, 2009, the outstanding land premium was RMB1,843.0 million.

Based on our current plan, the project will occupy a total site area of approximately 199,986 sq.m. and a total planned GFA of approximately 1,328,160 sq.m.. The project will consist of high-rise apartments with a planned GFA of approximately 468,984 sq.m., low-rise apartments of 17,058 sq.m., small offices and home offices of approximately 182,258 sq.m., offices of approximately 35,100 sq.m., retail area of approximately 107,533 sq.m. and car parks of approximately 218,161 sq.m.. In addition, the project also comprises a total rentable GFA of 240,060 sq.m..

As of August 31, 2009, this project was still at the planning stage. We expect to complete the project according to the following timetable:

Planned construction period	Q4 2009 — Q2 2016
Development costs incurred	RMB1,190 million
Estimated future development costs	RMB5,525 million

Mopan Shan Project (磨盤山項目)

We won the auction of this parcel of land in September 2009, which is located in Jiangbei District in Chongqing.

Based on our current plan, the project will occupy a total site area of 224,378 sq.m. and will have a total planned GFA for future development of 1,170,392 sq.m., comprising 287,040 sq.m. of high-rise apartments, 252,600 sq.m. of low-rise garden apartments, 81,300 sq.m. of retail units, 318,000 sq.m. of SOHO units and 157,000 sq.m. of car parking area.

BUSINESS

As of the Latest Practicable Date, this project was still at the planning stage and we expect to complete the project according to the following timetable:

Planned construction period	
Phase 1	Q1 2010 — Q4 2011
Phase 2	Q2 2010 — Q1 2012
Phase 3	Q2 2011 — Q1 2013
Phase 4	Q3 2013 — Q2 2015
Development costs incurred	Nil
Estimated future development costs	RMB6,141 million

University Town Project (大學城項目)

We won the auction of this parcel of land in September 2009, which is located in Shapingba District in Chongqing.

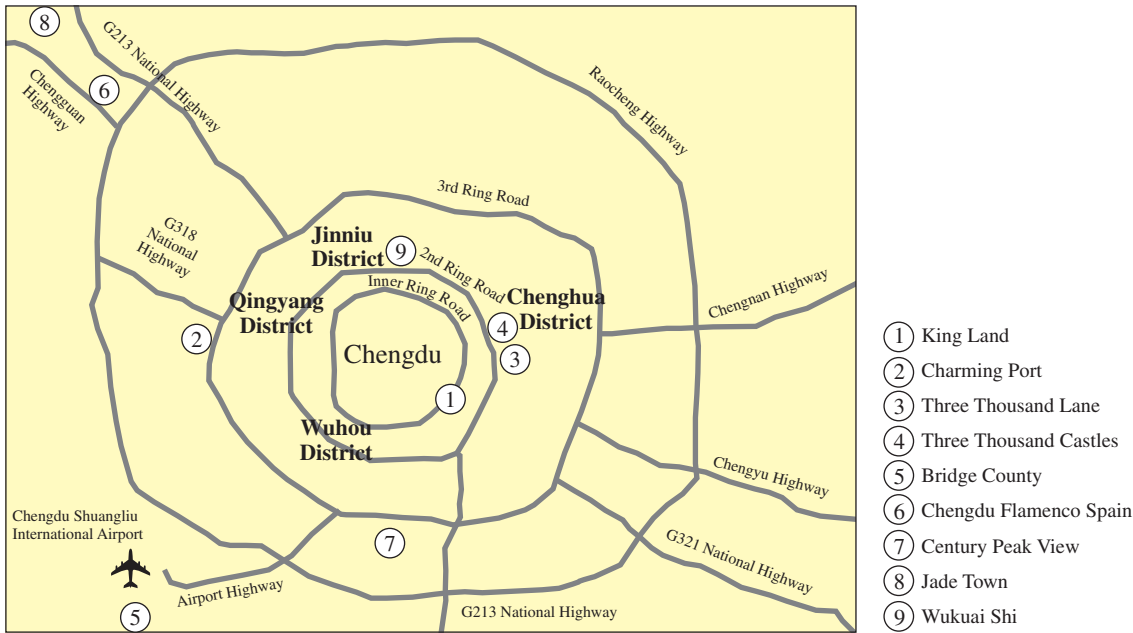
Based on our current plan, the project will occupy a total site area of 588,220 sq.m. and will have a total planned GFA for future development of 1,774,955 sq.m., comprising 350,800 sq.m. of high-rise apartments, 658,900 sq.m. of low-rise garden apartments, 208,075 sq.m. of townhouses, 130,026 sq.m. of retail units and 265,109 sq.m. of car parking area. In addition, this project will also comprise a total rentable area of 30,000 sq.m..

As of the Latest Practicable Date, this project was still at the planning stage and we expect to complete the project according to the following timetable:

Planned construction period	
Phase 1	Q1 2010 — Q4 2011
Phase 2	Q2 2010 — Q1 2012
Phase 3	Q4 2010 — Q4 2012
Phase 4	Q2 2012 — Q1 2014
Phase 5	Q3 2013 — Q2 2015
Development costs incurred	Nil
Estimated future development costs	RMB5,647 million

BUSINESS

Chengdu



King Land (晶藍半島)



BUSINESS

King Land is our first project in Chengdu. This mixed-use project is conveniently located in Jinjiang District of Chengdu at the intersection of First Ring Road and East Avenue. The project was developed by Chengdu Longhu Jinhua. We acquired the land by public auction and entered into the land grant contract with respect to King Land in October 2005. We have paid land premium totaling approximately RMB293.0 million which represented the total land premium for this project.

The project occupies a total site area of approximately 59,476 sq.m. and has a total completed GFA of approximately 283,559 sq.m.. The project comprises high-rise apartments, retail facilities, carparks and amenities, including a clubhouse with tennis courts, an outdoor swimming pool, an indoor swimming pool and a kindergarten.

This project has two phases. As of August 31, 2009, we had completed both phases of the project. We have sold all the residential units, part of the retail area and carparks of the project and still hold 2,483 sq.m. of retail area and 8,194 sq.m. of carparks.

Details of the project as of August 31, 2009 were as follows:

Construction period	
Phase 1	Q4 2005 — Q4 2007
Phase 2	Q1 2006 — Q2 2008
Development costs incurred	RMB802 million
Estimated future development costs	RMB11 million

Phase 1

Phase 1 has an aggregate completed GFA of approximately 102,427 sq.m. and comprises high-rise apartments, retail units and carparks with an aggregate saleable GFA of 96,391 sq.m..

As of August 31, 2009, we had sold all the high-rise apartments and retail units. We still held 33 car parking spaces with an aggregate saleable GFA of 879 sq.m..

Phase 2

Phase 2 has an aggregate completed GFA of approximately 181,132 sq.m.. Phase 2 comprises a kindergarten, 1,044 high-rise apartments with an aggregate saleable GFA of 135,958 sq.m., retail units with an aggregate saleable GFA of 12,738 sq.m., and car parking spaces with an aggregate saleable GFA of 23,470 sq.m..

As of August 31, 2009, we still held retail units with an aggregate saleable GFA of 2,483 sq.m. and 277 carparks with an aggregate saleable GFA of 7,315 sq.m..

BUSINESS

Charming Port (翠微清波)



Charming Port is a residential project situated in Qingyang District, Chengdu. It is adjacent to Qingshui River (清水河) and is connected to Chengwen Expressway (成温高速) and Third Ring Road. The project was developed by Chengdu Longhu Jinhua. We acquired the land by public auction and entered into the land grant contract with respect to Charming Port in December 2005. We have paid land premium totaling approximately RMB352.5 million which represented the total land premium for this project.

The project occupies a total site area of approximately 87,490 sq.m. and has a total completed GFA of approximately 321,192 sq.m.. The project comprises 1,937 high-rise apartments with an aggregate saleable GFA of 246,772 sq.m., retail units with an aggregate saleable GFA of 7,840 sq.m., and 1,367 car parking spaces with an aggregate saleable GFA of 51,229 sq.m..

The project has two phases. As of August 31, 2009, both phases had been completed. As of August 31, 2009, six high-rise apartments with an aggregate saleable GFA of 942 sq.m., retail units of 191 sq.m. and 916 car parking spaces with an aggregate saleable GFA of 34,280 sq.m. were held for sale.

Details of the project as of August 31, 2009 were as follows:

Construction period	
Phase 1	Q3 2006 — Q3 2008
Phase 2	Q3 2006 — Q3 2008
Development costs incurred	RMB950 million

BUSINESS

Estimated future development costs

RMB54 million

Three Thousand Lane (三千里)



Three Thousand Lane is a large scale mixed-use development situated at the intersection of Second Ring Road and Jianshe Road. The project was developed by Chengdu Longhu Jinhua. We acquired the land by public auction and entered into the land grant contract with respect to Three Thousand Lane in September 2006. We have paid land premium totaling approximately RMB509.0 million which represented the total land premium for this project.

The project occupies a total site area of approximately 55,088 sq.m. and has a total completed GFA of approximately 325,105 sq.m.. The project comprises 2,693 high-rise apartments with an aggregate saleable GFA of 262,899 sq.m., retail units with an aggregate saleable GFA of 16,664 sq.m., and 1,091 carparks with an aggregate saleable GFA of 34,884 sq.m.. The project will also have various sports and recreational facilities, including an outdoor and an indoor swimming pools and a squash court.

The project has two phases. As of August 31, 2009, both phases were completed and we have sold all the high-rise apartments. In addition, 644 sq.m. of five retail units and 21,182 sq.m. of 666 carparks were held for sale.

BUSINESS

Details of the project as of August 31, 2009 were as follows:

Construction period	
Phase 1	Q4 2006 — Q1 2009
Phase 2	Q1 2007 — Q2 2009
Development costs incurred	RMB1,126 million
Estimated future development costs	RMB118 million

Three Thousand Castles (三千城)



Three Thousand Castles is a large-scale integrated project with low-rise and high-rise apartments, SOHO units and retail spaces. It is located near Second Ring Road and is adjacent to our Three Thousand Lane project. The project is being developed by Chengdu Longhu Tongjin. We hold 46.6% equity interest in this development and ING Real Estate China Opportunity Fund LP holds 49%. We acquired the land by public auction and entered into the land grant contract with respect to Three Thousand Castles in April 2007. We have paid land premium totaling approximately RMB932.5 million which represented the total land premium for this project.

The project has a total site area of approximately 75,787 sq.m. and an aggregate GFA under development of approximately 471,683 sq.m..

BUSINESS

Details of the project as of August 31, 2009 were as follows:

Planned construction period

Phase 1	Q4 2007 — Q1 2010
Phase 2	Q1 2008 — Q4 2010
Phase 3	Q1 2008 — Q3 2010
Phase 4	Q2 2008 — Q4 2011
Phase 5	Q2 2008 — Q4 2010
Development costs incurred	RMB1,490 million
Estimated future development costs	RMB846 million

Phase 1

Phase 1 has an aggregate GFA under development of approximately 24,225 sq.m.. Phase 1 comprises 22,218 sq.m. of low-rise garden apartments and 2,007 sq.m. of retail units.

As of August 31, 2009, we had pre-sold 18,425 sq.m. of the low-rise garden apartments and all of the retail units of this phase.

Phase 2

Phase 2 has an aggregate GFA under development of approximately 233,836 sq.m., with a total saleable GFA of 222,312 sq.m. which comprises 134,661 sq.m. high-rise fitting-out apartments, 6,208 sq.m. of retail units, 32,826 sq.m. of small offices and home offices and 48,617 sq.m. car parking areas.

As of August 31, 2009, we had pre-sold 125,647 sq.m. of the high-rise fitting-out apartments, 6,268 sq.m. of small offices and home offices and no retail units had been pre-sold.

Phase 3

Phase 3 has an aggregate GFA under development of 24,053 sq.m., comprising 22,384 sq.m. of low-rise garden apartments and 1,669 sq.m. of retail units.

As of August 31, 2009, we had pre-sold 15,551 sq.m. of low-rise garden apartments and 1,624 sq.m. of retail units.

Phase 4 - 5

Phase 4 - 5 have an aggregate GFA under development of 189,569 sq.m., comprising fitting-out high-rise apartments of 107,798 sq.m., saleable retail units of 2,419 sq.m. and carparking spaces of 30,463 sq.m.. In addition, in phase 5, retail units with a total rentable GFA of 44,163 sq.m. are also included.

As of August 31, 2009, we had pre-sold 60,621 sq.m. of fitting-out high-rise apartments.

BUSINESS

Bridge County (長橋郡)



Bridge County is an exclusive residential community with luxury stand-alone houses. It is situated in Muma Mountain (牧馬山), Chengdu and is adjacent to Yangliu River and Nian River. The project is being developed by Longhu Jincheng. We acquired the land by acquisition of a company then holding the land.

Based on our current plan, the project will occupy a total site area of approximately 469,883 sq.m. and has an aggregate GFA of approximately 265,479 sq.m.. This development will comprise primarily luxury stand-alone houses.

Details of the project as of August 31, 2009 were as follows:

Planned construction period

Phase 1	Q4 2007 — Q4 2009
Phase 2	Q3 2008 — Q1 2010
Phase 3	Q4 2008 — Q4 2010
Phase 4	Q2 2009 — Q4 2010
Phase 5	Q1 2010 — Q4 2011
Development costs incurred	RMB747 million
Estimated future development costs	RMB876 million

Phase 1

Phase 1 has an aggregate GFA under development of approximately 67,667 sq.m., comprising luxury stand-alone houses with an aggregate saleable GFA of 63,713 sq.m..

As of August 31, 2009, we had pre-sold 51,961 sq.m. of the luxury stand-alone houses in this project.

Phase 2

Phase 2 has an aggregate GFA under development of approximately 50,584 sq.m., primarily comprising luxury stand-alone houses.

As of August 31, 2009, we had pre-sold 20,676 sq.m. of the luxury stand-alone houses in this project.

BUSINESS

Phase 3

Phase 3 has an aggregate GFA under development of approximately 41,414 sq.m., comprising luxury stand-alone houses.

As of August 31, 2009, we had pre-sold 38,323 sq.m. of the luxury stand-alone houses in this project.

Phase 4

Phase 4 has an aggregate GFA under development of approximately 58,464 sq.m., comprising luxury stand-alone houses with an aggregate saleable GFA of 53,935 sq.m..

As of August 31, 2009, we had not commenced the pre-sale.

Phase 5

Phase 5 has an aggregate GFA held for future development of approximately 47,350 sq.m. and will primarily consist of luxury stand-alone houses.

Jade Town (小院青城)

Jade Town is a residential project situated at the top of the Qingchengshan Holiday Resort area. The project is being developed by Sichuan Longhu. We acquired the land by public auction and entered into the land grant contract with respect to Jade Town in September 2007. We have paid land premium totaling approximately RMB766.1 million which represented the total land premium for this project.

Based on our current plan, the project will occupy a total site area of approximately 210,505 sq.m. and have a total planned GFA of approximately 232,299 sq.m..

As of August 31, 2009, this project was still at the planning stage. We expect to complete the project according to the following timetable:

Planned construction period	
Phase 1	Q1 2010 — Q3 2011
Phase 2	Q1 2011 — Q3 2012
Phase 3	Q1 2012 — Q3 2013
Phase 4	Q2 2013 — Q3 2014
Development costs incurred	RMB800 million
Estimated future development costs	RMB821 million

Phases 1

Phase 1 has an aggregate GFA for future development of approximately 63,444 sq.m., comprising stand-alone villas with a total planned saleable GFA of 14,129 sq.m., duplex villas of 5,875 sq.m., low-rise garden apartments of 21,600 sq.m. and retail units of 6,264 sq.m..

BUSINESS

Phases 2

Phase 2 has an aggregate GFA for future development of approximately 74,344 sq.m., comprising stand-alone villas with a total planned saleable GFA of 14,963 sq.m., 17,135 sq.m. of duplex villas, 24,600 sq.m. of low-rise garden apartments.

Phases 3

Phase 3 has an aggregate GFA for future development of approximately 63,512 sq.m., comprising stand-alone villas with a total planned saleable GFA of 17,853 sq.m., 2,937 sq.m. of duplex villas 27,300 sq.m. of low-rise garden apartments.

Phases 4

Phase 4 has an aggregate GFA for future development of approximately 31,000 sq.m., comprising low-rise garden apartments with a total planned saleable GFA of 27,000 sq.m..

Century Peak View (世紀峰景)

Century Peak View is a premium high-rise residential project situated in the central business district of Chengnan District (城南區), Chengdu, close to the Pride International Exhibition Centre. The project is being developed by Chengdu Jiaxun. This is a joint venture project, conducted via four joint venture entities, with a jointly controlled entity of ING Real Estate China Opportunity Fund LP and Aetos Capital Asia T.E. II, Ltd. and Aetos Capital Asia II, Ltd. We have 9.1% interest in the joint venture project. We intend to acquire 45.556% of the interest of the joint venture shortly after the Listing. We acquired the land by investing in the joint venture entities holding the land.

Based on our current plan, the project has a total site area of approximately 48,062 sq.m. and a total planned GFA of approximately 582,068 sq.m..

As of August 31, 2009, phase 1 of this project was under development and the others were still at the planning stage. We expect to complete the project according to the following timetable:

Planned construction period	
Phase 1	Q3 2008 — Q4 2011
Phase 2	Q1 2013 — Q2 2015
Phase 3	Q3 2013 — Q4 2016
Development costs incurred	RMB2,241 million
Estimated future development costs	RMB1,803 million

Phase 1

Phase 1 has an aggregate GFA under development of approximately 143,489 sq.m.. This phase will comprise high-rise apartments with a total planned GFA of 115,617 sq.m. and 24,094 sq.m. of carpark.

As of August 31, 2009, we had pre-sold 561 sq.m. of high-rise apartments.

BUSINESS

Phases 2

Phases 2 has an aggregate GFA held for future development of approximately 191,039 sq.m., comprising high-rise apartments with a total planned GFA of 153,555 sq.m. and 35,596 sq.m. of carparks.

Phases 3

Phases 3 has an aggregate GFA held for future development of approximately 247,540 sq.m., comprising high-rise apartments with a total planned GFA of 203,847 sq.m. and 24,353 sq.m. of carparks.

Chengdu Flamenco Spain (成都弗莱明戈)



Chengdu Flamenco Spain is a large scale residential project situated in the New High-tech Zone of West Chengdu (城西高新西區). The project is being developed by Chengdu Xixi and Chengdu Xixiang. We acquired the land by public auction and entered into the land grant contract with respect to Chengdu Flamenco Spain in October 2007. We have paid land premium totaling approximately RMB772.0 million which represented the total land premium for this project.

Based on our current plan, the project has a total site area of approximately 126,137 sq.m. and a total planned GFA of approximately 755,647 sq.m..

BUSINESS

As of August 31, 2009, Phase 1 - 2 of this project were under development and the others were still at the planning stage. We expect to complete the project according to the following timetable:

Planned construction period	
Phase 1 - A	Q3 2008 — Q2 2010
Phase 1 - B	Q3 2008 — Q4 2010
Phase 2	Q4 2008 — Q2 2011
Phase 3	Q3 2009 — Q1 2012
Phase 4	Q1 2011 — Q2 2013
Phase 5	Q2 2013 — Q3 2015
Development costs incurred	RMB822 million
Estimated future development costs	RMB1,632 million

Phase 1 - A

Phase 1 - A has an aggregate GFA under development of approximately 90,551 sq.m., comprising low-rise garden apartments with a total planned GFA of 47,518 sq.m., 943 sq.m. of retail units and 27,801 sq.m. of carparking spaces.

As of August 31, 2009, we had pre-sold all the low-rise garden apartments and no retail units had been pre-sold.

Phase 1 - B

Phase 1 - B has an aggregate GFA under development of approximately 43,127 sq.m., comprising low-rise garden apartments with a total planned GFA of 22,869 sq.m. and 13,380 sq.m. of carparking spaces.

As of August 31, 2009, we had pre-sold 6,992 sq.m. of low-rise garden apartments.

Phase 2

Phase 2 has an aggregate GFA under development of approximately 110,175 sq.m., comprising high-rise apartments of 24,378 sq.m., low-rise garden apartments with a total planned GFA of 44,401 sq.m., 943 sq.m. of retail units and 26,594 sq.m. of carparking spaces.

As of August 31, 2009, we had not commenced the pre-sale.

Phase 3

Phase 3 has an aggregate GFA held for future development of approximately 33,549 sq.m.. Phase 3 will primarily comprise 24,175 sq.m. of bare shell high-rise apartments.

Phase 4

Phase 4 has an aggregate GFA held for future development of approximately 288,611 sq.m.. Phase 4 will primarily comprise 210,326 sq.m. of high-rise apartments, 5,204 sq.m of low-rise garden apartments, 2,198 sq.m. of retail units and 8,554 sq.m. of carparking spaces.

BUSINESS

Phase 5

Phase 5 has an aggregate GFA held for future development of approximately 189,634 sq.m.. Phase 5 will primarily comprise 119,109 sq.m. of high-rise apartments, 13,008 sq.m. of low-rise garden apartments, 6,672 sq.m. of retail units and 7,434 sq.m. of carparking spaces.

Wukuaishi Project (五塊石項目)

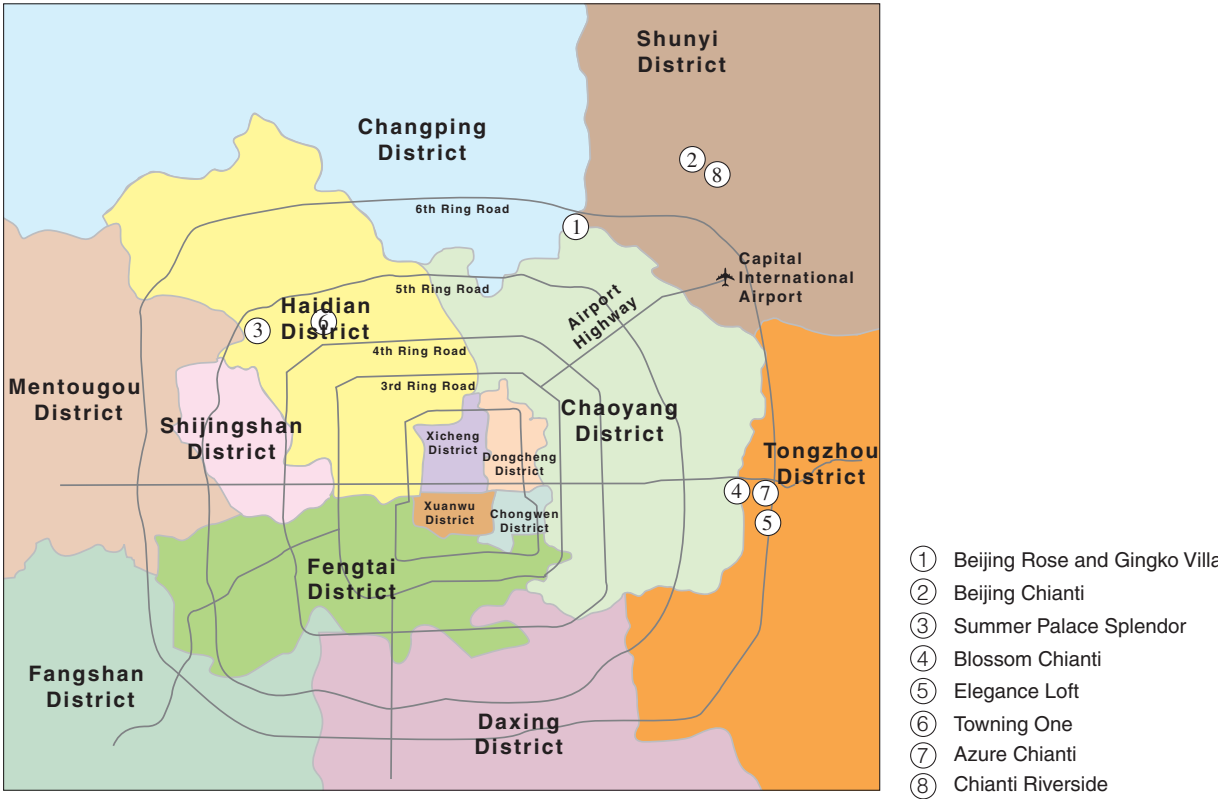
Wukuaishi project will occupy a total site area of 184,487 sq.m. We won the auction of this parcel of land in September 2009, which is located in Jinniu District in Chengdu.

Based on our current plan, the project will have a total planned GFA for future development of 901,813 sq.m., comprising 200,991 sq.m. of high-rise apartments, 150,000 sq.m. of low-rise garden apartments, 135,474 sq.m. of saleable retail units, 101,836 sq.m. of SOHO units, 74,480 sq.m. of offices and 151,032 sq.m. of carparks. In addition, this project will also comprise a total rentable area of 88,000 sq.m..

As of the Latest Practicable Date, this project was still at the planning stage and we expect to complete the project according to the following timetable:

Planned construction period	
Phase 1	Q1 2010 — Q1 2012
Phase 2	Q1 2011 — Q1 2013
Phase 3	Q2 2012 — Q3 2014
Phase 4	Q2 2012 — Q3 2014
Development costs incurred	Nil
Estimated future development costs	RMB 4,592 million

Beijing



BUSINESS

Beijing Rose and Gingko Villa (北京瀟瀾山)



Beijing Rose and Gingko Villa is our first project in Beijing. It is a townhouse project located in Houshayu (後沙峪) with easy access to Jingcheng Expressway (京承高速). The project is being developed by Beijing Longhu Properties. We acquired the land by public auction and entered into the land grant contract with respect to Beijing Rose and Gingko Villa in February 2006. We have paid land premium totaling approximately RMB715.0 million which represented the total land premium for this project.

The project occupies a total site area of approximately 164,637 sq.m. and has an aggregate GFA of approximately 197,971 sq.m.. It comprises 430 townhouses in Mediterranean style with an aggregate saleable GFA of 74,868 sq.m. in Phase 1 and 33,679 sq.m. in Phase 2, as well as a clubhouse of international standard and a park.

Phase 1 of the project has been completed while phase 2 is still under development. As of August 31, 2009, 593 sq.m. of the townhouses of phase 1 remained unsold, and we had pre-sold townhouses of phase 2 with an aggregate saleable GFA of approximately 31,068 sq.m..

BUSINESS

Details of the project as of August 31, 2009 were as follows:

Planned construction period	
Phase 1	Q2 2006 — Q1 2009
Phase 2	Q4 2007 — Q4 2009
Development costs incurred	RMB1,308 million
Estimated future development costs	RMB294 million

Beijing Chianti (北京香醍漫步)



Beijing Chianti is a residential project with low-rise apartments and townhouses located in Shunyi District (順義區), Beijing and is adjacent to the 2008 Olympic Aquatic Park and a conservation park. The project is being developed by Beijing Longhu Qinghua. We acquired the land by public auction and entered into the land grant contract with respect to Beijing Chianti in February 2007. We have paid land premium totaling approximately RMB291.8 million which represented the total land premium for this project.

The project occupies a total site area of approximately 168,569 sq.m. and has a total completed GFA of approximately 217,340 sq.m..

Phase 1 comprises 210 luxury stand-alone houses with an aggregate saleable GFA of 41,342 sq.m., low-rise garden apartments of 60,758 sq.m. and carparks of 16,018 sq.m..

Phase 2 comprises low-rise garden apartments with an aggregate saleable GFA of 37,452 sq.m., retail area of 2,597 sq.m. and carparks of 5,074 sq.m..

We have completed all phases of this project. As of August 31, 2009, 426 sq.m. of luxury stand-alone villas, 2,106 sq.m. of low-rise garden apartments, 2,597 sq.m. of retail units and 13,904 sq.m. of carparks were held for sale.

BUSINESS

Details of the project as of August 31, 2009 were as follows:

Construction period	
Phase 1	Q3 2007 — Q2 2009
Phase 2	Q3 2007 — Q3 2009
Development costs incurred	RMB841 million
Estimated future development costs	RMB252 million

Summer Palace Splendor (頤和原著)



Summer Palace Splendor is a luxury stand-alone villa development adjacent to the Summer Palace. The project is being developed by Beijing Longhu Properties. We acquired the land by public auction and entered into the land grant contract with respect to Summer Palace Splendor in June 2006. We have paid land premium totaling approximately RMB900.3 million which represented the total land premium for this project.

The project has a total site area of approximately 97,809 sq.m. and a total GFA under development of approximately 128,894 sq.m.. It comprises 91 luxury stand-alone villas with an aggregate saleable GFA of 94,763 sq.m. and 20,801 sq.m. of retail units.

We have commenced construction of this project and as of August 31, 2009, we have pre-sold 14 luxury stand-alone houses with an total aggregate GFA of 14,957 sq.m. and no retail units had been pre-sold.

Details of the project as of August 31, 2009 were as follows:

Planned construction period	Q4 2007 — Q4 2010
Development costs incurred	RMB1,282 million
Estimated future development costs	RMB769 million

BUSINESS

Blossom Chianti (花盛香醍)



Blossom Chianti is a large scale residential community located in Banbidian (半壁店) of Tongzhou District, Beijing, adjacent to the Tongzhou Railway Station. The project is being developed by Beijing Longhu Zhongbai. We acquired the land by public auction and entered into the land grant contract with respect to Blossom Chianti and Elegance Loft in November 2007.

The project has a total site area of approximately 99,442 sq.m. and a total GFA under development of approximately 213,365 sq.m..

We have commenced construction of this project and expect to complete the project based on below timetable:

Planned construction period	
Phase 1	Q2 2008 — Q4 2009
Phase 2	Q2 2008 — Q2 2010
Phase 3	Q2 2008 — Q4 2010
Development costs incurred	RMB916 million
Estimated future development costs	RMB672 million

Phase 1

Phase 1 has an aggregate GFA under development of approximately 124,584 sq.m., comprising 48,372 sq.m. of low-rise garden apartments and 17,364 sq.m. of townhouses.

BUSINESS

As of August 31, 2009, we had pre-sold 39,994 sq.m. of low-rise garden apartments and 8,318 sq.m. of townhouses.

Phase 2

Phase 2 has an aggregate GFA under development of approximately 42,147 sq.m., comprising 16,118 sq.m. of low-rise garden apartments and 26,029 sq.m. of townhouses. As of August 31, 2009, 5,737 sq.m. of the low-rise garden apartments had been pre-sold.

Phase 3

Phase 3 has an aggregate GFA under development of approximately 46,634 sq.m., comprising 25,246 sq.m. of low-rise garden apartments, 4,332 sq.m. of townhouses, 3,829 sq.m. of retail units and 13,227 sq.m. of carparking spaces. As of August 31, 2009, 11,641 sq.m. of low-rise garden apartments had been pre-sold.

Elegance Loft (大方居)

Elegance Loft is a residential development project of housing with size and price limits and low-rent housing located in Banbidian (半壁店) of Tongzhou District, Beijing, adjacent to the Tongzhou Railway Station. The project is being developed by Beijing Longhu Zhongbai. We acquired the land by public auction and entered into the land grant contract with respect to Blossom Chianti and Elegance Loft in November 2007. We have paid land premium totaling approximately RMB1,493 million in respect of Blossom Chianti and Elegance Loft which represented the total land premium for the two projects.

The project has a total site area of approximately 168,388 sq.m. and a total GFA under development of approximately 581,062 sq.m., comprising 520,084 sq.m. of housing with size and price limits, 16,005 sq.m. of low-rent housing and 2,672 sq.m. of retail units.

We have commenced development and pre-sale of this project. As of August 31, 2009, 452,042 sq.m. of the housing with size and price limits had been pre-sold and no retail units had been pre-sold. According to the agreement entered among Beijing Construction Commission, Beijing Municipal Bureau of Land and Resource and Beijing Longhu Zhongbai on November 19, 2007, the government promised to purchase the low-rent housing after completion.

Details of the project is as follows:

Planned construction period

Phase 1	Q2 2008 — Q1 2010
Phase 2	Q2 2008 — Q4 2010
Development costs incurred	RMB1,439 million
Estimated future development costs	RMB876 million

BUSINESS

Towning One (唐寧 ONE)

Towning One is a residential and commercial development located in Zhongguancun (中關村), Haidian District (海澱區) of Beijing and is close to Peking University, Tsinghua University and the Beijing University of Aeronautics and Astronautics. The project will be developed by Beijing Longhu Shidai. We acquired the land by public auction and entered into the land grant contract with respect to Towning One in February 2008. We have paid land premium totaling approximately RMB2,060.0 million which represented the total land premium for this project.

Based on our current plan, the project will occupy a total site area of approximately 41,971 sq.m. and have a total GFA under development of approximately 250,190 sq.m.. The total saleable GFA will be 207,051 and will comprise 128,302 sq.m. of high-rise apartments, 6,203 sq.m. of low-rent housing, 18,626 sq.m. of small offices and home offices, 30,347 sq.m. of retail units, and 23,573 sq.m. of carparking spaces. The total rentable GFA will be 3,415 sq.m. of retail units.

As of August 31, 2009, we had pre-sold 69,026 sq.m. of high-rise apartments and 16,854 sq.m. of retail units. No low-rent housing, small offices and home offices and carparking spaces were pre-sold by then.

We expect to complete the project according to the following timetable:

Planned construction period	Q4 2008 — Q3 2011
Development costs incurred	RMB2,605 million
Estimated future development costs	RMB1,160 million

Azure Chianti (蔚瀾香醍)

Azure Chianti is a residential and commercial development project located in Liyuan Town (梨園鎮), Tongzhou District (通州區) of Beijing and is connected to the Jingtong Highway (京通高速) and the Urban Rail Transit Batong Line (城鐵八通綫). The project will be developed by Beijing Longhu Tianxing. We acquired the land by public auction and entered into the land grant contract with respect to Azure Chianti in April 2008. The total land premium for this land is approximately RMB700.0 million. As at September 30, 2009, the outstanding land premium was RMB10.1 million.

Based on our current plan, the project will occupy a total site area of approximately 55,435 sq.m. and have a total planned GFA for future development of approximately 171,047 sq.m.. The project will have a total saleable GFA of 140,757 sq.m. comprising 41,884 sq.m. of high-rise apartments, 41,914 sq.m. of duplex villas, 36,773 sq.m. of low-rise apartments, 906 sq.m. of retail units and 19,280 sq.m. of carparking spaces.

As of August 31, 2009, this project was still at the planning stage. We expect to complete the project according to the following timetable:

Planned construction period	
Phase 1	Q1 2010 — Q4 2012
Phase 2	Q1 2010 — Q2 2013
Development costs incurred	RMB297 million
Estimated future development costs	RMB1,042 million

BUSINESS

As at the Latest Practicable Date, we have not commenced the construction of Azure Chianti because the demolition and resettlement works on the land had not been completed as scheduled and agreed by the local authorities. Commerce & Finance Law Offices, our PRC legal counsel, has advised that the chance for the relevant PRC land bureau to regard the land as idle and impose land idle fees is relatively small, on the grounds that the relevant PRC land bureau confirmed in August 2009 with Beijing Longhu Tianxing that the delay in commencement of construction was due to delay in completing the demolition and resettlement works. As at the Latest Practicable Date, Beijing Longhu Tianxing is in the process of applying for the State-owned Land Use Rights Certificates in relation to the land. For further information, please refer to “Risk Factors — If we fail to develop land according to the land use right grant terms, our land use right may be subject to repossession by the PRC Government”.

Chianti Riverside (香醍溪岸)

Chianti Riverside is a residential project with high-rise apartments, low-rise garden apartments and stand-alone villas located in Shunyi district (順義區), Beijing and is adjacent to the 2008 Olympic Aquatic Park and a conservation park. Currently, it is being developed by Beijing Longhu Properties. We acquired the land by public auction and entered into the land grant contract with respect to Chianti Riverside in June 2009. We have paid land premium totaling RMB458.1 million which represented the total land premium for the project.

Based on our currently plan, the project will occupy a total site area of approximately 187,514 sq.m. and have a total planned GFA for future development of 305,860 sq.m, with a total site area of approximately 187,514 sq.m.. This project will comprise high-rise apartments of 28,690 sq.m., low-rise garden apartments of 133,659 sq.m., stand-alone villas of 121,339 sq.m., 1,000 sq.m. of retail units and 12,557 sq.m. of carparking spaces.

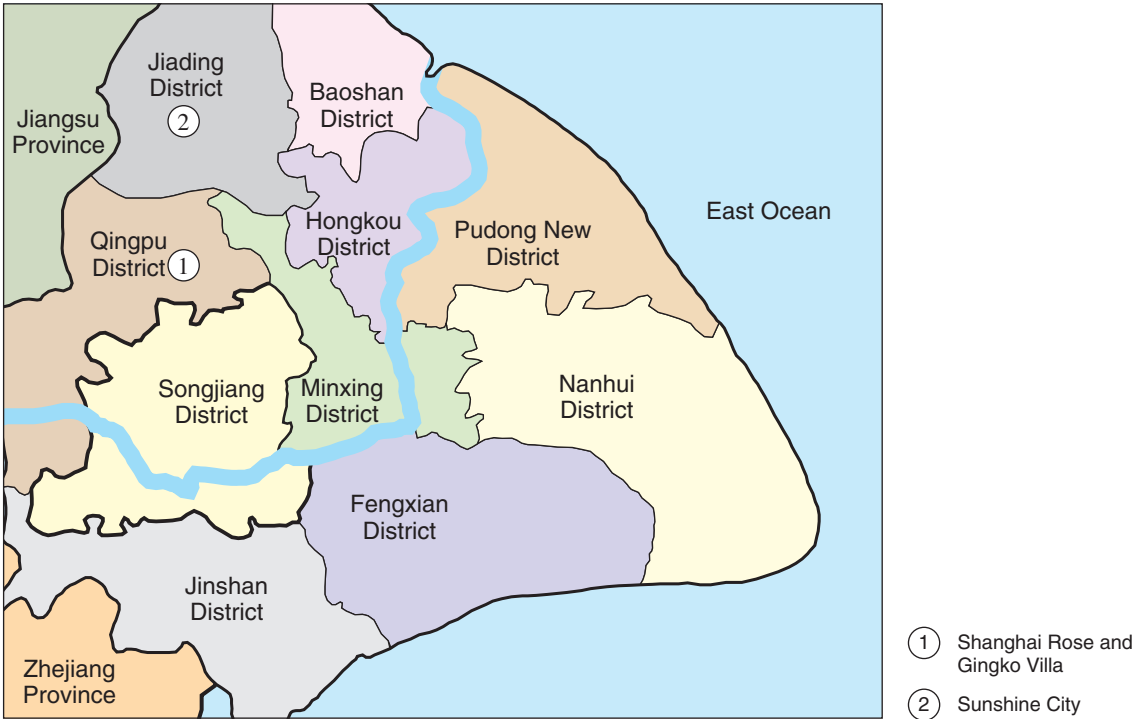
We have not commenced development of this project as of August 31, 2009.

Details of the project as of August 31, 2009 were as follows:

Planned construction period	
Phase 1	Q1 2010 — Q4 2011
Phase 2	Q1 2010 — Q2 2012
Development costs incurred	RMB64 million
Estimated future development costs	RMB1,529 million

BUSINESS

Shanghai



BUSINESS

Shanghai Rose and Ginkgo Villa (上海灘瀾山)



Shanghai Rose and Ginkgo Villa is our first project in Shanghai. It is a residential project located in the Qingpu District (青浦區), Shanghai and is adjacent to the Songtang River. The Project is being developed by Shanghai Hengrui. Chongqing Longhu Properties holds 45.65% equity interest in this development and COF I SRL holds 50%. We acquired the land by public auction and entered into the land grant contract with respect to Shanghai Rose and Ginkgo Villa in January 2008. We have paid land premium totaling approximately RMB1,540.0 million which represented the total land premium for this project.

Based on our current plan, the project will occupy a total site area of approximately 144,496 sq.m. and have a total planned GFA under development of approximately 236,722 sq.m.. The project will comprise townhouses with a planned GFA of approximately 27,084 sq.m., 117,602 sq.m. of duplex villas and 4,894 sq.m. of retail units.

As of August 31, 2009, we had commenced the development of this project, and 10,538 sq.m. of townhouses and 57,381 sq.m. of duplex villas had been pre-sold.

We expect to complete the project according to the following timetable:

Planned construction period	Q3 2008 — Q4 2010
Development costs incurred	RMB1,942 million
Estimated future development costs	RMB616 million

BUSINESS

Sunshine City (麗城)



Sunshine City is a residential and commercial development located in Jiading New City (嘉定新城), Jiading District (嘉定區) of Shanghai and is connected to Xiwang Road and Maiji Road and is adjacent to a light rail station. The project will be developed by Shanghai Hengchi Real Estate. We acquired the land by public auction and entered into the land grant contract with respect to Sunshine City in July 2008. We have paid land premium totaling approximately RMB670.4 million which represented the total land premium for this project.

Based on our current plan, the project will occupy a total site area of approximately 178,248 sq.m. and have a total planned GFA of approximately 452,754 sq.m.. The project will comprise high-rise apartments, low-rise garden apartments, townhouses, small offices and home offices, limited-price housing, retail units and car parks.

BUSINESS

As of August 31, 2009, phase 1 of this project was under development and the rest were still at the planning stage. We expect to complete the project according to the following timetable:

Planned construction period	
Phase 1	Q3 2009 — Q4 2010
Phase 2	Q4 2009 — Q4 2011
Phase 3	Q4 2009 — Q4 2011
Phase 4	Q2 2010 — Q3 2012
Development costs incurred	RMB941 million
Estimated future development costs	RMB1,499 million

Phase 1

Phase 1 has an aggregate GFA under development of approximately 99,780 sq.m., comprising 54,777 sq.m. of townhouses and retail units with a total rentable GFA of 9,945 sq.m..

Phase 2 - 4

Phase 2 - 4 have an aggregate GFA for future development of approximately 352,974 sq.m., comprising 170,845 sq.m. of high-rise apartments, 26,786 sq.m. of townhouses, 13,716 sq.m. of housing with price limit, 20,631 sq.m. of small offices and home offices and 12,960 sq.m. of carparking spaces. In addition, phase 4 includes retail units with a total rentable area of 23,080 sq.m..

Xi'an



BUSINESS

Qujiang Glory (曲江盛景)



Qujiang Glory is a residential project situated in Qujiang District (曲江區), Xi'an and is adjacent to Big Wild Goose Pagoda (大雁塔). The project is being developed by Xi'an Longhu Jincheng. We acquired the land by public auction and entered into the land grant contract with respect to Qujiang Glory in November 2007. We have paid land premium totaling approximately RMB139.8 million which represented the total land premium for this project.

Based on our current plan, the project will occupy a total site area of approximately 34,795 sq.m. and have a total planned GFA under development of approximately 76,332 sq.m.. The project will comprise primarily duplex villas with a planned GFA of approximately 58,911 sq.m..

As of August 31, 2009, we had pre-sold 57,289 sq.m. of the duplex villas. We expect to complete the project according to the following timetable:

Planned construction period	Q2 2008 — Q4 2009
Development costs incurred	RMB310 million
Estimated future development costs	RMB106 million

Chang'an Wonder (夜長安)

Chang'an Wonder is a commercial project situated in the city centre of Qujiang, Xi'an. The project is being developed by Xi'an Longhu Jincheng. We acquired the land by public auction and entered into the land grant contract with respect to Chang'an Wonder in October 2007. We have paid land premium totaling approximately RMB117.4 million which represented the total land premium for this project.

BUSINESS

Based on our current plan, the project will occupy a total site area of approximately 30,889 sq.m. and have a total planned GFA of approximately 43,535 sq.m. for investment purposes. The project will comprise retail area of approximately 31,404 sq.m. and car parks of approximately 9,131 sq.m..

As of August 31, 2009, this project was still at the planning stage. According to the letter of confirmation dated September 27, 2009 from Xi'an Municipal Bureau of Land and Resources Qujiang Branch, the area in which the portion of land for Chang'an Wonder is located is currently undergoing planning adjustment, and the construction of Chang'an Wonder is therefore allowed to commence after the above-mentioned planning adjustment is completed. Commerce & Finance Law Offices, the Company's PRC legal counsel, has advised that in the circumstances, there is no risk of any idle land fees being imposed in respect of the land or the land being forfeited.

As at the Latest Practicable Date, we expect to complete the project according to the following timetable:

Planned construction period	Q2 2010 — Q4 2012
Development costs incurred	RMB 118 million
Estimated future development costs	RMB 279 million

Xi'an Fairy Castle (西安紫都城)

Xi'an Fairy Castle is a residential and commercial development located in Qujiang District (曲江區), Xi'an. The project is being developed by Xi'an Longhu Jincheng. We acquired the land by public auction and entered into the land grant contract with respect to Xi'an Fairy Castle in November 2007. We have paid land premium totaling approximately RMB223.7 million which represented the total land premium for this project.

Based on our current plan, the project will occupy a total site area of approximately 68,939 sq.m. and have a total planned GFA of approximately 274,338 sq.m., comprising high-rise apartments, retail units and carparking spaces.

As of August 31, 2009, we had commenced the development for phase 1 and phase 2 was still at the planning stage. We expect to complete the project according to the following timetable:

Planned construction period	
Phase 1	Q2 2009 — Q3 2011
Phase 2	Q1 2010 — Q4 2012
Development costs incurred	RMB312 million
Estimated future development costs	RMB772 million

Phase 1

Phase 1 has an aggregate GFA under development of approximately 82,006 sq.m., comprising high-rise apartments with a total planned saleable GFA of 65,363 sq.m., retail area of 1,176 sq.m. and car parks of 13,442 sq.m..

BUSINESS

As of August 31, 2009, we had pre-sold 45,589 sq.m. of high-rise apartments.

Phase 2

Phase 2 has an aggregate GFA held for future development of approximately 192,332 sq.m.. Phase 2 will comprise high-rise apartments with a total saleable GFA of 172,963 sq.m., 1,700 sq.m. of retail units and 10,754 sq.m. of car parks.

Xi'an Flamenco Spain (西安弗萊明戈)

Xi'an Flamenco Spain is a large scale residential project located in Chanba District (滄霸新區), Xi'an. The project is being developed by Xi'an Longhu Banpo. We acquired the land by acquisition of a company then holding the land.

Based on our current plan, the project will occupy a total site area of approximately 176,049 sq.m. and have a total planned GFA of approximately 579,905 sq.m., comprising primarily high-rise apartments, low-rise garden apartments, retail units and carparking spaces.

As of August 31, 2009, this project was still at the planning stage. We expect to complete the project according to the following timetable:

Planned construction period	
Phase 1	Q4 2009 — Q3 2011
Phase 2	Q3 2010 — Q2 2012
Phase 3	Q2 2011 — Q4 2013
Development costs incurred	RMB229 million
Estimated future development costs	RMB1,945 million

Phase 1

Phase 1 has an aggregate GFA held for future development of approximately 162,433 sq.m.. This phase will comprise low-rise garden apartments with a total saleable GFA of 122,900 sq.m. and car parks of 24,290 sq.m..

Phase 2

Phase 2 has an aggregate GFA held for future development of approximately 135,717 sq.m., comprising 102,700 sq.m. of low-rise garden apartments, 7,000 sq.m. of retail units and 15,408 sq.m. of car parks.

Phase 3

Phase 3 has an aggregate GFA held for future development of approximately 281,755 sq.m., comprising high-rise apartments with a total saleable GFA of 210,700 sq.m., saleable retail units of 3,000 sq.m. and car parks of 30,142 sq.m.. In addition, phase 3 includes retail units with a total rentable area of 32,000 sq.m..

BUSINESS

Xi'an Chianti (西安香醍漫步)

Xi'an Chianti is a large scale residential project located in Chanba District (滄霸新區), Xi'an. The project is being developed by Xi'an Longhu Xingcheng. We acquired the land by acquisition of a company then holding the land.

Based on our current plan, the project will occupy a total site area of approximately 369,653 sq.m. and have a total planned GFA for future development of approximately 956,100 sq.m., comprising high-rise apartments, low-rise garden apartments, retail units and carparks.

As of August 31, 2009, this project was still at the planning stage. We expect to complete the project according to the following timetable:

Planned construction period	
Phase 1	Q1 2011 — Q4 2012
Phase 2	Q3 2011 — Q4 2013
Phase 3	Q2 2013 — Q3 2016
Phase 4	Q2 2016 — Q2 2018
Development costs incurred	RMB571 million
Estimated future development costs	RMB2,854 million

Phase 1

Phase 1 has an aggregate GFA held for future development of approximately 129,267 sq.m., comprising 75,200 sq.m. of low-rise garden apartments, 12,000 sq.m. of saleable retail units and 14,722 sq.m. of carparks. In addition, phase 1 includes retail units with a total rentable area of 15,000 sq.m..

Phase 2

Phases 2 has an aggregate GFA held for future development of approximately 186,025 sq.m., comprising 124,600 sq.m. of low-rise garden apartments, 18,000 sq.m. of retail units and 25,824 sq.m. of carparks.

Phase 3

Phase 3 has an aggregate GFA held for future development of approximately 268,001 sq.m., comprising 214,000 sq.m. of high-rise apartments and 27,824 sq.m. of carparks.

Phase 4

Phase 4 has an aggregate GFA held for future development of approximately 372,807 sq.m., comprising 298,600 sq.m. of low-rise garden apartments, 10,300 sq.m. of retail units and 34,008 sq.m. of carparks.

BUSINESS

Wuxi

Taike Yuan (太科園)

Taike Yuan is our first project in Wuxi. It is a residential project with high-rise apartments, stand-alone villas and retail units located in Taihu International Scientific and Technology District (太湖國際科技園區). The project is being developed by Wuxi Longhu Properties. We acquired the land by public auction and entered into the land grant contract in respect of Taike Yuan in August 2009. The total land premium for the land is approximately RMB644.0 million. As at September 30, 2009, the outstanding land premium was RMB515.2 million.

Based on our current plan, the project will occupy a total site area of 188,496 sq.m. and have a total planned GFA of approximately 270,657 sq.m.. The project will comprise high-rise apartments of 75,658 sq.m., stand-alone villas of 78,237 sq.m., duplex villas of 48,438 sq.m., retail units of 3,260 sq.m., and carparks of 5,000 sq.m..

Entered into land use rights grant contract in August 2009, we are in the process of obtaining land use right certificate. Currently, we expect to complete the project according to the following timetable:

Planned construction period	Q4 2009 — Q2 2012
Development costs incurred	RMB57 million
Estimated future development costs	RMB1,537 million

Shenyang

Huishan Project (輝山項目)

Huishan Project is our first project in Shenyang. It is a residential project located in the Huishan District (輝山區).

Based on our current plan, the project will occupy a total site area of 84,086 sq.m. and have a total planned GFA of approximately 85,137 sq.m.. The project will comprise stand-alone villas of 67,587 sq.m., high-rise apartments of 8,400 sq.m., retail units of 7,070 sq.m., and carparks of 950 sq.m.

We won the auction of the land on September 9th, 2009 and we are in the process of obtaining the land use right certificate. The total land premium for the land is approximately RMB82.0 million. Currently, we expect to complete the project according to the following timetable:

Planned construction period	Q2 2010 — Q4 2011
Development costs incurred	Nil
Estimated future development costs	RMB 505 million

BUSINESS

Daoyi Project (道義項目)

Daoyi Project is our second project in Shenyang. It is a residential project located in the Daoyi District (道義區). We won the auction of this parcel of land in October 2009 and are in the process of obtaining the land use right certificate. The total land premium for the land is approximately RMB641.4 million.

Based on our current plan, the project will occupy a total site area of 684,420 sq.m. and have a total planned GFA of approximately 1,620,689 sq.m.. The project will comprise high-rise apartments of 508,000 sq.m., low-rise garden apartments of 537,000 sq.m., quasi-stand-alone villas of 224,000 sq.m., retail units of 247,000 sq.m. and car parks of 104,689 sq.m..

Currently, we expect to complete the project according to the following timetable:

Planned construction period	
Phase 1	Q2 2010 — Q4 2011
Phase 2	Q2 2011 — Q4 2012
Phase 3	Q2 2012 — Q2 2014
Phase 4	Q2 2012 — Q4 2013
Phase 5	Q2 2013 — Q4 2014
Phase 6	Q2 2014 — Q4 2015
Development costs incurred	RMB203 million
Estimated future development costs	RMB5,996 million

Changzhou

Qinglong Project (青龍項目)

Qinglong Project is our first residential project in Changzhou. We won the auction of this parcel of land which is located in the Qinglong Living Area (青龍生活區) in Changzhou in October 2009 and are in the process of obtaining the land use right certificate. The total land premium for the land is approximately RMB508.9 million.

Based on our current plan, the project will occupy a total site area of 164,855 sq.m. and have a total planned GFA of approximately 418,000 sq.m.. The project will comprise high-rise apartments of 197,000 sq.m., low-rise garden apartments of 48,000 sq.m., stand-alone villas of 56,000 sq.m., retail units of 48,000 sq.m. and car parks of 65,000 sq.m..

Currently, we expect to complete the project according to the following timetable:

Planned construction period	
Phase 1	Q4 2009 — Q4 2011
Phase 2	Q4 2010 — Q4 2012
Phase 3	Q4 2011 — Q4 2013
Development costs incurred	Nil
Estimated future development costs	RMB1,629 million

BUSINESS

Qinglong Project II (青龍項目 II)

Qinglong Project II is our second residential project in Changzhou. This project will be developed by Changzhou Jia’nan. We acquired this parcel of land which is located in the Qinglong Living Area (青龍生活區) in Changzhou in October 2009. The total land premium for the land is approximately RMB446.7 million.

Based on our current plan, the project will occupy a total site area of 143,965 sq.m. and have a total planned GFA of approximately 345,430 sq.m.. The project will comprise high-rise apartments of 171,000 sq.m., low-rise garden apartments of 41,000 sq.m., stand-alone villas of 49,000 sq.m., retail units of 22,930 sq.m. and car parks of 57,500 sq.m..

Currently, we expect to complete the project according to the following timetable:

Planned construction period	
Phase 1	Q3 2010 — Q4 2012
Phase 2	Q3 2011 — Q4 2013
Phase 3	Q3 2012 — Q4 2014
Development costs incurred	Nil
Estimated future development costs	RMB 1,370 million

PROPERTY INTEREST PROPOSED TO BE ACQUIRED

In September 2009, Beijing Longhu Zhongbai entered into a sale and purchase agreement with an independent third party under which Beijing Longhu Zhongbai agreed to purchase 100% equity interest in Beijing Mengke Properties Co., Ltd. (北京盟科置業有限公司), a company incorporated in the PRC which owns a piece of land of a total site area of approximately 163,164 sq.m. in Houshayu Town, Shunyi District of Beijing. The total consideration for the equity acquisition is RMB460 million. As of the Latest Practicable Date, Beijing Longhu Zhongbai was in the process of applying for registration with the relevant industry and commerce bureau in the PRC as registered owner of Beijing Mengke Properties Co., Ltd. Based on the legal opinion of Commerce and Finance Law Offices, the PRC legal advisers to our Company, there is no material legal impediment for Beijing Longhu Zhongbai to successfully procure the above registration upon fulfilment of all obligations of Beijing Longhu Zhongbai under the sale and purchase agreement. Based on our current plan, the project will have a total planned GFA of approximately 124,247 sq.m..

PRIMARY LAND DEVELOPMENT PROJECTS (土地一級開發項目)

Apart from engaging in our development projects, we also actively participate in primary land development activities. Primary land development refers to the process of investing and developing the target land before the land is granted. The process includes compensating the owner for the acquired land, levelling off the land, developing city infrastructure and turning the land without infrastructure or with incomplete infrastructure or undemolished houses into saleable land which is well equipped with infrastructure and levelled to harmonise with the government’s plan. The subsequent process of further developing the land after completion of primary land development is referred to as secondary land development. As of the Latest Practical Date, we had one primary land development project in Beijing, the Niulanshan (牛欄山) project, which occupies a total site area of approximately 374,736 sq.m.. We will seek to acquire the rights to the secondary land developments through public tender, auction or listing-for-bidding and may consider utilizing

BUSINESS

to pay off any land premium or other relevant expenses relating to such acquisitions. In our Hong'en Si project, Chongqing Longhu entered into a joint land renovation and development agreement with the government in 2006 and paid a deposit of RMB794,000,000. As a result of change in the development plan of the relevant region, Chongqing Longhu entered into an agreement to terminate the joint land renovation and development on December 15, 2008 pursuant to which the government had to pay to Chongqing Longhu compensation of RMB1,100,000,000 which shall include the deposit. As at June 30, 2009, Chongqing Longhu had received an amount of RMB1,000,000,000 of the compensation.

Based on our current plan, we will continue to be involved in similar projects. We believe that apart from the agreed compensation received from the projects, our participation would enhance our professional image in the area. This will, in turn, increase our potential to acquire the rights to the secondary land developments of these sites when the relevant land is put on tender.

LETTERS OF INTENT AND FRAMEWORK AGREEMENT

As of the Latest Practicable Date, we have entered into two letters of intent and a framework agreement with local governments in the PRC in respect of the development of parcels of land with total site areas of approximately 1,333,333 sq.m, 492,000 sq.m. and 182,000 sq.m. in Qingdao, Changzhou and Hangzhou, respectively. Pursuant to such letters of intent and framework agreement, we and the relevant local governments agreed to co-operate in the development of the relevant parcels of land whereby the local governments will attend to the preparatory work for the tender, auction or listing for sale of the lands and we will participate in such tender, auction or listing for sale process and, if we succeed in our bid and acquire the land, develop the land. In spite of such letters of intent and framework agreement, we shall go through the public tender, auction or listing for bidding process, and if we succeed in our bid, enter into a land grant contract and pay the relevant land premium as required by the relevant laws and regulations in order to obtain the title to the land.

THE SICHUAN EARTHQUAKE AND ITS IMPACT ON OUR PROPERTY DEVELOPMENT PROJECTS

The Sichuan Earthquake, which measured 8 on the Richter scale, occurred in the Sichuan province of the PRC on May 12, 2008. The epicentre of the Sichuan Earthquake was Wenchuan county, which is approximately 150 km from Chengdu, the capital of Sichuan province.

Impact on the Group's property development projects in Chengdu

Our property development projects in Chengdu which were under construction as at the time of the Sichuan Earthquake (save for Jade Town (小院青城)) were located near the city centre of Chengdu and were not close to the epicentre of the Sichuan Earthquake, therefore these projects experienced a relatively minor impact from the Sichuan Earthquake. Our directors confirmed that there was no incident of personal injury or death suffered by our construction workers or employees of the Group as a result of the Sichuan Earthquake.

As for physical damage sustained by our Group's properties under construction in Chengdu, upon inspection conducted by our architects and construction units of the construction sites after the earthquake, it was reported that no structural damage or physical demolition occurred as a result of that. There were only

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minor cracks appearing on the walls of certain properties, which were renovated and remedied completely within a period of one month from the Sichuan Earthquake at minimal cost. Our directors confirmed that the minor cracks of some of the properties have caused no material adverse impact on the sale of those properties by the Group.

In anticipation of any aftershocks which could occur following the Sichuan Earthquake and to ensure the safety of all units involved in the Group’s property development projects in Chengdu, we suspended all construction works in Chengdu for approximately two to three weeks, and construction works were resumed after that. Our directors confirmed that the temporary suspension has not affected the construction progress and the completion timetable of the Group’s properties in Chengdu.

Of all our property development projects in Chengdu, our Jade Town project (小院青城) is in closest proximity to the epicentre of the Sichuan Earthquake, being 100-110km away from the epicentre of the Sichuan Earthquake. Fortunately, at the time, the project was still at the planning stage and no construction works could begin as the Permit for Commencement of Construction Works for this project had not been obtained. Accordingly, there was no injury reported in relation to this project and there was no impact on the construction of the Jade Town project as a result of the Sichuan Earthquake.

Impact on the Group’s property development projects in Chongqing

In respect of the Group’s property development projects in Chongqing, our directors confirmed that there was no incident of personal injury or death suffered by our construction workers or employees of the Group as a result of the Sichuan Earthquake.

As for physical damage sustained by our Group’s properties under construction in Chongqing, upon inspection conducted by our architects and construction units of the construction sites after the earthquake, it was reported that no structural damage or physical demolition occurred as a result of that. There were only minor cracks appearing on the walls of certain properties, which have been renovated.

Given the relatively minor impact of the Sichuan Earthquake in Chongqing, we have not suspended the construction works of any of our property development projects there. Among our property development projects in Chongqing, construction of different portions of phase 4 of Blue Lake County (藍湖郡) was completed in the third quarter of 2008; construction of phase 3 of Crystal Town (水晶郛城) was completed in the second quarter of 2008; construction of a portion of phase 1 of Peace Hill County (悠山郡) and a portion of phase 1 of Sunshine Riverside (郛江) were completed in December 2008. The construction works for the above projects were not suspended and they all completed in accordance with their respective construction schedules. The Sichuan Earthquake imposed minor impact in Chongqing.

Impact on the Group’s property development projects in Beijing, Shanghai and Xi’an

Our directors have confirmed that the Sichuan Earthquake had imposed no impact on the property development projects of the Group in Beijing, Shanghai and Xi’an, the only other cities where we operated at the time of the Sichuan Earthquake.

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Professional assessments of the impact of the Sichuan Earthquake

Following the catastrophe, we have commissioned two qualified construction engineering quality assessment institutes, one at the provincial level in Sichuan and one at the Chongqing municipality level and both of which are independent of our Company, our Shareholders and directors, to conduct professional assessments on the impact of the Sichuan Earthquake on our Group’s business and the property projects located in Chengdu and Chongqing, which were still under construction at the time of the earthquake, in part to reassure our customers and prospective purchasers that the impact of the Sichuan Earthquake on the relevant property projects was minimal, more importantly, as a matter of safety measures for the Group’s operations.

Assessments were carried out against Phases 1 and 2 of King Land (晶藍半島一、二期), Phases 1 and 2 of Charming Port (翠微清波), Phases 1 and 2 of Three Thousand Lane (三千里一、二期) in Chengdu, and Phase 3 of Crystal Town (水晶酈城三期), namely Crystal Cosmo (水晶國際), Phases 4 and 5 of Blue Lake County, namely Blue Lake Garden Villa (藍湖香頌) and Blue Lake Apartment (藍湖時光), Phase 1 of Longhu West Paradise Walk (西城天街一期), Urban Courtyard (大城小院), Phases 1 and 2 of Bamboo Grove (江與城一、二期), the second section of Phase 1 of Chunsen Land (春森彼岸一期二標段), Phase 1 of Peace Hill County (悠山郡一期), Phase 1 of Sunshine Riverside (酈江一期) in Chongqing. For the purposes of the assessments, we are given to understand that the assessment institutes have reviewed the structural design plans and carried out inspections at the construction sites of the relevant projects, and that their reports of findings were compiled based on the Gradation Criterion of Earthquake Damage to Construction (the “Gradation Criterion”) promulgated by the Ministry of Construction. In brief, the Gradation Criterion, enforced in July 1990, was formulated to deal with the drawing up of seismic damage statistics and in particular, the Gradation Criterion requires earthquake damage investigation and post-earthquake loss evaluation be conducted on housing constructions following an earthquake, and as well as imposing a set of standards for conducting such investigation and evaluation.

Findings made by the independent professional institutions regarding the impact of the Sichuan Earthquake on our Group’s aforesaid projects in Chengdu and Chongqing may be generally summarised as follows:-

- As regards the relevant projects in Chengdu:

The architecture of buildings erected on the relevant sites were generally in good condition at the time of the inspections. Individual non-load bearing structural components suffered minor damages due to the earthquake. Load bearing structures are in good conditions and continue to be fit for use without repairs.

- As regards the relevant projects in Chongqing:

Most of the projects showed no signs of cracks or damages caused by the earthquake, and the earthquake has not affected the fitness for use of the structural components of the projects. Cracks that were non-structural in nature were found in buildings of a couple of projects, but they do not affect the bearing capacity of the structure. The projects are fit for use after the cracks are filled and treated.

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In light of all of the above, our directors are of the view that the Sichuan Earthquake has not caused any material adverse impact on our projects in Chengdu and Chongqing or the overall operations and financial conditions of the Group. Our directors confirm that as at the Latest Practicable Date, they were not aware that the Company was or would be subject to any potential claims from employees, suppliers or customers of the Company as a result of or in connection with the Sichuan Earthquake.

THE SICHUAN-YUNNAN BORDER EARTHQUAKE AND ITS IMPACT ON OUR PROPERTY DEVELOPMENT PROJECTS

The Sichuan-Yunnan Border Earthquake, which measured 6.1 on the Richter scale, occurred in the Sichuan-Yunnan border region of the PRC on August 30, 2008. The epicenter of the Sichuan-Yunnan Border Earthquake was near the city of Panzhihua in the Sichuan province.

As all of our Group’s property development projects in the PRC are not in close proximity to the epicenter of the Sichuan-Yunnan Border Earthquake, our directors have confirmed that the Sichuan-Yunnan Border Earthquake did not impose any material impact on our Group’s property development projects in the PRC and furthermore, our directors have confirmed that the Sichuan-Yunnan Border Earthquake did not impose any material impact on the business, financial condition, operational performance and prospect of our Group.

PROJECT DEVELOPMENT

Roles of Our Headquarters and Regional Companies

We operate under a decentralized corporate structure. While our regional companies enjoy management autonomy in handling project-level operations, our headquarters, which we believe should remain nimble, are in charge of providing overall strategic direction, promoting best practices among regional companies, maximizing economy of scale in sharing capital and market intelligence, nurturing human resources, designing appraisal and incentive systems and controlling risks. As a result, despite our decentralized structure, we share a common corporate culture, work under the same operating system and policies, and are able to redeploy and rotate our managers freely among our operating companies thereby reducing the possibility of any regional company from becoming overly independent.

In terms of division of labor, our headquarters are responsible for:

- formulating strategy and budgeting;
- building corporate-wide operation and information technology systems;
- deciding on land acquisition and fund-raising;
- setting accounting policies and consolidating financial information;
- setting human resources policies;
- maintaining investor, public and government relations;
- internal control and internal audit; and
- exploring and entering new regional markets.

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Our regional companies are responsible for:

- implementing land acquisition decisions;
- obtaining government permits required for project development;
- architectural design and product research and development;
- cost assessment and procurement;
- engineering and managing projects;
- sales and marketing;
- providing property management services;
- managing customer relations; and
- developing and managing rental properties.

The following outlines the key work flows for our property development business.

Site Selection

To ensure the investment return of a project, a site will be selected only after thorough and stringent analysis involving different checks and balances and where certain investment hurdle-rates, such as project internal rate of return and profit margin, are met.

Site selection is typically conducted via a three-stage process. First, the development department of a regional company is responsible for identifying a potential project, conducting market research and performing primary screening. Second, should a potential project pass the primary screening, the Project Management Office (“PMO”), which consists of the heads of all the functional departments in charge of different stages of development of the project, will be summoned to conduct an in-depth study based on the collective experience of the parties involved and data extracted from our project database. At this stage, the positioning of the project will be decided, a “pre-final” version of the design drawings will be produced and an in-depth model will be built to calculate the returns of the project under different scenarios. Thereafter, a detailed feasibility study together with the advanced-stage drawings and model will be submitted to the finance department of the headquarters for fact-checking before submitting to the investment decision committee of the headquarters, which consists of the Chief Executive Officer, the Chief Financial Officer and the General Managers of various business functions and regional companies, for its final investment decision.

Land Acquisition

According to the “Regulations on the Granting 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》, which has been effective since July 1, 2002, all land to be developed for commercial purposes, including that for business or residential property development purposes, must be granted through public tender, auction and listing-for-bidding. In the case of public tender, the relevant authorities will assess either solely on tender prices or, alternatively, by reference to a matrix of parameters, including tender prices, credit record of the bidders, quality of the development proposals, in determining whom to grant such rights. On the other hand, where land use rights are granted through auction or listing-for-sale, the highest bidder normally wins.

We may enter into letters of intent or framework agreements with the relevant governmental authorities in respect of land development before the process of the tender, auction and listing for sale of the land.

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Grantees of land use rights may dispose of their land use rights through private sales, subject to the terms and conditions of the original land use right granting contracts and the relevant PRC laws and regulations. To the extent permitted by law, we may acquire land use rights in the secondary market from third parties through negotiated transfers. We may also obtain such rights by acquiring equity interests in companies that hold the relevant land use rights.

In addition, we also proactively participate in primary land development to enhance our position in acquiring quality land plots. During the process of primary land development, we would try and obtain an in-depth understanding of the condition of the land and other related matters, such as its surrounding area, so as to allow us in gaining additional time for optimal investment planning while demonstrating to the local government our development and financial strengths. These provide us with a competitive advantage in acquiring land in the tender process.

Financing

We rely on internally generated funding including capital contribution from investors and proceeds from pre-sale, as well as bank loans and external funding from real estate funds, to finance our costs of construction and payments of land grant premiums.

Our policy is to finance our property development projects through internal resources to the extent practicable so as to reduce the level of external funding required. We use the pre-sale proceeds of a project to fund a portion of our project construction costs for such project or to repay bank loans obtained for such project. Under PRC laws, we may pre-sell properties prior to the completion of construction upon satisfaction of certain requirements, though the pre-sale proceeds are required to be used for developing the same project. There are various PRC laws and regulations governing the pre-sale of properties which impose conditions to be fulfilled before the pre-sale of a particular property can commence. These include obtaining the relevant State-owned Land Use Rights Certificates, Planning Permit for Construction Land, Planning Permit for Construction Works, Permit for Commencement of Construction Works and Pre-sale Permit for Commodity Housing. For further details, please refer to the section headed “Appendix V — Summary of Principal PRC Legal and Regulatory Provisions”.

As far as external funding is concerned, we are clients of the Agricultural Bank of China, China Construction Bank, the Industrial and Commercial Bank of China, China Merchants Bank, Bank of China, Citibank, and DBS Bank Ltd. As of December 31, 2008, Chongqing Longhu Properties was accredited with an AAA+ credit rating by the Agricultural Bank of China and an AAA credit rating by the China Construction Bank. As of June 30, 2009, our outstanding bank and other borrowings amounted to RMB12,498 million. For further information regarding our bank borrowings, please refer to the section headed “Appendix I — Accountants’ Report — 29 Bank and other borrowings”. We have also entered into joint venture arrangements with members of Hongkong Land Holdings Limited, the ING Real Estate Funds and Aetos Capital, LLC under which significant amounts of equity financings were provided in our joint venture projects.

Project Design

To maximize project value, our regional companies have dedicated in-house professional research and development departments responsible for the overall planning and conceptual design. We constantly send our in-house architects and designers overseas to expose them to new innovative designs and ideas in order to keep them abreast of architectural innovation.

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Our architects study the characteristics of each specific site we acquired to lay out the optimal product mix and use of space. Apart from innovative project planning, we have also invested in product innovation. In the past two years, we have successfully designed and launched various types of new products, such as “Spanish-style courtyards” (西班牙大院) and “sky townhouses” (空中聯排). These products enable our residents to enjoy a spacious, quality environment which would otherwise only be offered by lower density projects. These products were well received by our customers and we were able to fetch a premium on product prices.

Apart from internal experts, we also retain reputable international architects and designers to assist us in the architectural and interior design. In addition, we hire renowned international landscape designers for the landscape design of our projects.

Contracting, Procurement, Project Management and Quality Control

We outsource substantially all of our construction works to external contractors. During the Track Record Period, we engaged approximately 80 contractors, all of whom are Independent Third Parties and the duration of our relationships with these contractors range from 2 months to 11 years. Our Group is not engaged in the construction business. Pursuant to the “Law on Tender and Bidding of the PRC” 《中華人民共和國招標投標法》 and the “Tender Law & the Rules on the Tender Scope & Criteria for Construction Projects” 《工程建設項目招標範圍和規模標準規定》, we are required to select contractors by way of a tender process in respect of certain construction projects. We have a tender committee which is comprised of our engineering department and our procurement department whereby our engineering department assesses the work quality of the external contractor and our procurement department prepares the tender document. According to the filing documents or the confirmation letters issued by relevant construction authorities in relation to all the construction works, our PRC legal advisers are of the opinion that the relevant domestic affiliated companies of the Group are in compliance with the applicable relevant PRC tender laws and regulations.

We conduct the following due diligence work on contractors before offering construction contracts to them:

- researching and collecting information about prospective contractors via industry associations, industry information centres, recommendation by internal sources and co-operation between contractors and architects;
- narrowing down the list of candidates by interviewing them in person or via telephone, and by inspecting and assessing their quality, financial status and business reputation;
- selecting contractors based on assessment results before proceeding with the tender process;
- verifying the management, construction and project capability of the contractors by inviting other entities that have previously worked with them to make comments;
- answering queries raised by the contractors in accordance with the tender document;

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- inviting contractors to visit the sites of our projects, hold seminars and clearly explain our Group’s engineering concepts;
- requesting the contractors to issue letters of undertaking in respect of labour capacity, availability and quality;
- selecting a contractor based on various criteria; and
- supervising the progress during construction and control quality by applying high standards of examination during completion.

Our contractors carry out various construction works including foundation digging, general construction, installation of equipment, as well as decoration and engineering work. The contractors are subject to warranties stipulated in the relevant construction contracts in respect of the quality and construction completion schedule. Under our standard construction contract, contractors are required to pay fines in the event of a delay and bear the costs of curing any construction defects.

Payment is made in stages to the contractors by our Group in accordance with the terms and conditions as stipulated in the standard construction contract signed between our Group and the contractors. The percentage of stage payments varies from case to case. In general, the contractors will be paid for approximately 70% to 80% of the work completed on a monthly basis. Upon completion of the project, the contractors will have received approximately 70% to 90% of the total payment. At closing and settlement, we will settle 95% to 98% of the total payment, and retain the remaining 2% to 5% as retention money. We have not had any incidences where the retention amount is less than the amount we have to pay for the defects during the Track Record Period. The total annual amount of fees paid to external contractors during the Track Record Period amount to approximately RMB1,055.9 million, RMB1,881.8 million, RMB2,716.6 million and RMB1,449.4 million, respectively.

In terms of selecting major construction materials, our procurement department is in charge of price negotiation and assisting the relevant regional company in carrying out the purchase. Through special purpose regional companies, we bulk purchase major construction materials for sale to our project companies within the region for cost control purposes. All our construction materials are held for use in connection with the construction of our Group’s projects only. For construction materials that are particularly important to our construction projects, we will seek tenders from various suppliers and will conduct similar quality and pricing assessments.

For each project, the engineering department will set up a project management team with a project manager as the person in charge. Prior to the commencement of the construction works, the project manager will organize the project management team to prepare the “Project Management Guidelines”, “Construction and Supervision Units Screening and Assessment Report”, “Implementation Plan of Access to Water Supply, Electricity and Roads and Land Leveling and Economic Analysis” and “Plan of Project Construction by Phases and Economic Analysis” based on the specific conditions of the project. They will also prepare analysis and reports on the project implementation plan, project staffing, key technical parameters, major difficulties in project construction and risks involved in project construction. These analysis and reports are essential to the overall management and supervision by our headquarters. The construction works of the project will commence only after such analysis and reports have been reviewed and approved by our Group’s headquarters and the general manager of the relevant regional company.

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We place huge emphasis on quality control and management of our projects. The following are some important measures or procedures we adopt for quality control of our projects:

- we implement a “model adaptation”¹ system where the quality control system of any “model project” will be referred to and adapted for the construction of other projects;
- we have in place a research and development department for each regional company which conducts inspection on the projects under construction and provides comments thereon on a monthly basis;
- we retain qualified professional firms as well as the quality supervision units of the relevant local government authorities to oversee and supervise the overall construction of our projects;
- we compile various sets of standardized technical guidelines for construction management of each project (such as the “Rules on Project Construction Management of Chongqing Company 2007”);
- we carry out quality control in accordance with the relevant laws, regulations, and other compulsory standards promulgated by the relevant PRC governmental authorities and other industry associations; and
- we ensure that our contractors comply with the relevant rules and regulations including environmental, labour, social and safety regulations, and thereby minimize the risks and liabilities of our Group by appointing independent construction engineers or our own representatives to supervise the progress of the contractors on site.

During the Track Record Period, we were not involved in any dispute with nor were there any case of material personal injury or death involving our contractors that could have a material and adverse effect on our business.

Sales and Marketing

The sales and marketing department of each of our regional companies is responsible for marketing our property products. In marketing our products, we focus not only on selling our property products to potential customers, but also on reinforcing and maintaining customer satisfaction during the pre- and post-sales period by managing the entire purchase and residence cycles of our customers. We target customers who seek a high living standard. We conduct comprehensive monthly market research, surveys and sales analysis. We market our properties mainly by way of outdoor advertising and print media. We put special focus on the design and the environment of the sales centers and the show flats at the development sites as well as the friendly, helpful and honest attitude of our frontline staff so as to create an impactful and unforgettable “shopping experience” for our potential customers.

1. In the “model adaptation” system, the Group adopts the quality and the standards of a model apartment, model house, or model garden area which serves as a reference model for the specifications and requirements of our Group. We first construct a small testing area and ensure its quality meets the standards and specifications. This small testing area sets the quality objectives of the project which are then adopted by the rest of the property development on a large scale.

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We retain external agents including advertising companies to assist with the marketing of our properties. Our sales and marketing department coordinates with these agents in formulating and executing strategies and plans and the agents assist and coordinate with our sales and marketing department in achieving various sales targets.

The sales process of our property projects generally begins with pre-sales. We generally pre-sell properties prior to completion of construction and use the sales proceeds as cash flow and for financing our project development. There are various PRC laws and regulations governing pre-sale of properties which impose conditions to be fulfilled before the pre-sale of a particular property can commence. These include obtaining the relevant State-owned Land Use Rights Certificates, Planning Permit for Construction Land, Planning Permit for Construction Works, Permit for Commencement of Construction Works and Pre-sale Permit for Commodity Housing. For details of the laws and regulations governing pre-sales, please refer to the section headed “Appendix V — Summary of Principal PRC Legal and Regulatory Provisions”.

Customers Payment Arrangements

Our customers may purchase their property either through one lump sum payment or through mortgage loans. Should our customer choose to make a lump sum payment for the purchase, the customer will be required to fully settle the purchase price shortly after the date of the execution of the contract. Should the customer wish to settle the purchase through mortgage, the customer shall be required to pay at least 20% to 40% of the purchase price as down payment.

We assist our customers with mortgage loans. Customers may seek mortgage facilities through various banks with which we have made arrangements. We generally provide guarantees as security for mortgage loans from the banks to our customers. Such guarantees will only expire when our customers have obtained the Building Ownership Certificate and the mortgage has been registered in favor of the bank. Timing for the issuance of Building Ownership Certificates to individual purchasers varies depending on where the property is situated. Guarantees provided by us would cover the full value of mortgages granted by the banks to our customers for their purchases and any payment or penalty imposed by mortgagee banks for defaults in mortgage payment by the purchasers. Please refer to the section headed “Risk Factors — We guarantee the mortgages provided by financial institutions to our purchasers and, consequently, we are liable to the mortgagees if our purchasers default” in the “Risk Factors” section of this document.

Delivery of Properties

We aim to deliver properties to our customers within the time frame prescribed in the sale and purchase contracts (including the pre-sale contracts). Under the current PRC rules and regulations, we are required to obtain a “Record of Acceptance Examination Upon Project Completion” (竣工驗收備案證明) prior to delivering properties to our customers. As of the Latest Practicable Date, we have complied with such requirement.

The sales and marketing departments of our regional companies are responsible for delivering properties to our customers. There are guidance notes setting out procedures and division of responsibilities among our functional departments to ensure that they work closely together in carrying out instructions and in monitoring the progress of delivery. For example, our engineering department may conduct on-site inspection before delivery and furthermore, we may from time to time arrange for our customers to inspect their purchased property prior to the expected delivery date to ensure the properties meet our prescribed

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standards as well as our customers’ needs. Our property management companies provide comprehensive pre-sale training to our staff responsible for direct liaison with customers for delivery. We always stay in touch with our customers after delivery to obtain their feedback on future improvement of our products and services.

In general, we assist our customers in applying for strata-title Building Ownership Certificates (分戶產權證). Please see the section headed “Risk Factors — We may encounter delay in issuance and delivery of title documents after sale and such delay may in turn give rise to claims from our customers” in this document. As of the Latest Practicable Date, we have not encountered any delay in the issuance and delivery of title documents after sale.

INVESTMENT PROPERTIES

Over the years, we have developed a number of shopping arcades, namely North Paradise Walk Mall, Crystal Constellation of Crystal Town, West Paradise Walk, and Chongqing Fairy Castle Commercial District in Chongqing.

Our operating subsidiaries in each region of the PRC where we have established a business presence will be responsible for conducting market surveys, procuring tenants, and developing and managing commercial properties. Such subsidiaries are currently involved in managing our commercial projects in Longhu North Paradise Walk Mall, Crystal Constellation of Crystal Town, Longhu West Paradise Walk, and Fairy Castle Commercial District.

Our profitability may be subject to fluctuation according to the revaluation of our investment properties. See “Our financial results for each of the three financial years ended December 31, 2006, 2007 and 2008 and for the six months ended June 30, 2009 included the changes in fair value of investment properties and our results may fluctuate due to such changes in the fair value of our investment properties” in the “Risk Factors” section of this document. Depending on the general economic and market conditions, in line with our “multiple product, selected regional focus” strategy, we intend to further expand our business to the development of investment properties.

PROPERTY MANAGEMENT

We place great emphasis on property management as we believe it enhances property value for our customers and improves our brand name. We predominantly provide property management services to our customers through our own property management companies. Our property management teams normally get involved in the early stage of property development and participate throughout the overall design planning stage to minimize future maintenance costs. We charge our customers management fees on a monthly or quarterly basis.

We believe we have a strong property management team. We offer our team members attractive remuneration packages as well as frequent training to update them on the relevant skills and knowledge required in property management. In providing property management services, we embrace a concept of “For you forever” (善待你一生) and we are committed to providing all our property owners with comprehensive and considerate professional property management services. We conduct semi-annual customer surveys on our management performance. We obtained the ISO 9002 certification in recognition of our quality property management in 1998.

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Under PRC law, owners have a right to engage or dismiss a property management company if owners together holding exclusive parts within the managed area representing more than half of the total area of buildings and owners representing more than half of the total number of owners agree. As of the Latest Practicable Date, our property management companies had not been dismissed from the management of any properties.

PROPERTIES FOR SELF-OCCUPATION

Our corporate headquarters are located in Fusheng Building, No.4 Huixin East Street, Chaoyang District, Beijing, PRC (中國北京市朝陽區惠新東街4號富盛大廈). We rent our headquarters from an Independent Third Party for a term commencing on April 1, 2008 and expiring on March 31, 2013. We do not anticipate any difficulty in renewing this lease or in finding replacement premises. We also maintain offices in Chongqing, Chengdu, Beijing, Shanghai, Xi’an, Wuxi and Hong Kong where we have operations. Such offices are located in leased properties owned by Independent Third Parties and in our own properties, particulars of which are summarized below:

	Property	Occupancy Status	Lease term	Current Usage
1.	No. 4 Huixin East Street, Fusheng Building, Block 2, 7/F, Chaoyang District, Beijing 100029, PRC	Leased (Note 1 and 2)	April 1, 2008 to March 31, 2013	office
2.	No. 4 Huixin East Street, Fusheng Building, Block 1, 3/F, Chaoyang District, Beijing 100029, PRC	Leased (Note 1 and 2)	April 1, 2007 to May 9, 2013	office
3.	Room 2501-2512, Shanghaimart, No. 2299 Yan’an West Road, Shanghai 200336, PRC	Leased (Note 2)	November 1, 2007 to November 25, 2010	office
4.	No. 35, Hongji Middle Road, Jinjiang District, Chengdu 610041, PRC	Self-owned	N/A	office
5.	No. 1 Yan Yin Road, Qujiang New District, Xi’an, PRC	Self-owned	N/A	office
6.	No. 4, 6/F Beian Xing Block, Jiangbei District Beicheng Tian Street, Chongqing 400020 PRC	Self-owned	N/A	office
7.	15th Floor, 1 Duddell Street, Central, Hong Kong	Leased	February 15, 2008 to February 14, 2011	office
8.	Block 8-1, No. 77 Jinghui East Street, Taike Garden, Wuxi, PRC	Leased (Note 1 and 2)	July 15, 2009 to July 14, 2015	office

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Notes:

1. Based on the legal opinion of Commerce and Finance Law Offices, the PRC legal advisers to our Company, no title documents regarding the property have been provided to prove that the lessor of the property is the legal owner. However, Commerce and Finance Law Offices advised that, given that the lease agreement signed between the lessor and the relevant member of our Group as lessee is valid and legally binding on the parties, in the event that the relevant member of our Group is required to move out of the property due to any disputes in connection with the title of the property, the relevant member of our Group will be entitled to claim against the lessor for damages arising therefrom.
2. The relevant lease has not been registered with the relevant PRC governmental authority. However, Commerce and Finance Law Offices are of the view that this does not affect the validity and enforceability of the lease agreement nor will it affect the rights of the relevant member of our Group to use the property. Commerce and Finance Law Offices have also advised that our use of the property does not constitute any illegal act on the part of the relevant member of our Group.

On the basis of the legal advice from our PRC legal advisers as referred to in Notes 1 and 2 above, we are of the view that the leased properties in items 1, 2, 3 and 8 above are not crucial to our operations as they are used as offices or for ancillary use only. We believe that, in the unlikely event that the relevant members of our Group are required to move out of such premises due to the legal issues mentioned in the said notes above, we will have no difficulty in finding replacement premises and we do not expect there will be any material adverse impact on us.

In addition to the above, we also have other leased properties in the PRC which are being used by our regional companies. For further information, please refer to the section headed “Appendix IV — Property Valuation”.

SUPPLIERS AND CUSTOMERS

Our major suppliers are construction material suppliers and construction contractors, and the five largest suppliers accounted for approximately 23.0%, 19.3%, 10.4% and 9.9% of our total purchases for the three financial years ended December 31, 2006, 2007, 2008 and the six months ended June 30, 2009, respectively. Our single largest supplier for the three financial years ended December 31, 2006, 2007, 2008 and for the six months ended June 30, 2009 accounted for approximately 7.6%, 6.1%, 3.1% and 2.1% of our purchases, respectively. Our five largest customers accounted for approximately, 1.8%, 2.3%, 2.1% and 6.9% of our total revenue for the three financial years ended December 31, 2006, 2007 and 2008 and the six months ended June 30, 2009, and our largest customer accounted for approximately 0.5%, 0.5%, 0.5% and 1.6% respectively, of our total revenue during those periods.

None of our directors, their associates or any Shareholders which, to the knowledge of the directors, owns more than 5% of our share capital as of the Latest Practicable Date, has any interest in any of our largest suppliers and customers.

COMPETITION

Competition in the PRC property market has intensified over the past few years. We compete against state-owned, privately owned and international developers in the PRC. Key competitive factors include the size and the geographic location of land reserves, the types of properties offered, brand recognition, price, and design and service qualities.

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We believe that the PRC property market has large growth potential. However, different regions of the PRC have different regulatory restrictions on property development and consumer preference typically varies between different regions of the PRC. We therefore utilize a “multiple product, selected regional focus” strategy to develop our business by undertaking various development projects and selling different types of properties in an effort to capture a leading market position in each regional market. According to the China Index Academy, we ranked:

- first in Chongqing, in terms of both contract sales and GFA of residential properties sold in 2005, 2006, 2007 and 2008
- second in Beijing, in terms of contract sales of residential properties in 2008
- third in Chengdu, in terms of contract sales of residential properties in 2007 and 2008

We believe that, with our solid and strong foothold in multiple regions, diversified product portfolio, expertise in both development as well as investment properties, we are less vulnerable to changes in market condition. Further, given our brand recognition, product creativity, creditworthiness, reputation, quality products and services and our excellent management skills in developing properties in the past decade, we believe we can react promptly to the challenges in the PRC property market. For further information, please refer to “There is fierce competition among real estate developers for land and property buyers” in the “Risk Factors” section of this document.

INTELLECTUAL PROPERTY

We believe our well-known brand, as formally recognised on a national level, is an invaluable asset. We have built up our brand through consistent delivery of high quality services and products of various types. We will use all reasonable and proper measures to protect our proprietary rights with regard to intellectual property developed in the process of our business development. We have made applications in respect of innovative designs of certain of our projects. For details, please refer to the section headed “Appendix VII — Further Information About Our Group — Intellectual property rights of our Group” in this document. To our knowledge, as at the Latest Practicable Date, we have not infringed upon any intellectual property rights owned by other parties nor are we aware of any third party’s infringement of our intellectual property rights.

As at the Latest Practicable Date, we have made one application to the Trade Marks Registry for the registration of the following trademark which is still pending (application no. 301132550):

(A) 

(B) 

(C) LongFor 龙湖地产

(D) LongFor 龍湖地產

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The Trade Marks Registry issued an examination report to our application for registration of the above trademark upon the first instance of our submission of an application on the grounds that:

- 1) some of the marks in the application were considered not to form a series of trademarks and the said application should be divided into two separate divisional applications as follows;

(A) 

(A) LongFor 龙湖地产

(B) 

(B) LongFor 龍湖地產

and

- 2) there were queries by the Trade Marks Registry as to the use that the Company has made of the trademark and the variety of goods and services in respect of which the trademark was proposed to be registered.

In response to that, we have applied to divide the original application into two separate divisional applications and made subsequent submissions to the Trade Marks Registry in respect of their queries. We have received legal advice that there is a good chance that we can successfully register the said trademarks.

INSURANCE

We maintain assets insurance policies for our properties and assets. We effect all-risk insurance and third party insurance for certain of our projects under development (including our investment properties), as we did in the first and second phases of the Bamboo Grove and the Chunsen Land projects. We maintain insurance policies including property all-risk insurance, public liability insurance, and loss of profit insurance with respect to our investment properties, including insurance coverage for damages arising from or in connection with the occurrence of an earthquake where any amount so claimed exceeds RMB400,000. Our insurance policies cover two of our property projects under construction, namely, our Bamboo Grove project and our Chunsen Land project in Chongqing, for damages arising from or in connection with the occurrence of an earthquake. Based on customary industry practice of property developers in the PRC, our directors are of the view that the insurance coverage of our Group is adequate.

We have also contributed to social insurance for our employees as required by the PRC social security regulations such as a pension contribution plan, medical insurance plan, unemployment insurance plan and work-related injury insurance plan. Our insurance policies cover all our employees for injuries arising from or in connection with the occurrence of an earthquake.

To help ensure construction quality and safety, we engage qualified professional firms as well as the quality supervision units of the relevant local government authorities to oversee the construction process. For further information, please refer to the section headed “Business — Contracting, Procurement, Project Management and Quality Control”. Under the current PRC regulatory regime, property construction companies are responsible for quality and safety control during the construction period and are required to take out accident insurance for construction workers carried out at construction sites. We deduct quality assurance reserve funds for the construction project from the construction payment to the property

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construction companies. We have taken steps, as described above, to prevent construction accidents and personal injuries. Furthermore, under PRC law, construction companies bear primary civil liability where they are responsible for causing personal injuries, accidents and death arising out of their construction work, unless they can prove themselves not at fault. The owner of a construction property may also bear civil liability where he is responsible for causing the personal injuries and deaths, unless he can prove himself not at fault. Our PRC legal adviser has advised us that we will generally be able to defend ourselves as the property owner if, for example, a personal injury claim is brought against us and we have taken out supplementary insurance coverage for our staff to cover any potential occurrence of accidental injuries or major illness and such insurance coverage is broad enough to cover injuries suffered in connection with an event of earthquake. We have not experienced any material business interruptions since we commenced our operations. During the Track Record Period, there was no incident of material personal injury or death suffered by our contractors in connection with our contracts with them.

ENVIRONMENTAL MATTERS

Property developers are subject to PRC national environmental laws and regulations as well as environmental regulations promulgated by the relevant local government authorities. For further information on such laws and regulations, please refer to the section of the document headed “Appendix V - Summary of Principal PRC Legal and Regulatory Provisions”.

Each of our property development projects is required under PRC law to undergo environmental assessments. We submit the relevant environmental impact study, report or environmental impact analysis table to the environmental authorities before approval is granted for commencement of construction of our projects. In obtaining approval, an entity must have filed, during the phase of feasibility study of the construction project, an environmental report of the construction project, an environmental impact report and an environmental impact registration form (collectively, “**EIE Documents**”). All EIE Documents are subject to the approval of the authorized environmental protection administrations. If, following the approval of such environmental impact evaluation documentation, the nature, scale, location and applied production technique of the project undergo substantial changes or, for whatever reason, the construction project does not start within 5 years of the approval date of the EIE Documents, the construction entity must re-submit such EIE Documents for approval. The approval from the relevant government authorities specifies the standards applicable to the implementation of the construction works as regards air pollution, noise emissions and water and waste discharge and we enforce these conditions while the construction project is in progress. Such measures are required to be incorporated into the design, construction and operation of the general constructions. Upon completion of each property development, the relevant government authorities also inspect the site to ensure that applicable environmental standards have been complied with, and the resulting reports are then presented together with other specified documents to the local construction administration authorities for their records.

As regards the impact of our business operations on the environment, construction waste is produced from all our projects. We have obtained approvals on all EIE Documents submitted in relation to our projects. Furthermore, we have obtained ISO 14001: 1996 certification in recognition of the quality of our environmental performance in our Fragrant Forest project and we have successfully renewed this certification each year since. To date, we have complied with all applicable environmental laws and regulations in all material respects, we have not been involved in any incident of environmental pollution, and none of our

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projects have been fined nor penalised for any misconduct in relation to environmental protection. Our PRC legal advisers are of the opinion that our Group has fully complied with all the relevant environmental rules and regulations and that we have obtained all the required permits and environmental approvals for our production facilities.

Specific measures taken by us to ensure our compliance with applicable environmental laws and regulations include conducting noise level tests, electro-magnetic radiation level tests, and concrete fillers tests, inspecting the construction materials on site and removing materials which do not comply with environmental laws and regulations, conducting weekly sampling and additional sampling on site to ensure compliance and immediately requiring contractors to rectify any problems. Construction contractors are responsible for compliance with applicable environmental laws and regulations during the construction stage.

We encourage our contractors to use equipment and facilities and to adopt or develop new technologies which are more environmentally friendly. Although inventing environmental protection technology is beyond the scope of our business, we are highly conscious of the need for environmental protection and will always look to adopt new technologies that are helpful in protecting the environment. For example, we have engaged and consulted environmental specialists and we impose contractual obligations on contractors requiring them to comply with environmental laws and regulations and to use only products and technologies which are in compliance with environmental laws and regulations.

LEGAL PROCEEDINGS

We are in compliance with all applicable laws and regulations in all material respects. However, we have been involved in litigation proceedings in the past concerning the quality of our products and services or contractual arrangements with our external contractors which, in our view, are immaterial in terms of their impact on our financial and operational conditions. These litigation proceedings have all been settled or otherwise aborted. Our PRC legal advisers are of the opinion that, according to guidance issued by the Supreme Court of China, although the plaintiffs had withdrawn their pleas, they may nevertheless revive their actions by bringing the matter before the court again for hearing. In addition, we are subject to legal or arbitration proceedings, disputes or claims in the ordinary course of business. None of our directors has been or is currently subject to any legal proceedings, legal disputes or arbitration procedures and there is no other litigation or claim of material importance pending or threatened against any member of our Group.

COMPLIANCE

As at the Latest Practicable Date, we have complied, in all material respects, with all the relevant and applicable PRC laws and regulations governing the business of property development and management. We have obtained all licenses, permits and certificates for the purpose of operating our business.

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LABOR AND SAFETY

As of the Latest Practicable Date, we have complied with the current PRC laws and regulations with respect to labor, health, safety, insurance, and accidents, including the Labor Law of the PRC 《中華人民共和國勞動法》, the Labor Contract Law of the PRC 《中華人民共和國勞動合同法》, the Interim Regulations on Collection and Payment of Social Insurance Premiums 《社會保險費徵繳暫行條例》, the Regulations on Work-related Injury Insurances 《工傷保險條例》, the Regulations on Unemployment Insurance 《失業保險條例》, the Trial Procedures for Childbirth Insurance for Enterprise Employees 《企業職工生育保險試行辦法》 and other related regulations, rules and provisions issued by the relevant governmental authorities from time to time, for our operations in the PRC.

According to the Labor Law of the PRC 《中華人民共和國勞動法》 and the Labor Contract Law of the PRC 《中華人民共和國勞動合同法》, labor contracts shall be concluded if labor relationships are to be established between our employees and members of our Group. We must provide wages which are no lower than local minimum wage standards to the employees from time to time. We are required to establish a system for labor safety and sanitation, strictly abide by State rules and standards and provide relevant education to our employees. We are also required to provide our employees with labor safety and sanitation conditions that satisfy or meet State rules and standards and carry out regular health examinations of our employees engaged in hazardous occupations. The Labor Contract Law of the PRC 《中華人民共和國勞動合同法》 was enforced on January 1, 2008. Our directors confirmed that this law does not have any material impact on the Group’s business and operations.

As required under the Regulation of Insurance for the Interim Regulations on Collection and Payment of Social Insurance Premiums 《社會保險費徵繳暫行條例》, the Regulations on Work-related Injury Insurances 《工傷保險條例》, the Regulations on Unemployment Insurance 《失業保險條例》 and the Trial Procedures for Childbirth Insurance for Enterprise Employees 《企業職工生育保險試行辦法》, we provide our employees in the PRC with welfare schemes covering pension insurance, unemployment insurance, maternity insurance, injury insurance and medical insurance.

According to the Safety Production Law of the PRC 《中華人民共和國安全生產法》 enacted by the Standing Committee of the National People’s Congress on June 29, 2002 and enforced on November 1, 2002, entities that are engaged in production and business operation activities within the PRC shall observe all relevant laws, rules and regulations concerning production safety and establish and perfect the conditions and system of responsibility for production safety. It requires that entities shall maintain conditions for safe production as provided in the Production Safety Law and other relevant laws, administrative regulations, national standards and industrial standards. Any entity that is not sufficiently equipped to ensure safe production may not engage in production and business operation activities. It also requires entities to offer education and training programs to their employees regarding production safety. The design, manufacture, installation, use, checking and maintenance of safety equipment is required to conform with applicable national or industrial standards. In addition, it requires entities to provide labor protection equipment that meets the national or industrial standards to employees and to supervise and educate them to wear or use such equipment according to the prescribed rules.

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The aforementioned laws and regulations set forth relevant provisions on working hours, work safety, rest and vacation, wages, health and safety, social insurance and welfare for employees of our Group. Our PRC legal adviser has confirmed that, during the Track Record Period, there was no material violation of currently applicable PRC labor and safety regulations nor were there any material employee safety issues involving our Group. Our human resources department is responsible for dealing with employees’ safety and security matters. We are planning to further strengthen and improve our systems and management in respect of labor and safety in all respects in order to reduce potential future risks in this regard. Measures taken by us to comply with the abovementioned applicable laws and regulations include requiring the contractors to prepare a work safety implementation plan; requiring the contractors to comply with our onsite work safety requirements; paying for work safety related expenses; distributing work safety protection gear to workers; imposing a contractual obligation on the contractors to comply with work safety guidelines and consider related expenses; appointing experienced personnel to conduct weekly and additional work safety inspections and supervision; and ensuring the workers have the prerequisite qualifications for special construction work.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

Executive Directors

Madam Wu Yajun (吳亞軍), aged 45, is our Chairperson and Chief Executive Officer. Madam Wu joined our Group since its inception in 1994. Madam Wu graduated from the Department of Navigation Engineering of the Northwestern Polytechnical University (西北工業大學) in 1984. Madam Wu serves as a member of the National Peoples’ Congress, Vice-Chairperson of the Federation of Industry & Commerce of Chongqing Municipality and Vice-Chairperson of the Real Estate Branch Chamber of the Chongqing General Chamber of Commerce. Between 1984 and 1988, Madam Wu worked at the Qianwei Meter Factory. From 1988 to 1993, Madam Wu worked as a journalist and editor with the China Shirong News Agency. Madam Wu held the posts of Chairperson and General Manager of Chongqing Jiachen Economic and Culture Development Co., Ltd. from 1994 to 1995. Between 1995 and 2000, she was the Managing Director of Chongqing Zhongjian Ke Real Estate Limited, after that she acted as Chairperson and General Manager of Chongqing Longhu Properties and Beijing Longhu Properties. In September 2005, Madam Wu resigned as General Manager of all regional companies, and took position as our Group’s Chairperson and CEO. Madam Wu was appointed as an executive director of the Company in December 2007.

Mr. Lin Chu Chang (林鉅昌), aged 40, is our Chief Financial Officer. Mr. Lin joined our Group in July 2006. Mr. Lin graduated from The University of Hong Kong (香港大學) in 1991 with a Bachelor of Science degree. Mr. Lin began his career as a group management trainee with John Swire & Sons (H.K.) Limited in Hong Kong. Between 1994 and 1996, he was a China business analyst of ChinaVest Limited, a venture capital firm. From 1997 to 2001, Mr. Lin was a Vice President of the research department of Merrill Lynch (Asia-Pacific Region). Prior to joining our Group in July 2006, he was the Chief Financial Officer of China Resources Land Limited, a real estate company listed on the Stock Exchange which focuses on the PRC real estate market. Mr. Lin was appointed as an executive director of the Company in January 2008.

Mr. Fang Shengtao (房晟陶), aged 36, is our Chief Human Resources Officer. Mr. Fang joined our Group in August 2005. Mr. Fang graduated from the Department of Mechanical Engineering of Tsinghua University (清華大學) in 1995 with a Bachelor’s degree in Engineering and obtained a Master of Business Administration degree from INSEAD in 2002. Between 1995 and 2001, he was employed by Procter & Gamble (Guangzhou) Ltd and eventually became a senior human resources manager. In 2003, Mr. Fang co-founded the Shanghai Tuosheng Associates, a human resources consulting company in Shanghai. Prior to joining us in August 2005 as a director of Chongqing Longhu Development, Mr. Fang was a consultant to our Group. Mr. Fang was appointed as an executive director of the Company in January 2008.

Mr. Chen Kai (陳凱), aged 40, is the General Manager of the Operation and Business Development department of our Group. Mr. Chen joined our Group in March 2008. Mr. Chen graduated from the Zhejiang University with a Master’s degree in Engineering in 1995. Prior to joining our Group in March 2008, Mr. Chen worked for the China Resources group from 1995 to 2008. During his employment with the China Resources group, Mr. Chen had taken positions as the executive director and assistant general manager of China Resources Land Limited, the managing director of China Resources Land (Shanghai) Ltd., China Resources Land (Wuhan) Ltd., China Resources Land (Suzhou) Ltd., China Resources Land (Ningbo) Ltd. and China Resources Sun Hung Kai Properties (Wuxi) Ltd. Mr. Chen was appointed as an executive director of the Company in September 2009.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

Mr. Qin Lihong (秦力洪), aged 36, is the General Manager of our Group’s Customer and Corporate Branding Department. Mr. Qin joined our Group in March 2008. Mr. Qin graduated from the School of International Studies of Peking University in 1999 with a Master degree in Law. He further obtained a Master’s degree in Public Policy (MPP) from John Fitzgerald Kennedy School of Government, Harvard University in 2001. Mr. Qin worked in the Marketing Department of Procter & Gamble (Guangzhou) Ltd. as an assistant brand manager from 2001 to 2003 before he joined Roland Berger Strategy Consultants as a senior consultant and project manager in 2003. Mr. Qin joined Anhui Chery Automobile Sales and Service Company (安徽奇瑞汽車銷售有限公司) in 2005 as deputy general manager after he left Roland Berger Strategy Consultants. Mr. Qin was appointed as an executive director of the Company in September 2009.

Independent Non-executive Directors

Mr. Frederick Peter Churchouse, aged 60, is our independent non-executive director. Mr. Churchouse joined the Company in November 1, 2009 and has been an independent non-executive director since then. Since 2005, he has been a director of LIM Advisers Limited and the senior portfolio manager for the LIM Asia Alternative Real Estate Fund. Mr. Churchouse has been a resident of Hong Kong since 1980 and has extensive experience in the Asian property markets. Prior to joining LIM Advisers Limited in 2005, Mr. Churchouse was with the research department of Morgan Stanley for over 15 years where he acted in a variety of roles including executive director, managing director and advisory director. Mr. Churchouse has been a frequent commentator on regional economies, markets and property for TV, radio and print media. Mr. Churchouse earned a Bachelor of Arts degree, and a Master of Social Science degree from the University of Waikato in New Zealand.

Mr. Chan Chi On, Derek (陳志安), aged 46, is our independent non-executive director. Mr. Chan joined the Company in November 1, 2009 and has been an independent non-executive director since then. Mr. Chan is the Managing Director of Taifook Capital Limited, which has successfully sponsored the listing of numerous companies on the Stock Exchange, provided a variety of financial advisory services and assisted listed companies in their fund-raising and merger & acquisition activities.

Mr. Chan is also an executive director of Taifook Securities Group Limited, which is a listed company in Hong Kong. Mr. Chan joined the Taifook Group in 1996 and is in charge of the corporate finance division. Apart from supervising the corporate finance activities, Mr. Chan is also a member of the Executive Committee of the Taifook Group and is involved in managing the day-to-day business of the Taifook Group.

Before joining Taifook in 1996, Mr. Chan had worked for the Stock Exchange for more than 7 years and had experience reviewing various listing applications for initial public offerings and listed companies’ fund-raising and merger & acquisition activities. Mr. Chan has had over 20 years of experience in the industry, and is the co-author of a book on listing procedures and securities rules and regulation in Hong Kong.

Mr. Chan is also an independent non-executive director of two listed companies in Hong Kong, namely GZI REIT Asset Management Limited (越秀房託資產管理有限公司) and GST Holdings Limited (海灣控股有限公司). He is a member of the audit committee of each of the two companies and is responsible for reviewing and analyzing their financial statements so as to monitor their operation and financial performance.

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Mr. Chan obtained a Master of Business Administration degree from the Hong Kong University of Science and Technology in 1994 and a Bachelor’s degree in Social Sciences from The University of Hong Kong in 1985. He is currently an Adjunct Professor at the School of Accounting and Finance at the Hong Kong Polytechnic University.

Our directors are of the view that Mr. Chan’s extensive experience with reviewing and analyzing audited financial statements of a public company gained whilst serving as a member of the audit committee of GZI REIT Asset Management Limited and GST Holdings Limited enables him to meet the requirements of Rule 3.10(2) of the Listing Rules. With reference to the above and the note to Rule 3.10(2), our directors are of the view that Mr. Chan has the requisite qualifications and experience under Rule 3.10(2) of the Listing Rules.

Dr. Xiang Bing (項兵), aged 47, is our independent non-executive director. Mr. Xiang joined the Company in November 1, 2009 and has been an independent non-executive director since then. Dr. Xiang obtained a Doctoral degree in accounting from the University of Alberta in Canada. He has over 11 years of teaching experience in the academic field. Dr. Xiang is currently the founding dean and professor of the Cheung Kong Graduate School of Business (長江商學院). He is an independent non-executive director and committee member of the audit committee and remuneration committee of Dan Form Holdings Company Limited (丹楓控股有限公司), HC International, Inc. (慧聰網有限公司), Enerchina Holdings Limited (威華達控股有限公司), Sinolink Worldwide Holdings Limited (百仕達控股有限公司) and China Dongxiang (Group) Co., Ltd (中國動向集團有限公司). He is an independent non-executive director and committee member of remuneration committee of Little Sheep Group Limited (小肥羊集團有限公司). He is also an independent non-executive director and committee member of the audit committee, remuneration committee and nomination committee of Peak Sport Products Co., Limited (匹克體育用品有限公司). All of the companies mentioned in this paragraph are listed on Hong Kong Stock Exchange. Dr. Xiang was an independent non-executive director and a committee member of the audit committee of Jutal Offshore Oil Services Limited (巨濤海洋石油服務有限公司), a company listed on Hong Kong Stock Exchange.

Dr. Xiang currently serves as independent non-executive director and committee member of audit committee, compensation committee and corporate governance and nominating committee of LDK Solar Co., Ltd. (江西賽維LDK 太陽能高科技有限公司). Dr. Xiang also serves as independent non-executive director and committee member of audit committee and compensation committee of Perfect World Co., Ltd. (完美時空網絡技術有限公司). Dr. Xiang also serves as independent non-executive director and committee member of audit committee of E-House (China) Holdings Limited (易居(中國)控股有限公司). All of the companies mentioned in this paragraph are listed in the U.S.

Between 2001 and 2007, Dr. Xiang was an independent director of Shaanxi Qinchuan Machinery Development Co., Ltd. (陝西秦川機械發展股份有限公司), Guangdong Midea Electric Appliances Co., Ltd. (廣東美的電器股份有限公司). Between 2004 and 2008, Dr. Xiang was an independent director of TCL Corporation (TCL集團股份有限公司). Between 2006 and 2008, Dr. Xiang was an independent director of Shenzhen Terca Technology Co., Ltd. (深圳市特爾佳科技股份有限公司). All of these companies are listed on Shenzhen Stock Exchange. Between 2004 and 2006, Dr. Xiang was a director of Wuhan Jianmin Pharmaceutical Groups Co., Ltd. (武漢健民藥業集團股份有限公司) which is listed on the Shanghai Stock Exchange.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

Senior Management

Ms. Fan Qi (樊琦), aged 42, is the General Manager in charge of our Chengdu business operations. Ms. Fan joined our Group in August 1997. Ms. Fan graduated from the Department of Management Engineering of the Sichuan Institute of Light Industry and Chemical Technology (四川輕化工學院) in 1988. Prior to joining our Group, Ms. Fan had worked for the Chongqing City Jiangbei District Shimen Tax Office (重慶市江北區石門稅務所). Ms. Fan has held various positions with us since joining our Group. She became the General Manager of Chengdu Longhu Jinhua in September 2005.

Mr. Zhao Nannan (趙男男), aged 33, is the General Manager in charge of our Shanghai and Xi'an business operations. Mr. Zhao joined our Group in June 2001. Mr. Zhao graduated from Chongqing Jianzhu University (重慶建築大學) in 1999 majoring in Management Engineering. Mr. Zhao joined Chongqing Longhu Properties in 2001 and has since held the positions of Manager of the sales department and manager of the cost assessment department. During the period between 2005 and 2007, he was the General Manager of Chongqing Longhu Properties. Mr. Zhao is currently the General Manager of Shanghai Longhu Properties and Xian Longhu Properties. Prior to joining our Group, between 1999 and 2001, he worked at the Chongqing Residential Construction Limited (重慶住宅建設有限公司).

Mr. Shao Mingxiao (邵明曉), aged 43, is the General Manager in charge of our Beijing business operations. Mr. Shao joined our Group in March 2006. Mr. Shao graduated from Renmin University of China (中國人民大學) with a Master of Economics degree in 1992. Mr. Shao joined our Group as a General Manager of Beijing Longhu Properties in March 2006. Prior to joining our Group, during 1995 and 1996, Mr. Shao was employed as the Deputy General Manager of Hangyu Economic Development Company, a subsidiary of the Beijing Capital Group, and later, between 1998 and 2000, he was the Deputy General Manager of Beijing Xinlian Xiechuang Real Estate Development Limited. Between 2001 and 2003, he was the General Manager of Beijing Zhongjing Yiyuan Real Estate Development Limited. From 2003 to 2006, Mr. Shao was the director of real estate development division of the Beijing Hualian Group.

Mr. Zhou Dekang (周德康), aged 42, is the General Manager in charge of our Chongqing business operations. Mr. Zhou joined our Group in July 2005. Mr. Zhou graduated from the Architecture Institute of Chongqing Jianzhu University (重慶建築大學) and obtained a bachelor's degree majoring in Architecture in 1989. Mr. Zhou joined Chongqing Longhu Properties in 2005 and became the director of the research and development department in 2005 and then became the Deputy General Manager in 2006. Prior to joining our Group, Mr. Zhou had been the head of the construction division of the Chongqing City Planning and Design Research Institute (重慶市規劃設計研究院) between 1989 and 2002. Between 2002 and 2004 he worked as a director in charge of design at Chengdu Bo Rui Real Estate Development Limited.

Mr. Li Jun (李軍), aged 37, is the General Manager in charge of our Shenyang business operations. Mr. Li graduated from Beijing University of Technology with a bachelor's degree in Engineering in 1996 majoring in civil engineering. He was a project manager and assistant manager of the engineering department of Beijing Beichen Innovation Hi-tech Development Limited (北京北辰創新高科技發展有限公司) from May 1999 to December 2002. Mr. Li was a senior project manager of Markgold International Housing and Land Consulting (Beijing) Co., Ltd. (麥格金國際地產諮詢(北京)有限公司), a wholly-owned subsidiary of First China Property Management Co., Ltd (第一中國房地產管理有限公司) from December 2002 to October 2005. Mr. Li was a manager of the development department of Beichen Property Development

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

Company (北辰房地產開發公司) from October 2005 to June 2006. Mr. Li joined Beijing Longhu Properties Co., Ltd. in June 2006 as the deputy general manager of investment development and operations until about September 2009. In September 2009, Mr. Li became the General Manager in charge of our Shenyang business operations.

Mr. Feng Jinyi (馮勁義), aged 38, is the General Manager in charge of our Wuxi and Changzhou business operations. Mr. Feng joined our Group in June 2008 as deputy general manager in charge of operations and strategic development of Shanghai Longhu Properties until he took up the position of the General Manager of Wuxi Longhu in August 2009. Mr. Feng graduated from Changsha Communication College (currently known as Changsha University of Science & Technology) in 1994 with a bachelor’s degree in engineering. Mr. Feng worked in No. 3 Aviation Engineering Design Institute Co., Ltd. (中交第三航務工程勘察設計院有限公司) as professional designer and project leader from August 1994 to November 2000. Mr. Feng had worked for Shanghai Kangqiao Bandao (Group) Co., Ltd. (上海康橋半島(集團)有限公司) from November 2000 to February 2005. Mr. Feng was a managing director of Zhejiang Jubao Real Estate Co., Ltd. (浙江聚寶置業有限公司) from February 2005 to September 2007.

Ms. She Yuen Lin, Vivian (余遠蓮), aged 35, is our Group Financial Controller, Qualified Accountant and a member of our senior management. Ms. She joined our Group in March 2008. Ms. She graduated from The Chinese University of Hong Kong (香港中文大學) in 1996 with a Bachelor of Business Administration degree. Ms. She has been a Fellow Member of The Association of Chartered Certified Accountants since 2004 and of the Hong Kong Institute of Certified Public Accountants since 2008 and has more than 10 years of working experience as an accountant. Between 1998 and 2005, Ms. She worked for Hutchison Whampoa Properties Limited and was the Deputy Financial Controller of Hutchison Whampoa Properties (Shanghai) Limited (和記黃埔地產(上海)有限公司), between 2001 and 2005. Prior to joining our Group, Ms. She acted as the Head of Finance of Reemtsma International Asia Services Limited, a wholly owned subsidiary of the Imperial Tobacco Group Plc, in charge of its financial operations in Hong Kong, Macau and China.

Company Secretary

Mr. Lo Chi Lik, Peter (羅志力), aged 59, is our Company Secretary. He qualified as a solicitor in Hong Kong in 1976 and has been in continuous practice since qualification. He is currently a partner of Messrs. Woo, Kwan, Lee & Lo. Mr. Lo is also the Company Secretary of China Resources Land Limited (stock code: 01109) (華潤置地有限公司) and China Resources Cement Holdings Limited (華潤水泥控股有限公司) (stock code: 1313) which are listed on the Stock Exchange.

Compliance Adviser

We have appointed Guotai Junan Capital Limited as our compliance adviser in compliance with Rule 3A.19 of the [●]. Guotai Junan Capital Limited will ensure that our Group is properly guided and advised as to compliance with the [●], the Takeovers Code, including:

- the publication of regulatory announcements, circulars or financial reports and the entry into notifiable or connected transactions; and

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

- where the [●] makes an inquiry of us regarding unusual movements in the price or trading volume of our Shares.

Guotai Junan Capital Limited as our compliance adviser, undertakes to the [●] that it will comply with the [●] applicable to compliance advisers and cooperate in any investigation conducted by the [●] and/or the [●].

The term of the appointment shall commence on the [●] and end on the date on which we comply with Rule 13.46 of the [●] in respect of our financial results for the first full financial year after the [●]. Such appointment may be extended by mutual agreement.

Audit Committee

We have established an audit committee on November 1, 2009 in compliance with Rules 3.21 and 3.23 of the Listing Rules. The audit committee comprises three independent non-executive directors, Mr. Chan Chi On, Derek, Mr. Frederick Peter Churchouse, and Dr. Xiang Bing. Mr. Chan is the Chairman of the audit committee. The primary duties of the audit committee are to review and supervise the financial reporting process and the internal control procedures of our Group and nominate and monitor external auditors.

Remuneration Committee

We have established a remuneration committee on November 1, 2009 in compliance with Appendix 14 to the Listing Rules. The remuneration committee comprises two independent non-executive directors, Dr. Xiang Bing and Mr. Chan Chi On, Derek and Mr. Fang Shengtao, who is an executive director. Mr. Fang Shengtao is the Chairman of the remuneration committee. Primary functions of the remuneration committee are to make recommendations to the Board on the remuneration of our directors and senior management and determine on behalf of the Board specific remuneration packages and conditions of employment for the directors and senior management and evaluate and make recommendations on employee benefit arrangements.

Management Committee

We have established a management committee consisting of our executive directors and the General Managers of the regional companies. Led by the Chief Executive Officer, the committee is responsible for discussing and approving corporate policies and key management issues of our Group in the areas of strategy, operation, finance and human resources.

Investment Decision Committee

We have established an investment decision committee consisting of the Chairperson and Chief Executive Officer, the Chief Financial Officer, the General Managers of the regional companies, the General Manager of the Business Development Department and the General Manager of the Customer and Corporate Branding Department of the headquarters of our Group. The investment decision committee reports directly to the Board and is responsible for appraising land acquisition proposals submitted by our regional companies and the business development department of our headquarters as well as making land purchase decisions. When there is conflict of interest with any member of the investment decision committee in respect of any matter to be transacted at the committee meeting, the relevant member is required to abstain from voting on such matter of the meeting.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

Compensation of Directors

The aggregate amount of salaries, housing allowances, pension scheme contributions, other allowances, benefits-in-kind and bonuses received by the directors during each of the three financial years ended December 31, 2006, 2007 and 2008 and the six months ended June 30, 2009 were approximately RMB6.4 million, RMB16.6 million, RMB20.9 million and RMB7.7 million, respectively.

During the three financial years ended December 31, 2006, 2007 and 2008 and the six months ended June 30, 2009:

- no remuneration was paid by us to, or receivable by, our directors as an inducement to join or upon joining us.
- no compensation was paid by us to, or receivable by, our directors or past directors for each of the last three years for the loss of office as a director or for loss of any other office in connection with the management of the affairs of any member of our Group; and
- none of our directors waived any emoluments.

Save as disclosed above, no other payments have been paid or are payable, in respect of the three financial years ended December 31, 2006, 2007 and 2008 and the six months ended June 30, 2009, by us to the directors.

We estimate that the aggregate amount of remuneration paid and benefits in kind (excluding Shares granted under the Pre-[●] Share Award Schemes, any Pre-[●] Options, any Pre-[●] Options and any discretionary bonus) receivable by directors for the year ending December 31, 2009 for services to be performed will be approximately RMB11.4 million. We have entered into service agreements with Madam Wu, Mr. Lin Chu Chang, Mr. Fang Shengtao, Mr. Chen Kai and Mr. Qin Lihong for an initial period of 3 years commencing on the [●], which will continue thereafter unless and until terminated by either party by serving not less than 3 months written notice to the other. These agreements set out the terms on which we employ each of these individuals. Each of them will receive a base salary and a director’s allowance and will be eligible for a discretionary bonus of such amount as the Board may determine, calculated with reference to the guidelines approved by our Remuneration Committee as well as reimbursement of all out of pocket expenses properly and reasonably incurred in the course of his/her employment.

In consideration of, among other things, their respective employment and compensation arrangements under their respective employment agreements, each of those individuals are bound by certain restrictive covenants, including a covenant which restricts their ability to compete with our Group both during their employment with us and for a period of 12 months thereafter. Madam Wu is further bound by the terms of the Non-competition Deed which was entered into on November 1, 2009.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

Employees

We had a total of 4,485 employees as at the Latest Practicable Date. The following table sets out the number of our employees categorised by function as at that date:

Department	No. of employees
Marketing and Sales	245
Engineering	233
Cost and Procurement	110
Finance & Accounting	104
R&D and Design	75
Public Affairs and Administration	54
Investment and Business Development	38
Operation Management & IT	35
Human Resources	22
Customer and Corporate Branding	31
Sub-total for Property Development & Headquarters	<u>947</u>
Property Management Services	3,477
Commercial Real Estate and Related Services	<u>61</u>
Total	<u><u>4,485</u></u>

All of our employees are employed under employment contracts. We review the performance of our employees twice a year, the results of which are used in his or her annual salary review and promotion appraisal.

All of our employees are considered for an annual bonus based on various performance criteria and their assessment results.

We review our staff remuneration packages semi-annually. We conduct research on remuneration packages offered to similar positions in our industry which we believe allows us to remain competitive in the labor market.

We incurred staff costs (including directors’ emoluments) of approximately RMB100.3 million, RMB282.7 million, RMB457.5 million and RMB154.3 million for the three financial years ended December 31, 2006, 2007 and 2008 and the six months ended June 30, 2009 representing 4.8%, 8.1%, 10.6% and 2.6% of our sales for those periods, respectively.

We confirm that no compensation was paid by us to, or receivable by, such employees for the three financial years ended December 31, 2006, 2007 and 2008 and the six months ended June 30, 2009 for loss of office in connection with the management of our affairs, or as an inducement to join or upon joining us.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

Employee Incentive Schemes

We have adopted the Pre-[●] Share Award Schemes, the Pre-[●] Option Scheme and the Post-[●] Option Scheme for the benefit of our employees, including our directors and senior management personnel subject to the terms and conditions respectively stated therein. The principal terms of the employee incentive schemes are summarised under the sections headed “Statutory and General Information — (6) Pre-[●] Share Award Schemes; (7) Pre-[●] Option Scheme; (8) Post-[●] Option Scheme” in Appendix VII to this document.

Compensation of employees

Compensation of our employees, including our sales staff, consists of basic salary and bonuses. Bonuses are determined on a yearly basis based on performance reviews and the overall financial results of our Group. At the completion of a property project, we also issue a special project completion bonus. After the commencement of [●], we also expect to grant share options to our senior employees pursuant to the Post-[●] Option Scheme as part of their remuneration packages.

SUBSTANTIAL SHAREHOLDERS

SFO Disclosure

So far as our directors are aware, the following persons will, immediately following the completion of the [●] and taking no account of any Shares which may be issued pursuant to the exercise of the [●] or any Shares to be issued pursuant to the exercise of the Pre-[●] Options or any options which may be granted under the Post-[●] Option Scheme, have beneficial 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.

Name of interested party	Capacity/nature of interest	Number of Shares	Approximate percentage of shareholding
Madam Wu	Founder of a discretionary trust	2,343,591,600	46.9%
Mr. Cai	Family interest	2,343,591,600	46.9%
Charm Talent	Registered owner	2,343,591,600	46.9%
Silver Sea (Note 1)	Interest of controlled corporation	2,343,591,600	46.9%
HSBC International Trustee (Note 1)	Trustee	2,343,591,600	46.9%
Mr. Cai	Founder of a discretionary trust	1,562,394,400	31.3%
Madam Wu	Family interest	1,562,394,400	31.3%
Precious Full	Registered owner	1,562,394,400	31.3%
Silverland (Note 2)	Interest of controlled corporation	1,562,394,400	31.3%
HSBC International Trustee (Note 2)	Trustee	1,562,394,400	31.3%

Notes:

1. The entire share capital of Silver Sea is wholly-owned by HSBC International Trustee as the trustee of the Wu Family Trust. The Wu Family Trust is a discretionary trust set up by Madam Wu as settlor and protector and HSBC International Trustee as trustee on June 11, 2008. The beneficiary objects of the Wu Family Trust include certain family members of Madam Wu and Fit All. Madam Wu (as founder of the Wu Family Trust), Mr. Cai (as the spouse of Madam Wu), Silver Sea and HSBC International Trustee are taken to be interested in the 2,343,591,600 Shares held by Charm Talent immediately upon [●] pursuant to Part XV of the SFO.
2. The entire share capital of Silverland is wholly-owned by HSBC International Trustee as the trustee of the Cai Family Trust. The Cai Family Trust is a discretionary trust set up by Mr. Cai as settlor and protector and HSBC International Trustee as trustee on June 11, 2008. The beneficiary objects of the Cai Family Trust include certain family members of Mr. Cai and Fit All. Mr. Cai (as founder of the Cai Family Trust), Madam Wu (as the spouse of Mr. Cai), Silverland and HSBC International Trustee are taken to be interested in the 1,562,394,400 Shares held by Precious Full immediately upon completion of the [●] pursuant to Part XV of the SFO.

Except as disclosed in this document, the directors are not aware of any person who will, immediately following the [●], be directly 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 any member of our Group. The directors are not aware of any arrangement which may at a subsequent date result in a change of control of the Company.

SUBSTANTIAL SHAREHOLDERS

UNDERTAKINGS TO THE STOCK EXCHANGE

We have undertaken to the [●] that except pursuant to the [●], the [●], the Pre-[●] Option Scheme or the Post-[●] Option Scheme, at any time during the period commencing on the Latest Practicable Date and ending on the date which is six months from the [●] (the “**Restricted Period**”), we will not, without the prior consent of the [●] and unless in compliance with the requirements of the Listing Rules, allot or issue or agree to allot or issue any Shares or other securities of our Group (including warrants or other convertible securities) or grant or agree to grant any options or rights over any Shares or other securities of our Group (whether or not such issue of Shares or securities will be completed within the Restricted Period).

Each of the Controlling Shareholders has undertaken to the [●] that except pursuant to the [●] or the [●], each of them shall not and shall procure that the relevant registered holder(s) shall not,

- (A) in the Restricted Period, dispose of nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of those securities of our Company in respect of which they are the beneficial owner(s) or shown by this document that they are the relevant beneficial owner(s); or
- (B) at any time during the period of six months from the date on which the Restricted Period expires, dispose of nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the securities referred to in paragraph (A) above if, immediately following such disposal or upon exercise or enforcement of such options, rights, interests or encumbrances, they would cease to be our Controlling Shareholder(s).

Each of the Controlling Shareholders has further undertaken to us and the [●] that, commencing on the Latest Practicable Date and ending on the date which is the period of 12 months from the [●], they shall:

- (A) when they pledge or charge any of our securities beneficially owned by them in favor of any authorized institution as permitted under the [●], immediately inform us of such pledge or charge together with the number of securities so pledged or charged; and
- (B) when they receive indications, either verbal or written, from the pledgee or chargee that any of such pledged or charged securities will be disposed of, immediately inform us of such indications.

We will also inform the [●] as soon as we have been informed of the above matters (if any) by any of the Controlling Shareholders and disclose such matters by way of an announcement which is published in the newspapers as soon as possible after being so informed.

SHARE CAPITAL

Authorized share capital:

HK\$

10,000,000,000	Shares	<u>1,000,000,000</u>

Issued:

<u>4,000,000,000</u>	Shares in issue at the date of this document	<u>400,000,000</u>

FINANCIAL INFORMATION

The following discussion should be read in conjunction with our consolidated financial information together with the accompanying notes. See the Accountants’ Report in Appendix I to this document. The following discussion contains forward-looking statements that involve risks and uncertainties. Factors that could cause or contribute to such differences include, without limitation, those discussed in “Risk Factors” and “Business” and elsewhere in this document.

OVERVIEW

We are engaged in the property development, property investment and property management businesses in China. In Chongqing, the largest and most populous municipality in China, we were the market leader in terms of both contract sales and GFA sold of residential properties in 2006, 2007 and 2008, according to the China Index Academy¹. Leveraging our premium brand and management capabilities, we expanded into Chengdu in 2005 and Xi’an in the second half of 2007, two of the most populous and affluent cities in western China, and into Beijing in late 2005 and Shanghai in the second half of 2007. In Chengdu and Beijing, we have quickly established ourselves as a leading player in the residential property market. In Chengdu, we were ranked third in 2007 and 2008 in terms of annual contract sales of residential properties, according to the China Index Academy. In Beijing, we were ranked second in 2008 in terms of annual contract sales of residential properties, according to the China Index Academy. In 2009, we entered the Wuxi, Shenyang and Changzhou markets and we plan to continue to expand our national footprint in other selected high growth areas throughout China, including the Pan Bohai Rim and the Yangtze River Delta. Our aim is to become one of the most respected and trustworthy national market leaders in the property industry in China.

For the years ended December 31, 2006, 2007 and 2008, and for the six months ended June 30, 2009, the Group has recorded an upward change in the fair value of investment properties that amounted to approximately RMB482.2 million, RMB901.1 million, RMB125.1 million and RMB561.0 million, respectively, in its consolidated statements of comprehensive income. According to IAS 40, the International Accounting Standard for investment properties issued by the IASB, investment properties may be recognized by using either the fair value model or the cost model. The directors have selected the fair value model to report the value of investment properties because they are of the view that periodic fair value adjustments in accordance with the then prevailing market conditions, irrespective of whether such market trend moves upwards or downwards, should be recorded so that the Group’s financial statements present a more updated picture of the fair value of the Group’s investment properties. However, prospective investors should be aware that an upward change in the fair value, which reflects unrealized capital gain of the Group’s investment properties at the relevant statement of financial position dates and not profit generated from day to day rentals of the investment properties of the Group, are largely dependent on the prevailing property markets and do not generate cash inflow to the Group for dividend distribution to Shareholders of the Company until such investment properties are disposed. Moreover, prospective investors should be aware

1 Based on a report dated September 9, 2009. We commissioned the report by China Index Academy and paid a total of RMB150,000 for its services. China Index Academy derived this information based on data from the Housing Administration, Real Estate Exchange Centres of Chongqing, Chengdu, Xi’an, Beijing and Shanghai, and annual reports and corporate returns of listed real estate companies. According to its website, China Index Academy is a Chinese property research institution, which was integrated in 2004 with a number of China research resources, including China Real Estate Index System, Soufun Research Institute, China Villa Index System and China Real Estate Top 10 Research Team. China Index Academy is independent of our Group, its connected persons and the [●].

FINANCIAL INFORMATION

that property values are subject to market fluctuation and there can be no assurance that the Group will continue to record an upward change in the fair value of investment properties in the future. Should there be any material downward change in the fair value of the Group’s investment properties in the future, the Group’s results may be adversely affected.

BASIS OF PRESENTATION

In preparation for the [●], the Company was incorporated in the Cayman Islands on December 21, 2007.

For the purposes of this document, the consolidated statements of comprehensive income, consolidated statements of financial position, consolidated statements of cash flows and consolidated statements of changes in equity and other consolidated financial and operational data of our Group and the companies now comprising our Group as a result of the Reorganization as of or for each of 2006, 2007, 2008 and the six months ended June 30, 2009, to which the following discussion relates, have been prepared as if our Group’s structure had been in existence throughout the Track Record Period, or since their respective dates of incorporation or establishment, whichever is the shorter period, except for those subsidiaries acquired during the Track Record Period as set out in note 33 of the notes to the Accountants’ Report in Appendix I to this document. All significant intra-group transactions and balances between the companies now comprising our Group have been eliminated. However, the consolidated financial and operational data of our Group presented in this document does not purport to be indicative of what our Group’s actual financial and operational data would have been if our Group in its current structure had been in existence since January 1, 2006.

CERTAIN CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME ITEMS

Revenue

Our revenue represents (i) gross proceeds, net of business tax, from the sales and delivery of completed properties and from the pre-sales of properties completed and delivered to purchasers in the current period, (ii) gross recurring revenue received and receivable from property rental and (iii) other proceeds received during the Track Record Period. We categorize our revenue into three segments, namely, property development (which represents sales of properties held for sale in that period and proceeds collected from our properties under development in previous periods if the properties are delivered to purchasers in such period), property investment (which represents rental income from investment properties), and property management income and related services.

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The following table sets forth revenue by business segments and their percentage of the total revenue for the periods indicated.

	Year Ended December 31,						Six Months Ended June 30,				
	2006		2007		2008		2008		2009		
	(RMB in thousands, except percentages)										
Property development . .	1,991,442	94.8%	3,334,339	95.3%	4,216,172	93.9%	2,123,425	94.9%	5,718,444	97.2%	
Property investment . . .	67,311	3.2	101,734	2.9	158,785	3.5	62,726	2.8	86,266	1.5	
Property management and related services . .	41,913	2.0	61,967	1.8	116,524	2.6	51,533	2.3	80,179	1.4	
Total	2,100,666	100.0%	3,498,040	100.0%	4,491,481	100.0%	2,237,684	100.0%	5,884,889	100.0%	

During the Track Record Period, we derived substantially all of our revenue from property development. In the near future, we expect to continue to derive substantially all of our revenue from property development.

Property Development

Revenue from property development represents consideration received or receivable from sales of our properties held for sale in that period and proceeds collected from our properties under development if the properties are delivered to purchasers in such period. Revenue from property development is recognized when a binding sales contract has been executed and the properties have been delivered to purchasers.

Consistent with industry practice, we typically enter into sales contracts with purchasers while the properties are still under development but after satisfying the conditions for pre-sales in accordance with PRC laws and regulations. See “Business — Project Development — Sales and Marketing.” Before the delivery of the property, payments received from purchasers are recorded as deposits received and receipt in advance from property sales and are included in current liabilities. As of December 31, 2006, 2007, 2008 and June 30, 2009, our deposits received and receipt in advance from property sales amounted to RMB2,666.2 million, RMB7,180.7 million, RMB10,959.7 million and RMB10,792.0 million, respectively. We recognize revenue from the pre-sales of our properties after the property has been delivered to purchasers. See “— Critical Accounting Policies — Revenue Recognition.”

For 2006, 2007, 2008 and the six months ended June 30, 2009, we recognized revenue of RMB2,100.7 million, RMB3,498.0 million, RMB4,475.2 million and RMB5,875.8 million, respectively, in connection with an aggregate GFA of 429,125 sq.m., 830,404 sq.m., 853,843 sq.m. and 567,840 sq.m., respectively, representing an average realized selling price (calculated as the revenue of the properties sold divided by the aggregate GFA sold) of RMB4,641 per sq.m., RMB4,015 per sq.m., RMB4,938 per sq.m. and RMB10,071 per sq.m., respectively. We expect that our revenue from property development will increase over time as we expand our business.

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Property Investment

Revenue from property investment represents recurring revenue from our investment properties, such as rental income, and is recognized on a straight-line basis over the relevant lease period. For 2006, 2007, 2008 and the six months ended June 30, 2009, our revenue from property investment was RMB67.3 million, RMB101.7 million, RMB158.8 million and RMB86.3 million, respectively.

Property management and related services

Revenue from property management and related services is recognized over the period when property management and related services are rendered. For 2006, 2007, 2008 and the six months ended June 30, 2009, our revenue from property management and related services was RMB41.9 million, RMB62.0 million, RMB116.5 million and RMB80.2 million, respectively. We expect that our revenue from property management and related services will increase over time due to the cumulative growth of our portfolio of residential and commercial properties under management.

Cost of Sales

The table below sets forth information relating to cost of sales for each year during the Track Record Period.

	Year Ended December 31,						Six Months Ended June 30,			
	2006		2007		2008		2008		2009	
(RMB in thousands, except percentages)										
Cost of property development										
Construction costs	985,493	71.4%	1,659,562	71.9%	2,159,855	65.0%	1,127,408	70.4%	1,886,783	46.8%
Costs of land use rights . . .	314,050	22.8	496,608	21.5	808,578	24.3	349,749	21.8	1,769,794	43.9
Capitalized costs	39,420	2.9	87,909	3.8	206,230	6.2	69,134	4.3	310,351	7.7
Cost of property investment . .	2,129	0.1	6,491	0.3	43,594	1.4	17,149	1.1	17,418	0.3
Cost of property management and related services	39,045	2.8	56,669	2.5	102,938	3.1	38,432	2.4	51,397	1.3
Total.	<u>1,380,137</u>	<u>100.0%</u>	<u>2,307,239</u>	<u>100.0%</u>	<u>3,321,192</u>	<u>100.0%</u>	<u>1,601,873</u>	<u>100.0%</u>	<u>4,035,743</u>	<u>100.0%</u>

Cost of sales primarily represents the costs we incur directly for our property development activities, which includes construction costs, costs of land use rights and capitalized costs.

We recognize the cost of property development for a given period to the extent that revenue from such properties have been recognized in such period. Prior to their completion, properties under development are included in our consolidated statements of financial position at cost, less any identified impairment losses.

Construction Costs

Construction costs include all of the costs for the design and construction of a project, including payments to third-party contractors and designers and costs of construction materials. Our construction costs are affected by a number of factors such as price fluctuations in construction materials (particularly steel and cement), the location and design characteristics of a property, the choice of materials and investments in ancillary facilities.

FINANCIAL INFORMATION

Costs of Land Use Rights

Costs of land use rights include costs relating to the acquisition of the rights to occupy, use and develop land, and primarily represent land premiums incurred in connection with land grants from the government or land obtained in the secondary market by transfer, cooperative arrangement, corporate acquisition or otherwise. Our costs of land use rights are influenced by a number of factors, including the location of the property, the timing of the acquisition, and the project’s plot ratios. Costs of land use rights are also affected by our method of acquisition, whether by PRC Government-organized tenders, auctions or listings-for-sale, through private sale transactions and cooperative agreements with third parties in the secondary market or through the acquisition of other companies that hold land use rights. We may also be required to pay demolition and resettlement costs. Our costs of land use rights are also vulnerable to changes in PRC policies and regulations.

Capitalized Costs

Costs directly attributable to the acquisition, construction or production of qualifying assets are capitalized as part of the cost of those assets. Capitalization of such costs ceases when the assets are substantially ready for their intended use or sale.

Other Income

Other income primarily comprises interest income, consultancy fee income, gain on disposal of partial interest in a subsidiary, gain on disposal of partial interest in a jointly controlled entity, discount on acquisition of additional interest in a subsidiary, income generated from primary land development and sundry income.

Change in Fair Value of Investment Properties

Investment properties are interests in land and buildings held to earn recurring income. Before the completion of construction of these properties, such interests are recorded as non-current assets under properties under development on our consolidated statements of financial position and, upon their completion, are transferred to investment properties on our consolidated statements of financial position.

Gains or losses arising from changes in the fair values of investment properties are included in our consolidated statements of comprehensive income in the year in which they arise. See the Property Valuation in Appendix IV to this document. Based on such valuation, we recognized the aggregate fair market value of our investment properties on our consolidated statements of financial position, recognized fair value gains or losses on investment properties on our consolidated statements of comprehensive income and recognized the relevant deferred tax under income tax expense on our consolidated statements of comprehensive income.

As of December 31, 2006, 2007, 2008 and June 30, 2009, the fair value of our investment properties was RMB2,466.9 million, RMB3,634.0 million, RMB3,759.1 million and RMB4,320.1 million, respectively. For 2006, 2007, 2008 and the six months ended June 30, 2009, the net change in fair value (net of deferred tax) on our investment properties was RMB362.3 million, RMB559.0 million, RMB93.8 million and RMB420.8 million, respectively. The fair value of each of our investment properties is likely to fluctuate from time to time and the fair value of our investment properties may decrease in the future. Any such decrease in the fair value of our investment properties would reduce our profits.

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Distribution Expenses

Distribution expenses primarily include promotional expenses relating to sales and rentals of our properties (including advertisements in print media, on billboards and on television, promotional offers made directly to our customers and certain other promotional events, publicity and exhibitions), selling and marketing staff costs and other selling expenses. Our distribution expenses in any period are affected by the number of newly introduced developments in that period.

Administrative Expenses

Administrative expenses primarily include salaries and benefits for our personnel, service fees, consulting, auditing and litigation expenses, travel expenses and general office expenses.

Share of Results of Jointly Controlled Entities

Share of results of jointly controlled entities represents our profit or loss after taxation that is attributable to our interest in jointly controlled entities pursuant to the joint venture agreements. During the Track Record Period, we had six jointly controlled entities, namely, Longhu Land, which was established in July 2005, and Chengdu Jia’nan, Chengdu Tuosheng, Chengdu Jinghui and Chengdu Huixin, which were established in October 2007, and Shanghai Hengrui, which was established in January 2008.

Income Tax Expense

Our income tax expense for a given year includes provisions made for PRC enterprise income tax and land appreciation tax, or LAT, during the year. For 2006, 2007, 2008 and the six months ended June 30, 2009, our effective tax rate was 34.6%, 44.6%, 41.3% and 34.8%, respectively.

PRC Enterprise Income Tax

The PRC enterprise income tax accrued by our operating subsidiaries has been calculated at the applicable tax rate on the assessable profits for each period during the Track Record Period. For 2006 and 2007, the enterprise income tax rate generally applicable in the PRC was 33%. According to the PRC Enterprise Tax Law enacted by the National People’s Congress on March 16, 2007, which became effective on January 1, 2008, a uniform income tax rate of 25% has been applied towards both PRC domestic enterprises and foreign investment and foreign enterprises that have set up production and operation facilities in the PRC. However, some of our subsidiaries have been, and some of our subsidiaries will be, subject to income tax at lower tax rates than the general enterprise income tax rate due to their being eligible for a preferential tax rate. Our PRC operating subsidiaries are also subject to local government taxation. See note 8 of the notes to the Accountants’ Report in Appendix I to this document.

In addition, a portion of our PRC enterprise income tax consists of deferred tax. See note 32 of the notes to the Accountants’ Report in Appendix I to this document.

LAT

Under PRC laws and regulations, our PRC subsidiaries that are engaged in the property development business are subject to LAT as determined by the local authorities in the location in which each project is located. All income from the sale or transfer of state-owned land use rights, buildings and their attached

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facilities in the PRC is subject to LAT at progressive rates ranging from 30% to 60% of the appreciation value as defined in the relevant tax laws. Certain exemptions are available for the sale of ordinary residential properties if the appreciation values do not exceed 20% of the total deductible items (as defined in the relevant tax laws). Sales of commercial properties are not eligible for such an exemption. Whether a property qualifies for the ordinary residential property exemption is determined by the local government, taking into consideration the property’s plot ratio, aggregate GFA and sales price. Sales of higher-end properties and commercial properties are generally assessed at higher appreciation values, and are therefore generally subject to higher LAT rates. On December 28, 2006, the PRC State Administration of Taxation issued the Notice on the Administration of the Settlement of Land Appreciation Tax of Property Development Enterprises, which took effect on February 1, 2007. Such notice provides further clarifications as to the settlement of LAT. Local provincial tax authorities can formulate their own implementation rules according to the notice and local situations. On May 12, 2009, the State Administration of Taxation issued the Administrative Rules on the Settlement of Land Appreciation Tax《土地增值税清算管理規程》effective on June 1, 2009, which further clarifies the specific conditions and procedures for the settlement of LAT. We estimate and make provisions for the full amount of applicable LAT in accordance with the requirements set forth in the relevant PRC tax laws and regulations, but only prepay 0.6% to 1.5% of the pre-sale proceeds each year as required by the local tax authorities under prevailing practice. For each of the three years ended December 31, 2006, 2007, 2008 and the six months ended June 30, 2009, we made a provision for LAT in the amount of RMB98.8 million, RMB147.2 million, RMB55.5 million and RMB219.4 million, respectively.

Hong Kong and Cayman Islands Tax

During the Track Record Period, no provision for Hong Kong Profits Tax has been made. Based on the Cayman Islands’ tax regulations, we are not subject to Cayman Islands income tax because we operate as an exempted company.

Minority Interests

From January 1, 2006 to October 2007, our minority interests mainly represented the 40% equity interest in Chongqing Longhu Development, one of our largest subsidiaries, held by Madam Wu and Mr. Cai. In October 2007, the equity holdings of Madam Wu and Mr. Cai decreased to 8.7% and were transferred to Chongqing Xuke in February 2008.

KEY FACTORS AFFECTING OUR PERFORMANCE

Our business, results of operations and financial condition are affected by a number of factors, many of which are beyond our control. See “Risk Factors.” Some of the key factors include the following:

PRC Economic Condition and Regulatory Environment

Our results of operations are subject to general political, economic, fiscal, legal and social developments in Chongqing, Chengdu, Beijing, Xi’an, Shanghai, Wuxi, Shenyang, Changzhou and other parts of the PRC, including:

- continued growth in the PRC’s economy and population and urbanization rate, which drives the demand for purchase or rental of residential, retail, and office properties. For example, the recent global economic crisis, which intensified during the second half of 2008, resulted in a tightening

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of access of credit, both globally and in the PRC, an increased level of commercial and consumer delinquencies, a lack of consumer confidence and an increase in market volatility. These factors contributed to a severe deterioration in the performance of the PRC property industry, including a decrease in the average selling price of, and demand for, real estate properties in the PRC during the second half of 2008. Specifically as it relates to our operations, this decrease in demand in part led to a delay in the completion of two of our projects, Beijing Chianti and Three Thousand Lane. These projects were originally scheduled to be completed by the end of 2008. We decided to complete these projects in Spring 2009 after considering the effects of the global economic crisis;

- the regulatory and fiscal environment of the PRC, in particular, the regulatory and fiscal environment affecting the property development industry, including tax policies (e.g., the preferential income tax policy and LAT policies), land grant policies, pre-sale policies, policies on interest rates and the availability of mortgages and other macro-economic policies designed to slow down the growth of the PRC property market; and
- the performance of the PRC’s property market, in particular, the supply and demand for residential properties and pricing trends in the medium- to high-end property sector in Chongqing, Chengdu, Beijing, Xi’an, Shanghai, Wuxi, Shenyang and Changzhou.

From time to time, the PRC Government adjusts its macroeconomic control policies to encourage or restrict development in the private property sector through measures relating to, among other things, land grants, pre-sales of properties, bank financing and taxation. In recent years, the PRC Government has instituted a variety of measures designed to stabilize and dampen any potential over-heating of the real estate market, with a particular focus on the residential sector. These policies have led, and may continue to lead, to changes in market conditions, including changes in price stability, costs of ownership, costs of development and the balance of supply and demand in respect of residential properties. In response to the recent global economic crisis, the PRC Government has implemented a stimulus plan and other measures which have resulted in a significant rise in the volume of bank loans. PRC regulators have expressed concern about excessive lending for real estate investments. Excessive development fueled by cheap credit could cause an oversupply of property inventory leading to a significant market correction, which could adversely affect the sales volumes and selling prices of our projects. On the other hand, any efforts by bank regulators to curb excessive lending, if taken too far, might prevent developers like us from raising funds that we need to start new projects. PRC regulatory measures in the real estate industry will continue to impact our business and results of operations.

Ability to Acquire Suitable Land for Future Development

Our continuing growth will depend in large part on our ability to secure quality land at prices that can yield reasonable returns. Based on our current development plans, we have sufficient land reserves for property developments for the next several years. As the PRC economy continues to grow and demand for residential properties remains relatively strong, we expect that competition among developers for land reserves that are suitable for property development will intensify. In addition, the public tender, auction and listing-for-sale practice in respect of the grant of state-owned land use rights is also likely to increase competition for development land and land acquisition costs as a result.

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Access to Adequate Financing and Capital Resources

Bank and other borrowings are an important source of funding for our property developments. As of December 31, 2006, 2007, 2008, and June 30, 2009, our outstanding bank and other borrowings amounted to RMB3,099.4 million, RMB7,928.5 million, RMB12,839.8 million and RMB12,498.0 million, respectively. As commercial banks in China link the interest rates on their bank loans to benchmark lending rates published by the PBOC, any increase in such benchmark lending rates will increase the interest costs related to 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 development.

Pre-sales

Pre-sales constitute one of the most important sources of our operating cash inflow during our project development process. PRC law allows us to pre-sell properties before their completion upon satisfaction of certain requirements and requires us to use the pre-sales proceeds to develop the particular project that has been pre-sold. Please see “Business — Project Development — Financing” for additional details. The amount and timing of cash inflows from pre-sales are affected by a number of factors, including the development schedule of each of our projects, restrictions on pre-sales imposed by the PRC Government, market demand for our properties subject to pre-sales and the number of properties we have available for pre-sale. Reduced cash flow from pre-sales of our properties will likely increase our reliance on external financing which may increase our costs and may impact our ability to finance our continuing property developments.

Timing of Property Development

Our results of operations tend to fluctuate from period to period. According to our accounting policy for revenue recognition, we recognize revenue from the sale of a property upon, among other things, the completion and delivery of the property to the purchaser, which is when we believe the significant risks and rewards of ownership are transferred to the purchaser. The timing for the completion and delivery of a property is, however, subject to numerous factors, some of which are beyond our control. Any of these factors may therefore affect the recognition of revenue from sales of our properties and, as a result, our results of operations may vary significantly from period to period.

Periods in which we complete more GFA and more frequently deliver completed properties to purchasers will typically generate a higher level of revenue than periods in which, for example, we pre-sell a large aggregate GFA but such properties are not completed and delivered within the same period that the properties were pre-sold. The effect of the timing of project completion on our operational results is accentuated by the fact that we can only undertake a limited number of projects during any particular period due to the substantial capital requirements of land acquisitions and construction as well as the limited supply of land. Significant time is required for property developments and it may take many months or probably years before pre-sales of a property development can occur. In addition, as market demand is not stable, revenue in a particular period can also depend on our ability to gauge the expected demand in the market at the expected launch time for completion of a particular project, while delays in construction, regulatory approval processes and other factors can adversely affect the timetables of our projects.

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The Size and Product Mix of Our Properties

We have in the past and intend in the future to retain mainly our mid- to large-scale shopping malls for recurring income and to sell units of our residential properties, small retail shop units and car park spaces to individual purchasers. As a result, our results of operations and the sources and amount of our cash from operations may vary significantly from period to period depending on the type and GFA of our completed properties that we sell or rent during the Track Record Period, and when our projects in various stages of development are to be completed. Our results of operations and cash flows will also vary depending on the market demand at the time we sell or lend our properties, the rental and occupancy rates of our investment properties and the selling prices for units in our residential properties, small retail shop units and car park spaces. The recurring income and selling prices we receive from, and the occupancy levels of, our property developments depend on local market prices which in turn depend on local supply and demand conditions, as well as the type of property being developed.

Price Volatility of Construction Materials

Our results of operations are affected by the price volatility of construction materials such as steel and cement. We procure the construction materials we use for our property development and, therefore, we are exposed to the price volatility of construction materials to the extent that we are not able to pass any increased costs on to our purchasers. Further, we typically pre-sell our properties prior to their completion and we will be unable to pass the increased costs on to our purchasers if construction costs increase subsequent to the time of such pre-sale. See “— Certain Consolidated Statements of Comprehensive Income Items — Cost of Sales — Construction Costs.”

Valuation of Our Investment Properties

Our investment properties include the North Paradise Walk Mall, Chongqing Fairy Castle, Crystal Constellation of Crystal Town and West Paradise Walk projects. Our investment properties are stated at their fair value on our consolidated statements of financial position as non-current assets as of each statement of financial position 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 change in fair value of investment properties in our consolidated statements of comprehensive income, 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 bases and assumptions which the valuer uses for the valuation typically use the direct comparison approach by making references to comparable sales transactions available in the relevant market and where appropriate, on the basis of the capitalization of the net rental income derived from the existing tenancies with due allowance for recurring income potential of the respective properties. The fair value of our investment properties may have been higher or lower if the valuer had used a different set of bases or assumptions or if the valuation had been 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 statement of financial position 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 go down as well as up. There can be no assurance that we will continue to record similar levels of fair value gains in the future.

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CRITICAL ACCOUNTING POLICIES

Critical accounting policies are those accounting policies that reflect significant judgments and uncertainties and that potentially yield materially different results under different assumptions and conditions. The critical accounting policies adopted and estimates made in preparation of our financial statements include the following:

Revenue Recognition

Revenue comprises primarily the fair value of the consideration received or receivable from property development, property investment and property management and related services. Revenue from the sale of properties in the ordinary course of business is recognized when the relevant properties are completed and delivered to the purchasers, which is when all of the following criteria are met:

- the significant risks and rewards of ownership of the properties are transferred to purchasers;
- neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the properties is retained;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Payments received on properties sold prior to the date of revenue recognition, including deposits and pre-sale proceeds, are included in the consolidated statements of financial position as accounts payable, deposits received and accrued charges and are presented as current liabilities. Revenue arising from property investment is recognized on a straight-line basis over the relevant lease period. Other revenue is recognized over the period when the related services are rendered.

Properties Under Development, Cost of Sales and Properties Held for Sales

We recognize the cost of property development for a given period to the extent that revenue from such properties has been recognized in such period. Prior to their completion, properties under development are included on our consolidated statements of financial position at cost, less any identified impairment losses.

Cost of property development includes construction costs, costs of land use rights and capitalized costs, which are allocated to each property based on the actual investment in each property. We make such estimates based on the information available at the time of completion of the relevant sales contracts, including the development plan and budget for the project.

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When the leasehold land and buildings are in the course of development for production, for rental or for administrative purposes, the leasehold land component is classified as a prepaid lease payment and amortized over a straight-line basis over the lease term. During the construction period, the amortization charge provided for the leasehold land is included as part of the costs of the properties under development.

Properties under development that are intended for sale are classified as current assets. Properties under development that are intended to be held for our own use or their investment potential are classified as non-current assets. Completed properties remaining unsold at the end of each financial period are stated at the lower of cost and net realizable value and classified as properties held for sale under current assets.

Income Tax Expense

Income tax expense represents the sum of the tax currently payable and deferred taxation.

Deferred taxation is recognized on differences between the carrying amounts of assets and liabilities in the combined financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the statements of financial position liability method. The realizability of the deferred taxation assets mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future. The directors determine the deferred taxation assets based on the enacted or substantially enacted tax rates and laws and the best knowledge of profit projections of our Group for coming years during which the deferred taxation assets are expected to be utilized.

The directors will review the assumptions and profit projections by the statements of financial position date. The carrying amount of deferred taxation assets is reviewed at each statements of financial position date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Recognition of Share-based Payment Expenses

Our Group adopted Pre-[●] Share Award Schemes on November 30, 2007 and July 31, 2009 and the Pre-[●] Option Scheme on November 30, 2007. Our Group engaged an independent appraiser to assist in determining the fair value of the Shares awarded and options granted. The determination of fair value was made after considering a number of factors, all of which are subject to uncertainty, including: our Group’s financial and operating results; the global economic outlook in general and the specific economic and competitive factors affecting our Group’s business; the nature and prospect of the PRC property market; our Group’s business plan and prospects; business risks the Group faces; and market yields and return volatility of comparable corporate shares.

The total fair value of options granted is measured on the grant date based on the fair value of the underlying Shares of our Company. In addition, our Group is required to estimate the expected percentage of grantees that will remain in the employment with our Group at the end of the vesting period. Our Group only recognizes an expense for those options expected to vest over the vesting period during which the grantees become unconditionally entitled to the options. At each relevant statement of financial position date, our Group revises its estimates of the number of options that are expected to ultimately vest. Changes in these estimates and assumptions could have a material effect on the determination of the fair value of the share options and the amount of such equity awards expected to vest, which may in turn significantly impact the determination of the share-based compensation expenses.

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Investment Properties

Our investment properties are stated at fair value based on the valuation performed by independent property valuers. In determining fair value, the valuers have based this on a method of valuation that involves certain estimates of market conditions. In relying on the valuation report, our directors have exercised their judgment and are satisfied that assumptions used in the valuation reflect current market conditions. See “— Certain Consolidated Statements of Comprehensive Income Items — Change in Fair Value of Investment Properties” and note 13 of the notes to the Accountants’ Report in Appendix I to this document.

Capitalized Costs

See “— Certain Consolidated Statements of Comprehensive Income Items — Cost of Sales — Capitalized Costs.”

LAT

We are subject to LAT in the PRC. However, the implementation and settlement of the tax varies among different tax jurisdictions in various cities of the PRC. Accordingly, significant judgment is required in determining the amount of land appreciation and its related income tax provisions. We have recognized LAT based on management’s best estimates. See “— Certain Consolidated Statements of Comprehensive Income Items — Income Tax Expense — LAT.” The final tax outcome, however, could be different from the amounts that were initially recorded, and these differences will impact the income tax expense and the related income tax provisions in the periods in which such tax is finalized with local tax authorities.

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SUMMARY CONSOLIDATED FINANCIAL INFORMATION

The following table sets forth, for the periods indicated, certain items derived from our consolidated statements of comprehensive income.

	Year Ended December 31,			Six Months Ended June 30,	
	2006	2007	2008	2008	2009
	unaudited				
	(RMB in thousands)				
Revenue	2,100,666	3,498,040	4,475,199	2,230,128	5,875,808
Cost of sales	(1,380,137)	(2,307,239)	(3,321,192)	(1,601,873)	(4,035,743)
Gross profit	720,529	1,190,801	1,154,007	628,255	1,840,065
Other income	13,843	113,315	132,068	58,047	344,159
Change in fair value of investment properties	482,177	901,113	125,100	71,200	561,000
Distribution expenses	(131,351)	(210,187)	(323,910)	(133,285)	(105,975)
Administrative expenses	(108,755)	(335,370)	(408,286)	(169,201)	(84,822)
Loss on disposal of investment held for trading	—	(131)	—	—	—
Finance costs	—	(20,579)	(61,525)	(33,415)	(41,634)
Share of results of jointly controlled entities	602	(13,681)	63,225	(1,938)	32,570
Profit before taxation	977,045	1,625,281	680,679	419,663	2,545,363
Income tax expense	(337,577)	(724,081)	(281,198)	(182,893)	(885,379)
Profit for the year/period	<u>639,468</u>	<u>901,200</u>	<u>399,481</u>	<u>236,770</u>	<u>1,659,984</u>
<i>Other comprehensive expense for the year/period</i>					
Exchange differences arising on translation	(1,310)	—	—	—	—
Total comprehensive income for the year/period	<u>638,158</u>	<u>901,200</u>	<u>399,481</u>	<u>236,770</u>	<u>1,659,984</u>
Attributable to:					
Equity owners of the Company	370,969	749,990	331,590	198,158	1,456,061
Minority interests	268,499	151,210	67,891	38,612	203,923
Profit for the year/period.	<u>639,468</u>	<u>901,200</u>	<u>399,481</u>	<u>236,770</u>	<u>1,659,984</u>
Attributable to:					
Equity owners of the Company	369,659	749,990	331,590	198,158	1,456,061
Minority interests.	268,499	151,210	67,891	38,612	203,923
Total comprehensive income for the year/period	<u>638,158</u>	<u>901,200</u>	<u>399,481</u>	<u>236,770</u>	<u>1,659,984</u>
Earnings per share, in RMB cents					
Basic	<u>9.3</u>	<u>18.7</u>	<u>8.3</u>	<u>5.0</u>	<u>36.4</u>

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Six Months Ended June 30, 2009 Compared to Six Months Ended June 30, 2008

Revenue

Our revenue increased by 1.6 times to RMB5,875.8 million for the six months ended June 30, 2009 from RMB2,230.1 million for the same period in 2008, primarily due to an increase in revenue generated from property development.

- Property Development.** Revenue generated from property development increased by 1.7 times to RMB5,718.4 million for the six months ended June 30, 2009 from RMB2,123.4 million for the same period in 2008, primarily due to an increase in the average realized selling prices of the properties we sold and an increase in the total GFA sold. Our average realized selling price per sq.m. for the properties we sold increased by 1.1 times to RMB10,071 for the six months ended June 30, 2009 from RMB4,732 for the same period in 2008, primarily due to the sale of properties at our Beijing Rose and Ginkgo Villa and Beijing Chianti projects, which commanded higher average realized selling prices. Our total GFA sold increased by 26.5% to 567,840 sq.m. for the six months ended June 30, 2009 from 448,778 sq.m. for the same period in 2008.

The following table sets forth revenue generated, GFA sold, and the average realized selling prices for each listed project for the six months ended June 30, 2008 and 2009, respectively.

Project	Revenue		GFA Sold		Average Realized Selling Price	
	Six Months Ended June 30,					
	2008	2009	2008	2009	2008	2009
	(RMB in thousands)		(sq.m.)		(RMB per sq.m.)	
Blue Lake County	95,249	10,782	9,762	2,147	9,757	5,022
Chongqing Fairy Castle	349,197	671	80,831	263	4,320	2,551
River View	331,611	1,434	87,516	520	3,789	2,758
Peace Hill County	—	454,046	—	37,758	—	12,025
Sunshine Riverside	—	335,973	—	47,705	—	7,043
Crystal Town.	86,761	4,783	21,157	2,344	4,101	2,041
West Paradise Walk	358,734	7,087	79,654	1,317	4,504	5,381
Hill of Good Hope	26,221	562	8,854	194	2,961	2,897
King Land	862,620	35,512	155,412	5,156	5,551	6,888
Charming Port	—	33,670	—	5,512	—	6,108
Three Thousand Lane	—	1,722,578	—	287,707	—	5,987
Beijing Rose and Ginkgo Villa	—	1,859,008	—	73,739	—	25,211
Beijing Chianti	—	1,243,140	—	101,302	—	12,272
Others	13,032	9,198	5,592	2,176	2,331	4,206
Total	2,123,425	5,718,444	448,778	567,840	4,732	10,071

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- *Property Investment.* Revenue generated from property investment increased by 37.6% to RMB86.3 million for the six months ended June 30, 2009 from RMB62.7 million for the same period in 2008, primarily due to an increase in total GFA leased and an increase in rental prices at the North Paradise Walk Mall project in the six months ended June 30, 2009.
- *Property management and related services.* Revenue generated from property management and related services increased by 55.8% to RMB80.2 million for the six months ended June 30, 2009 from RMB51.5 million for the same period in 2008, primarily due to the increase in the number of properties under management.

Cost of Sales

Cost of sales increased by 1.5 times to RMB4,035.7 million for the six months ended June 30, 2009 from RMB1,601.9 million for the same period in 2008, primarily due to a significant increase in our average costs per sq.m., particularly relating to our Beijing Rose and Ginkgo Villa project, which incurred higher costs to obtain the requisite land use rights, and an increase in the total GFA sold of our properties that resulted in a corresponding increase in the construction costs recognized.

Gross Profit

Gross profit increased by 1.9 times to RMB1,840.1 million for the six months ended June 30, 2009 from RMB628.3 million for the same period in 2008. Our gross profit margin slightly increased to 31.3% for the six months ended June 30, 2009 from 28.2% for the same period in 2008. The increase in our gross profit margin was primarily due to sales of properties of our Beijing Rose and Ginkgo Villa and Beijing Chianti projects for the six months ended June 30, 2009, which commanded high gross profit margins.

Other Income

Other income increased by 4.9 times to RMB344.2 million for the six months ended June 30, 2009 from RMB58.0 million for the same period in 2008. This increase was primarily due to the compensation received from primarily development project in the amount of RMB306.0 million at the Hong'en Si project.

Change in Fair Value of Investment Properties

Fair value gains on investment properties increased by 6.9 times to RMB561.0 million for the six months ended June 30, 2009 from RMB71.2 million for the same period in 2008, primarily due to our efforts to enhance the value of the North Paradise Walk Mall project through property improvements and adjustments in our tenant mix, which enabled us to charge higher rents and which, as a result, increased the fair value of the properties.

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The following table sets forth, for the periods indicated, the fair value gains on our investment properties.

Investment Property	Six Months Ended June 30,			
	2008		2009	
	(RMB in thousands, except percentages)			
North Paradise Walk Mall	37,000	52.0%	455,000	81.1%
Chongqing Fairy Castle	9,400	13.2	5,100	0.9
Crystal Constellation of Crystal Town	2,800	3.9	4,900	0.9
West Paradise Walk	22,000	30.9	96,000	17.1
Total	71,200	100.0%	561,000	100.0%

Distribution Expenses

Distribution expenses decreased by 20.4% to RMB106.0 million for the six months ended June 30, 2009 from RMB133.3 million for the same period in 2008. The decrease in distribution expenses was primarily a result of the fact that we did not introduce any new project during the six months ended June 30, 2009. The absence of new projects resulted in, among other things, fewer promotional expenses relating to advertisement, marketing and related costs. We do not believe that the decrease in distribution expenses during this period will have any long term material adverse effect on us.

Administrative Expenses

Administrative expenses decreased by 49.9% to RMB84.8 million for the six months ended June 30, 2009 from RMB169.2 million for the same period in 2008. The decrease in administrative expenses was primarily a result of a reduction in our employee during the six months ended June 30, 2009. The reduction directly contributed to an overall decrease in general administrative expenses relating to, among other things, recruitment, retention and training. We do not believe that the decrease in administrative expenses during this period will have any long term material adverse effect on us.

Finance Costs

Finance costs increased by 24.6% to RMB41.6 million for the six months ended June 30, 2009 from RMB33.4 million for the same period in 2008, primarily due to an increase in interest paid on the 2007 Term Loan that was not wholly capitalized.

Share of Results of Jointly Controlled Entities

For the six months ended June 30, 2009, the share of profits of jointly controlled entities was RMB32.6 million, primarily due to profits generated from our Bamboo Grove project, as compared to a share of losses of jointly controlled entities in the amount of RMB1.9 million for the six months ended June 30, 2008.

Profit Before Taxation

Profit before taxation increased by 5.1 times to RMB2,545.4 million for the six months ended June 30, 2009 from RMB419.7 million for the same period in 2008.

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Income Tax Expense

Income tax expense increased by 3.8 times to RMB885.4 million for the six months ended June 30, 2009 from RMB182.9 million for the same period in 2008, primarily because we had a higher profit before taxation, although our effective tax rate decreased to 34.8% for the six months ended June 30, 2009 from 56.4% for the same period in 2008, primarily because we had higher fair value gains on our investment properties, which were not subject to LAT, for the six months ended June 30, 2009 as compared to the same period in 2008. The decrease in our effective tax rate was also due to the fact that we generated income from primary land development in relation to the Hong'en Si project in 2009. Such income is not subject to LAT.

Profit for the Period

Profit for the period increased by 6.0 times to RMB1,660.0 million for the six months ended June 30, 2009 from RMB236.8 million for the same period in 2008. As a percentage of revenue, profit for the six months ended June 30, 2009 increased to 28.3% from 10.6% for the same period in 2008, as a result of the cumulative effect of the foregoing factors.

Profit Attributable to Equity Owners of the Company

Profit attributable to equity owners of the Company increased by 6.3 times to RMB1,456.1 million for the six months ended June 30, 2009 from RMB198.2 million for the same period in 2008.

Profit Attributable to Minority Interests

Profit attributable to minority interests was RMB203.9 million for the six months ended June 30, 2009, as compared to RMB38.6 million for the same period in 2008, primarily due to an increase in profit for the six months ended June 30, 2009 from the same period in 2008.

2008 Compared to 2007

Revenue

Our revenue increased by 27.9% to RMB4,475.2 million in 2008 from RMB3,498.0 million in 2007, primarily due to an increase in revenue generated from property development.

- *Property Development.* Revenue generated from property development increased by 26.4% to RMB4,216.2 million in 2008 from RMB3,334.3 million in 2007, primarily due to an increase in the average realized selling prices of the properties we sold and, to a lesser extent, an increase in the total GFA sold. Our average realized selling prices per sq.m. for the properties we sold increased by 22.9% to RMB4,938 in 2008 from RMB4,015 in 2007, primarily due to our generating a higher percentage of revenue from sales of properties at our King Land and Charming Port projects, which commanded higher average realized selling prices.

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The following table sets forth revenue generated, GFA sold, and average realized selling prices for each listed project in 2007 and 2008.

Project	Revenue		GFA Sold		Average Realized Selling Price	
	2007	2008	2007	2008	2007	2008
	(RMB in thousands)		(sq.m.)		(RMB per sq.m.)	
Blue Lake County	846,290	729,276	143,703	123,340	5,889	5,913
Chongqing Fairy Castle	817,008	364,911	224,176	101,162	3,644	3,607
River View	596,665	332,520	201,597	87,904	2,960	3,783
Crystal Town	56,863	99,147	26,749	25,939	2,126	3,822
West Paradise Walk	—	347,344	—	77,388	—	4,488
Hill of Good Hope	514,797	28,855	125,908	9,559	4,089	3,019
King Land	461,831	897,608	90,997	159,447	5,075	5,630
Charming Port	—	1,399,312	—	263,374	—	5,313
Others	40,885	17,199	17,274	5,730	2,367	3,002
Total	<u>3,334,339</u>	<u>4,216,172</u>	<u>830,404</u>	<u>853,843</u>	<u>4,015</u>	<u>4,938</u>

- *Property Investment.* Revenue generated from property investment increased by 56.1% to RMB158.8 million in 2008 from RMB101.7 million in 2007, primarily due to the completion of Phase I of the West Paradise Walk project at the end of 2007, which provided us with additional rental properties for lease in 2008, and due to an increase in the average rent for our existing investment properties.
- *Property management and related services.* Revenue generated from property management and related services increased by 87.9% to RMB116.5 million in 2008 from RMB62.0 million in 2007, primarily due to an increase in the number of properties under management.

Cost of Sales

Cost of sales increased by 43.9% to RMB3,321.2 million in 2008 from RMB2,307.2 million in 2007, primarily due to an increase in cost of property development, which was largely driven by an increase in the cost of raw materials, particularly steel and cement. In addition, lower-end properties, which generally require lower development costs, comprised a smaller percentage of the projects that we completed and delivered to our purchasers in 2008 as compared to 2007.

Gross Profit

Gross profit decreased by 3.1% to RMB1,154.0 million in 2008 from RMB1,190.8 million in 2007. Our gross profit margin decreased to 25.8% in 2008 from 34.0% in 2007. The decrease in our gross profit margin was primarily because a large portion of our properties that we completed and delivered to purchasers in 2008 had a lower profit margin, which was the result of an increase in the average cost per sq.m. for such properties that outpaced an increase in the average per sq.m. selling price for the same properties.

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Other Income

Other income increased by 16.6% to RMB132.1 million in 2008 from RMB113.3 million in 2007. This increase was primarily due to a gain on the disposal of a partial interest in a jointly controlled entity in the amount of RMB36.8 million and a net exchange gain in the amount of RMB38.6 million in 2008, partially offset by a discount on the acquisition of an additional interest in a subsidiary in the amount of RMB41.0 million in 2007.

Change in Fair Value of Investment Properties

Fair value gains on investment properties decreased by 86.1% to RMB125.1 million in 2008 from RMB901.1 million in 2007, primarily because of the completion of Phase I of the West Paradise Walk project in 2007, which led to the recognition of RMB627.2 million in fair value gains in 2007.

The following table sets forth, for the periods indicated, the fair value gains (losses) on our investment properties.

Investment Property	Year Ended December 31,			
	2007		2008	
	(RMB in thousands, except percentage)			
North Paradise Walk Mall	285,000	31.6%	76,000	60.8%
Chongqing Fairy Castle	29,000	3.2	12,400	9.9
Crystal Constellation of Crystal Town	(40,060)	(4.4)	4,700	3.8
West Paradise Walk	627,173	69.6	32,000	25.5
Total	<u>901,113</u>	<u>100.0%</u>	<u>125,100</u>	<u>100.0%</u>

Distribution Expenses

Distribution expenses increased by 54.1% to RMB323.9 million in 2008 from RMB210.2 million in 2007. This increase was primarily due to an increase in promotional expenses related to our expansion into Shanghai and Xi'an and an increase in the number of projects for which we commenced pre-sales in 2008 as compared to 2007.

Administrative Expenses

Administrative expenses increased by 21.7% to RMB408.3 million in 2008 from RMB335.4 million in 2007, primarily due to an increase in the expenses associated with the Pre-[●] Share Award Scheme and Pre-[●] Option Scheme that were adopted on November 30, 2007 in the amount of RMB60.1 million.

Finance Costs

Finance costs increased by 2.0 times to RMB61.5 million in 2008 from RMB20.6 million in 2007 due to an increase in interest paid on the 2007 Term Loan that was not wholly capitalized.

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Share of Results of Jointly Controlled Entities

In 2008, the share of profits of jointly controlled entities was RMB63.2 million primarily due to profits generated from our Bamboo Grove project, as compared to a share of losses of jointly controlled entities in the amount of RMB13.7 million in 2007.

Profit Before Taxation

Profit before taxation decreased by 58.1% to RMB680.7 million in 2008 from RMB1,625.3 million in 2007.

Income Tax Expense

Income tax expense decreased by 61.2% to RMB281.2 million in 2008 from RMB724.1 million in 2007 primarily because we had a lower profit before taxation, and our effective tax rate decreased to 41.3% in 2008 from 44.6% in 2007, primarily because the effective enterprise income tax applicable to enterprises with operations in China was lowered from 33% to 25% on January 1, 2008 and because the LAT decreased to RMB55.5 million in 2008 from RMB147.2 million in 2007, partially offset by a 5% withholding tax applicable to companies such as us, which the PRC Government implemented nationwide effective January 1, 2008.

Profit for the Year

Profit for the year decreased by 55.7% to RMB399.5 million in 2008 from RMB901.2 million in 2007, primarily due to a decrease in fair value gains on investment properties, net of deferred tax and profit attributable to minority interests, to RMB85.7 million in 2008 from RMB470.9 million in 2007. As a percentage of revenue, profit in 2008 decreased to 8.9% from 25.8% in 2007 as a result of the cumulative effect of the foregoing factors.

Profit Attributable to Equity Owners of the Company

Profit attributable to equity owners of the Company decreased by 55.8% to RMB331.6 million in 2008 from RMB750.0 million in 2007.

Profit Attributable to Minority Interests

Profit attributable to minority interests decreased by 55.1% to RMB67.9 million in 2008 from RMB151.2 million in 2007, primarily due to a decrease in profit in 2008 from 2007.

2007 Compared to 2006

Revenue

Our revenue increased by 66.5% to RMB3,498.0 million in 2007 from RMB2,100.7 million in 2006, primarily due to an increase in the total GFA sold and also to increases in revenue generated from property investment and other revenue, partially offset by a decrease in the average realized selling prices of our properties sold.

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- Property Development.** Revenue generated from property development increased by 67.4% to RMB3,334.3 million in 2007 from RMB1,991.4 million in 2006, primarily due to an increase in the total GFA sold. Our average realized selling price per sq.m. for our properties decreased by 15.6% to RMB4,015 in 2007 to RMB4,641 in 2006, primarily due to an increase in sales of properties at Chongqing Fairy Castle, River View and Hill of Good Hope projects in 2007, which charged lower average realized selling prices than other properties we sold in 2006.

The following table sets forth the revenue generated, the GFA sold, and the average realized selling prices for each project in 2006 and 2007, respectively.

Project	Revenue		GFA Sold		Average Realized Selling Price	
	2006	2007	2006	2007	2006	2007
	(RMB in thousands)		(sq.m.)		(RMB per sq.m.)	
Blue Lake County	1,075,036	846,290	153,240	143,703	7,015	5,889
Chongqing Fairy Castle	616,263	817,008	190,223	224,176	3,240	3,644
River View	—	596,665	—	201,597	—	2,960
Crystal Town	268,910	56,863	79,343	26,749	3,389	2,126
Hill of Good Hope	—	514,797	—	125,908	—	4,089
King Land	—	461,831	—	90,997	—	5,075
Others	31,233	40,885	6,319	17,274	4,942	2,367
Total	<u>1,991,442</u>	<u>3,334,339</u>	<u>429,125</u>	<u>830,404</u>	<u>4,641</u>	<u>4,015</u>

- Property Investment.** Revenue generated from property investment increased by 51.1% to RMB101.7 million in 2007 from RMB67.3 million in 2006, primarily as a result of an increase in the number of rental properties leased and an increase in the rental prices for properties at the North Paradise Walk Mall project.
- Property management and related services.** Revenue generated from property management and related services increased by 48.0% to RMB62.0 million in 2007 from RMB41.9 million in 2006, primarily due to the increase in the number of properties under management.

Cost of Sales

Cost of sales increased by 67.2% to RMB2,307.2 million in 2007 from RMB1,380.1 million in 2006, primarily due to an increase in costs of property development. The increase in costs of property development was primarily due to an increase in GFA completed, partially offset by a decrease in average costs of land use rights. Our costs of land use rights per sq.m. decreased to RMB598.0 in 2007 from RMB731.8 in 2006.

The increase in cost of sales was also attributable to an increase in cost of property management and related services to RMB56.7 million in 2007 from RMB39.0 million in 2006, primarily due to the higher costs associated with the growth in 2007 in the number of properties under management.

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Gross Profit

Gross profit increased by 65.3% to RMB1,190.8 million in 2007 from RMB720.5 million in 2006. Our gross profit margin decreased slightly to 34.0% in 2007 from 34.3% in 2006.

Other Income

Other income increased by 7.2 times to RMB113.3 million in 2007 from RMB13.8 million in 2006. This increase was primarily due to a discount on the acquisition of an additional interest in a subsidiary in the amount of RMB41.0 million in 2007, a gain on the disposal of a partial interest in a subsidiary in the amount of RMB23.1 million in 2007 and an increase in interest income from RMB9.7 million in 2006 to RMB28.9 million in 2007. In 2007, Chongqing Longhu Development contributed RMB160.0 million in additional capital in Chongqing Longhu Properties and subsequently acquired the remaining minority interests for a consideration of RMB2.5 million. Chongqing Longhu Development therefore held 100% of the equity of Chongqing Longhu Properties. Discount on acquisition and discount on deemed acquisition of RMB41.1 million was recognized in total.

Change in Fair Value of Investment Properties

Fair value gains on investment properties increased by 86.9% to RMB901.1 million in 2007 from RMB482.2 million in 2006, primarily due to the completion of Phase I of the West Paradise Walk project in 2007, which led to the recognition of RMB627.2 million in fair value gains in 2007.

The following table sets forth, for the periods indicated, the fair value gains on our investment properties.

Investment Property	Year Ended December 31,			
	2006		2007	
	(RMB in thousands, except percentages)			
North Paradise Walk Mall	107,000	22.2%	285,000	31.6%
Chongqing Fairy Castle	244,183	50.6	29,000	3.2
Crystal Constellation of Crystal Town	130,994	27.2	(40,060)	(4.4)
West Paradise Walk	—	—	627,173	69.6
Total	<u>482,177</u>	<u>100.0%</u>	<u>901,113</u>	<u>100.0%</u>

Distribution Expenses

Distribution expenses increased by 60.0% to RMB210.2 million in 2007 from RMB131.4 million in 2006. This increase was primarily due to an increase in total promotional expenses, mainly because we continued to strengthen our advertising and marketing efforts to promote our products and broaden our market recognition.

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Administrative Expenses

Administrative expenses increased by 2.1 times to RMB335.4 million in 2007 from RMB108.8 million in 2006, primarily due to an increase in total salaries and benefits for our personnel, resulting primarily from one-time bonuses paid in 2007 in the amount of RMB116 million and an increase in employee headcount from 2,463 in 2006 to 3,179 in 2007, which primarily included the hiring of new administrative employees that received higher-than-average salaries.

Finance Costs

Finance costs increased to RMB20.6 million in 2007 from nil in 2006 because the interest we incurred on the term loan facility extended by Citicorp Securities Asia Pacific Limited was not capitalized during the period prior to the commencement of our using the loan proceeds to develop our properties.

Share of Results of Jointly Controlled Entities

In 2007, the share of loss of jointly controlled entities was RMB13.7 million, as compared to the share of profit of jointly controlled entities of RMB0.6 million in 2006, primarily due to Longhu Land incurring certain costs due to its commencing construction of projects in 2007.

Profit Before Taxation

Profit before taxation increased by 66.4% to RMB1,625.3 million in 2007 from RMB977.0 million in 2006. As a percentage of revenue, profit before taxation remained the same at 46.5% in 2007 and 2006.

Income Tax Expense

Income tax expense increased by 1.1 times to RMB724.1 million in 2007 from RMB337.6 million in 2006, and our effective tax rate increased to 44.5% in 2007 from 34.6% in 2006. In 2007, our effective tax rate was 44.5%, primarily because the tax rate that is expected to be applicable in future periods to Chongqing Longhu increased from 16.5% to 25.0% and, as a result, we recognized a one-off increase in our deferred tax liability.

Profit for the Year

Profit for the year increased by 40.9% to RMB901.2 million in 2007 from RMB639.5 million in 2006. As a percentage of revenue, profit for the year decreased to 25.8% in 2007 from 30.4% in 2006, as a result of the cumulative effect of the foregoing factors.

Profit Attributable to Equity Owners of the Company

Profit attributable to equity owners of the Company increased by 102.2% to RMB750.0 million in 2007 from RMB371 million in 2006. As a percentage of revenue, profit attributable to equity holders of the Company increased to 21.4% in 2007 from 17.6% in 2006, as a result of the cumulative effect of the foregoing factors.

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Profit Attributable to Minority Interests

Profit attributable to minority interests decreased by 43.7% to RMB151.2 million in 2007 from RMB268.5 million in 2006, primarily due to the decrease in the interest in us held by Madam Wu and Mr. Cai from 40% to 8.7% in October 2007.

CERTAIN STATEMENTS OF FINANCIAL POSITION ITEMS

	As of December 31,			As of June 30,
	2006	2007	2008	2009
	(RMB in thousands)			
Non-Current Assets	3,413,107	10,032,821	9,110,364	8,617,479
Investment properties	2,466,926	3,634,000	3,759,100	4,320,100
Property, plant and equipment	55,229	133,386	166,976	179,331
Properties under development	—	—	10,701	—
Prepaid lease payments	142,226	3,418,668	3,026,288	25,446,841
Deposits paid for acquisition of land use rights	586,475	2,249,415	845,780	89,527
Current Assets	6,675,703	12,606,662	23,285,903	25,456,732
Properties under development	4,740,061	8,702,421	14,880,070	16,817,943
Properties held for sales	421,603	363,516	2,582,592	902,708
Accounts and other receivables, deposits and prepayments	426,208	686,599	1,611,597	1,038,374
Bank balances and cash	729,106	2,337,618	3,228,797	5,919,421
Current Liabilities	4,844,705	13,113,585	21,360,847	22,534,570
Accounts payable, deposits received and accrued charges	3,777,580	9,096,044	13,843,721	13,464,958
Bank and other borrowings - due within one year	649,100	3,175,520	6,480,051	7,549,506
Non-Current Liabilities	2,754,053	5,397,430	7,091,186	5,910,032
Bank and other borrowings - due after one year	2,450,260	4,752,930	6,359,700	4,948,494
Deferred taxation liabilities	303,793	625,194	731,486	961,538
Total Equity	<u>2,490,052</u>	<u>4,128,468</u>	<u>3,994,234</u>	<u>5,619,718</u>

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Accounts and Other Receivables, Deposits and Prepayments

We had accounts and other receivables, deposits and prepayments of RMB426.2 million, RMB686.6 million, RMB1,611.6 million and RMB1,038.4 million, respectively, as of December 31, 2006, 2007, 2008 and June 30, 2009. Our accounts and other receivables, deposits and prepayments consist of trade receivables, other receivables, advances to suppliers, prepaid business tax and prepayments and deposits. The following table sets forth, for the periods indicated, further detail on our accounts and other receivables, deposits and prepayments.

	As of December 31,			As of June 30,
	2006	2007	2008	2009
	(RMB in thousands)			
Trade receivables	38,695	34,931	41,996	31,821
Other receivables	213,017	128,549	713,343	308,879
Advances to suppliers	13,392	98,207	111,824	115,438
Prepaid tax	161,086	424,772	742,885	581,751
Prepayments and utilities deposits	18	140	1,549	485
Total	<u>426,208</u>	<u>686,599</u>	<u>1,611,597</u>	<u>1,038,374</u>

Trade receivables were RMB38.7 million, RMB34.9 million, RMB42.0 million and RMB31.8 million, respectively, as of December 31, 2006, 2007, 2008 and June 30, 2009. Trade receivables arise mainly from properties that are sold close to the end of reporting periods for which we generally receive payment within 45 days of the execution of the sales contract.

Other receivables were RMB213.0 million, RMB128.5 million, RMB713.3 million and RMB308.9 million, respectively, as of December 31, 2006, 2007, 2008 and June 30, 2009. Our other receivables consist of secured deposits for other loans, deposits for tenders, temporary payments on behalf of customers, deposits to the contractors and others. Our secured deposits for other loans consists of a deposit made in connection with the West Paradise Walk project. Our temporary payments on behalf of customers consists of payments to the property maintenance and repair fund and deed taxes and stamp duties we paid on behalf of the purchasers of our properties. The decrease in other receivables from 2006 to 2007 is primarily due to a decrease in deposits to the contractors and deposits for tenders. The decrease in deposits to contractors and deposits for tenders in 2007 was primarily due to the expansion of our business which led to contractors requiring fewer or smaller deposits from us. The increase in other receivables from 2007 to 2008 was primarily due to the sale of our equity interests in a subsidiary in 2008. The decrease in other receivables from December 31, 2008 to June 30, 2009 was primarily due to the receipt of payment for such receivables in 2009.

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The following table sets forth, for the periods indicated, the breakdown of our other receivables.

	As of December 31,			As of June 30,
	2006	2007	2008	2009
	(RMB in thousands)			
Secured deposit for other loan	50,000	50,000	—	—
Deposits for tenders	14,000	5,000	—	—
Temporary payments on behalf of customers	16,581	10,917	1,392	297
Deposits to the contractors	72,946	55,877	113,991	122,070
Receivable from disposal of a property interest	—	—	—	110,060
Others	9,490	6,755	597,960	76,452
Total	<u>163,017</u>	<u>128,549</u>	<u>713,343</u>	<u>308,879</u>

Advances to suppliers were RMB13.4 million, RMB98.2 million, RMB111.8 million and RMB115.4 million, respectively, as of December 31, 2006, 2007, 2008 and June 30, 2009. The increase in advances to suppliers was primarily due to the expansion of our business. Prepaid tax was RMB161.1 million, RMB424.8 million, RMB742.9 million and RMB581.8 million, respectively, as of December 31, 2006, 2007, 2008 and June 30, 2009. The increase in prepaid LAT and business tax was primarily due to an increase in the aggregate amount of our pre-sales.

Accounts Payable, Deposits Received and Accrued Charges

We had accounts payable, deposits received and accrued charges of RMB3,777.6 million, RMB9,096.0 million, RMB13,843.7 million and RMB13,465.0 million, respectively, as of December 31, 2006, 2007, 2008 and June 30, 2009. Our accounts payable, deposits received and accrued charges include trade payables, bills payable, deposits received and receipt in advance from property sales and other payables and accrued charges. The following table sets forth, for the periods indicated, further detail on our accounts payable, deposits received and accrued charges.

	As of December 31,			As of June 30,
	2006	2007	2008	2009
	(RMB in thousands)			
Trade payables	320,089	389,002	1,453,839	1,526,892
Bills payable	434,890	474,946	282,789	62,386
Deposits received and receipt in advance from property sales	2,666,158	7,180,704	10,959,662	10,791,999
Other payables and accrued charges	356,443	1,051,392	1,147,431	1,083,681
Total	<u>3,777,580</u>	<u>9,096,044</u>	<u>13,843,721</u>	<u>13,464,958</u>

Trade payables were RMB320.1 million, RMB389.0 million, RMB1,453.8 million and RMB1,526.9 million, respectively, as of December 31, 2006, 2007, 2008 and June 30, 2009. The increase in trade payables was primarily due to an increase in the number of our construction contracts.

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Bills payable were RMB434.9 million, RMB474.9 million, RMB282.8 million and RMB62.4 million, respectively, as of December 31, 2006, 2007, 2008 and June 30, 2009. The decrease in bills payable was primarily due to a reduction of our use of bills as a means of payment.

Deposits received and receipt in advance from property sales were RMB2,666.2 million, RMB7,180.7 million, RMB10,960.0 million and RMB10,792.0 million, respectively, as of December 31, 2006, 2007, 2008 and June 30, 2009. The increase in deposits received and receipt in advance from property sales was primarily due to an increase in the number of properties we pre-sold. Deposits received and receipt in advance from property sales represent primarily payments received on properties pre-sold prior to their completion.

Other payables and accrued charges, consisting of accrued wages, interest payable and other payables, were RMB356.4 million, RMB1,051.4 million, RMB1,147.4 million and RMB1,083.7 million, respectively, as of December 31, 2006, 2007, 2008 and June 30, 2009.

Prepaid Lease Payments

Prepaid lease payments represent payments for obtaining land use rights in the PRC for properties for which we have not yet commenced land development. They are initially recognized at cost and are released to the consolidated statements of comprehensive income over the lease term on a straight-line basis.

We had prepaid lease payments of RMB142.2 million, RMB3,418.7 million, RMB3,026.3 million and RMB2,566.3 million, respectively, as of December 31, 2006, 2007, 2008 and June 30, 2009. The increase in prepaid lease payments from 2006 to 2007 was primarily due to the prepaid lease payments for the Blossom Chianti, Jade Town and Qujiang Glory projects. The decrease in prepaid lease payments from 2007 to 2008 was primarily because we commenced development in 2008 for most of the projects for which we had obtained land use rights in 2007 therefore eliminating the need to continue to make prepaid lease payments for such projects in 2008. Prepaid lease payments decreased from December 31, 2008 to June 30, 2009 primarily due to the aforementioned factor.

Deposits Paid for Acquisition of Land Use Rights

Deposits paid for the acquisition of land use rights represents prepayment for land for which we had not yet received the land use rights certificate and had not yet completed the land transfer procedures.

We had deposits paid for the acquisition of land use rights of RMB586.5 million, RMB2,249.4 million, RMB845.8 million and RMB89.5 million, respectively, as of December 31, 2006, 2007, 2008 and June 30, 2009. The increase in deposits paid for acquisition of land use rights from 2006 to 2007 was primarily due to the increase in the deposits paid for acquisition of land use rights for the Hong'en Si, Crystal Magic and Chongqing Flamenco Spain projects. The decrease in the deposits paid for acquisition of land use rights from 2007 to 2008 was primarily because we commenced development in 2008 for most of the projects for which we had obtained land use rights in 2007. The decrease in the deposits paid for acquisition of land use rights from December 31, 2008 to June 30, 2009 was primarily due to the aforementioned factor.

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LIQUIDITY AND CAPITAL RESOURCES

To date, we have financed our working capital, capital expenditures and other capital requirements primarily through internal funds, borrowings from banks, the issuance of bonds, capital contributions from shareholders, and proceeds from sales and pre-sales of our developed properties.

Net Current Assets

As of September 30, 2009, our Group had net current assets of approximately RMB1,619.0 million. Our Group’s current assets were mainly comprised of properties under development of RMB17,606.3 million, bank balances and cash of RMB4,244.7 million, accounts and other receivables, deposits and prepayments of RMB1,396.7 million and properties held for sale of RMB732.0 million. As of September 30, 2009, our Group’s current liabilities were mainly comprised of accounts payable, deposits received and accrued charges of RMB16,618.1 million, bank and other borrowings due within one year of RMB5,290.3 million and taxation payable of RMB1,275.6 million.

Our bank and other borrowings due within one year as of June 30, 2009 primarily included borrowings made on the 2007 Term Loan from Citicorp Securities Asia Pacific Limited as arranger of HK\$2,518.0 million in connection with our Reorganization. We fully repaid the 2007 Term Loan in August 2009.

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Cash Flows

The following table presents selected cash flow data from our combined cash flow statements for the periods indicated.

	Year Ended December 31,			Six Months Ended June 30,	
	2006	2007	2008	2008	2009
	unaudited				
	(RMB in thousands)				
Operating cash flows before movements in working capital ⁽¹⁾	490,845	708,120	596,469	373,337	1,698,122
Change in working capital:					
Increase in inventories	(10,169)	(20,376)	(92,928)	(48,856)	(65,908)
Decrease (increase) in properties under development and properties held for sales	(2,542,911)	(2,910,708)	(4,590,814)	(2,692,349)	1,124,707
Decrease (increase) in accounts and other receivables, deposits and prepayments . . .	82,880	(230,330)	(414,134)	(196,834)	788,716
Decrease (increase) in amounts due from related parties	(82,206)	9,585	40,017	(73,545)	32,678
Decrease (increase) in accounts payable, deposits received and accrued charges . . .	1,747,939	5,086,089	4,697,603	1,660,228	(297,973)
Cash (used in) from operations	(313,622)	2,642,380	236,213	(978,019)	3,280,342
PRC income tax paid	(85,299)	(151,406)	(272,905)	(251,172)	(239,290)
Net cash (used in) from operating activities . . .	(398,921)	2,490,974	(36,692)	(1,229,191)	3,041,052
Net cash (used in) from investing activities . . .	(892,626)	(6,281,170)	(3,077,581)	(2,298,512)	334,183
Net cash from (used in) financing activities . . .	1,665,293	5,398,708	4,005,452	3,828,664	(684,611)
Net increase in cash and cash equivalents	373,746	1,608,512	891,179	300,961	2,690,624
Cash and cash equivalents at the beginning of the year/period	356,110	729,106	2,337,618	2,337,618	3,228,797
Effect of foreign exchange rate changes	(750)	—	—	—	—
Cash and cash equivalents at the end of the year/period	729,106	2,337,618	3,228,797	2,638,579	5,919,421

- (1) Represents profit before taxation as adjusted for write down of inventories, imputed interest income of amount due from a minority shareholder, compensation received from primarily development project, share-based payments expenses, depreciation of property, plant and equipment, increase in fair value of investments held for trading, share of (profits) losses of jointly controlled entities, (gain) loss on disposal of property, plant and equipment, loss on disposal of investments held for trading, interest income, increase in fair value of investment properties, impairment loss on investment in an associate, gain on disposal of partial interest in a subsidiary, (gain) loss on disposal of a subsidiary, discount arising on acquisition of additional interest in a subsidiary, dividend income from available-for-sale investments, dividend income from investments held for trading, impairment loss on amount due from a related party, impairment loss on loan receivable, impairment loss on other receivables and net exchange gain.

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Cash Flows from Operating Activities

Our cash used in operations principally comprises amounts we pay for our property development activities, which are reflected on our consolidated statements of financial position as an increase in our property inventory. Our cash from operations is generated principally from the proceeds from sales of our properties, including pre-sales of properties under development.

For the six months ended June 30, 2009, we had net cash inflow from operating activities of RMB3,041.1 million, primarily due to profit before taxation of RMB2,545.4 million, a decrease in properties under development and properties held for sale of RMB1,124.7 million and a decrease in accounts and other receivables, deposits and prepayments of RMB788.7 million.

In 2008, we had net cash outflow from operating activities of RMB36.7 million, primarily due to an increase in properties under development and properties held for sales of RMB4,590.8 million, partially offset by an increase in accounts payable, deposits received and accrued charges of RMB4,697.6 million.

In 2007, we had net cash inflow from operating activities of RMB2,491.0 million, primarily due to an increase in accounts payable, deposits received and accrued charges of RMB5,086.1 million and profit before taxation of RMB1,625.3 million, partially offset by an increase in properties under development and properties held for sales of RMB2,910.7 million.

In 2006, we had net cash outflow from operating activities of RMB398.9 million, primarily due to an increase in properties under development and properties held for sales of RMB2,542.9 million, partially offset by an increase in accounts payable, deposits received and accrued charges of RMB1,747.9 million.

Cash Flows from Investing Activities

For the six months ended June 30, 2009, we had net cash inflow from investing activities of RMB334.2 million, primarily due to compensation received from primary development project of RMB1,000.0 million, partially offset by an acquisition of additional interest in a jointly controlled entity of RMB537.8 million.

In 2008, we had net cash outflow from investing activities of RMB3,077.6 million, primarily due to additions to the prepaid lease payments of RMB2,232.9 million and acquisition of additional interest in subsidiaries of RMB508.6 million.

In 2007, we had net cash outflow from investing activities of RMB6,281.2 million, primarily due to additions to prepaid lease payments of RMB3,276.4 million and deposits paid for acquisition of land use rights of RMB1,662.9 million.

In 2006, we had net cash outflow from investing activities of RMB892.6 million, primarily due to deposits paid for acquisition of land use rights of RMB525.5 million.

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Cash Flows from Financing Activities

For the six months ended June 30, 2009, we had net cash outflow from financing activities of RMB684.6 million, primarily due to repayment of bank loans of RMB3,762.3 million, partially offset by new bank loans raised of RMB1,855.4 million and net proceeds from issuance of other long-term loan note of RMB1,384.9 million.

In 2008, we had net cash inflow from financing activities of RMB4,005.5 million primarily due to new bank loans raised in the amount of RMB8,592.2 million, partially offset by the repayment of bank loans of RMB3,680.9 million.

In 2007, we had net cash inflow from financing activities of RMB5,398.7 million, primarily due to an increase in new bank loans of RMB5,900.6 million, partially offset by repayment of bank loans of RMB1,071.4 million.

In 2006, we had net cash inflow from financing activities of RMB1,665.3 million, primarily due to new bank loans raised of RMB2,445.0 million, partially offset in 2006 by repayment of bank loans of RMB639.4 million.

Capital Resources

Property developments require substantial capital investment for land acquisition and construction and it may take many months or years before positive cash flows can be generated. To date, we have funded our growth principally from internal funds, borrowings from banks, the issuance of bonds, capital contributions from shareholders, and proceeds from sales and pre-sales of our developed properties. Our financing methods vary from project to project and are subject to limitations imposed by PRC regulations and monetary policies.

We believe we have sufficient working capital to meet our requirements and foreseeable debt repayment obligations for the 12 months from the date of this document, available banking facilities and cash flows from our operations.

We intend to continue to fund our future development and debt servicing costs from existing financial resources and cash generated from operations. We may also raise additional funds through debt or equity offerings or sales or other dispositions of assets in the future to finance all or a portion of our future development, for debt servicing or for other purposes. Our ability to obtain adequate financing to satisfy our debt service requirements may be limited by our financial condition and results of operations and the liquidity of international and domestic financial markets. Any failure by us to achieve timely rollover, extension or refinancing of our short-term debt may result in our inability to meet our obligations in connection with debt service, accounts payable and/or other liabilities when they become due and payable. See “Risk Factors — Risks Relating to Our Business — Our business is capital intensive. We had negative operating cashflow during the Track Record Period and may not be able to obtain sufficient funding for our business expansion.” As of the Latest Practicable Date, we do not expect to engage in any material external debt financing in the foreseeable future.

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Restricted Cash

Our restricted cash consists of pledged bank deposits either to secure the banking facilities granted to us or restricted for mortgage sales of property. As of December 31, 2006, 2007, 2008 and June 30, 2009, such deposits amounted to approximately RMB138.9 million, RMB187.2 million, RMB605.4 million and RMB353.3 million, respectively. The deposits had fixed interest rates of 0.81% per annum for 2006, 0.72% per annum for 2007, 0.72% per annum for 2008 and 0.36% per annum for the six months ended June 30, 2009.

Indebtedness

Borrowings and Other Non-Current Payable

At the close of business on September 30, 2009, we had total debt of RMB10,954.7 million. The following table shows our total bank and other borrowings as of the date indicated:

	Secured		Unsecured		Total	
	As of June 30, 2009	As of September 30, 2009	As of June 30, 2009	As of September 30, 2009	As of June 30, 2009	As of September 30, 2009
	(RMB in thousands)					
Bank and other borrowings						
— due within one year. .	7,500,506	3,814,300	49,000	1,476,000	7,549,506	5,290,300
Bank and other borrowings						
— due after one year. . .	1,956,200	4,099,058	2,992,294	1,245,700	4,948,494	5,344,758
Amounts due to jointly controlled entities						
— due within one year. .	—	—	226,576	300,000	226,576	300,000
Amounts due to directors						
— due within one year. .	—	—	79,181	19,672	79,181	19,672
Total bank and other borrowings	<u>9,456,706</u>	<u>7,913,358</u>	<u>3,347,051</u>	<u>3,041,372</u>	<u>12,803,757</u>	<u>10,954,730</u>

As of September 30, 2009, our bank borrowings were secured by certain investment properties, prepaid lease payments, properties under development, properties held for sale, and pledged bank deposits. See “— Liquidity and Capital Resources — Restricted Cash.”

Except as disclosed in this document, we did not have any outstanding debt securities issued and outstanding or authorized or otherwise created but unissued, term loans, other borrowing or indebtedness in the nature of borrowing including bank overdrafts, liabilities under acceptances (other than normal trade bills), acceptance credits, hire purchase commitments, mortgages and charges, material contingent liabilities or guarantees outstanding at the close of business on September 30, 2009.

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The following table shows our net borrowings as of the date indicated:

	As of December 31,			As of June 30,	As of September 30,
	2006	2007	2008	2009	2009
(RMB in thousands)					
Bank loans, secured	2,383,600	5,567,790	10,448,051	9,456,706	6,527,600
Bank loans, unsecured	410,000	2,054,900	2,312,700	1,567,100	2,622,700
Other loan, secured	305,760	305,760	—	—	—
Other loan, unsecured	—	—	79,000	89,000	99,000
Bonds, secured	—	—	—	1,385,194	1,385,758
Amount due to associate, unsecured . . .	1,402	—	—	—	—
Amounts due to jointly controlled entities, unsecured	—	117,331	19,957	226,576	19,672
Amounts due to directors, unsecured . .	35,594	36,722	81,590	79,181	300,000
Amount due to minority shareholder, unsecured	—	19,306	—	—	—
Total borrowings	<u>3,136,356</u>	<u>8,101,809</u>	<u>12,941,298</u>	<u>12,803,757</u>	<u>10,954,730</u>

Bank loans are arranged at fixed and variable rates. The fixed rate borrowings carry interest at market rates. The remaining borrowings are arranged at variable rates based on the interest rates quoted by the People’s Bank of China or Hong Kong Interbank Offer Rate plus a premium.

The following table shows the interest rates for our borrowings for the period indicated:

	For the Year Ended December 31,			For the six months Ended June 30,	For the Period Ended September 30,
	2006	2007	2008	2009	2009
Bank loans	5.49%~7%	6.50%~6.75%	6.75%~7.47%	5.31%	5.31%~7.56%
Bonds	—	—	—	5.40%~9.22%	6.70%
Remaining borrowings . . .	5.49%~6.30%	5.47%~7.56%	5.20%~10.71%	5.40%~9.22%	5.31%
Weighted average annual interest rate	6.25%	6.23%	7.37%	5.79%	4.55%

The following table shows the maturity of our bank and other borrowings as of the date indicated:

	As of December 31,			As of June 30,	As of September 30,
	2006	2007	2008	2009	2009
(RMB in thousands)					
Within one year or on demand	686,096	3,329,573	6,581,598	7,855,263	5,609,972
More than one year, but not exceeding two years	2,450,260	3,827,236	5,279,700	2,069,700	2,689,000
More than two years, but not exceeding five years	—	945,000	1,080,000	1,493,600	1,270,000
Over five years	—	—	—	1,385,194	1,385,758
Total	<u>3,136,356</u>	<u>8,101,809</u>	<u>12,941,298</u>	<u>12,803,757</u>	<u>10,954,730</u>

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On September 21, 2007, Juntion Development (as borrower) entered into a facility agreement with, among others, Citicorp Securities Asia Pacific Limited (as arranger and one of the lenders) and Citicorp International Limited (as security agent) in relation to a HK\$2,518 million term loan facility, which was secured by, among other types of collateral, charges over the 2,361,591,600 Shares and the 1,574,394,400 Shares held by Charm Talent and Precious Full, respectively, as of the Latest Practicable Date. This loan, together with all interest accrued, was fully repaid in August 2009. The repayment was funded primarily through our internally generated funds, and to a lesser extent, through bank loans from China Construction Bank Corporation. All security interests were released.

On May 5, 2009, Chongqing Longhu Development issued bonds in an aggregate principal amount of RMB1.4 billion that are due in 2016. A portion of such bonds are listed and traded on the Shanghai Stock Exchange. The RMB Bonds have been secured by certain of our properties and land use rights. The proceeds from the issuance of the RMB Bonds were primarily used to finance our projects in Chongqing and Chengdu. For further details on the RMB Bonds, see “History, Reorganization and Group Structure—The RMB Bonds.”

Contingent Liabilities

Our contingent liabilities comprise mortgage guarantees and bank loan guarantees. We provided mortgage guarantees to PRC banks in respect of the mortgage loans provided by the PRC banks to purchasers of the properties we developed and sold. Our mortgage guarantees are issued from the dates of grant of the relevant mortgage loans and released upon the registration of the relevant mortgages in favor of the PRC banks.

The following table shows our total contingent liabilities as of the date indicated:

	As of December 31,			As of June 30,	As of September 30,
	2006	2007	2008	2009	2009
	(RMB in thousands)				
Mortgage guarantees	686,151	1,609,322	2,204,667	1,846,988	2,797,616
Bank loan guarantees	—	—	—	100,000	100,000
Total	<u>686,151</u>	<u>1,609,322</u>	<u>2,204,667</u>	<u>1,946,988</u>	<u>2,897,616</u>

Off-Balance Sheet Commitments and Arrangements

Except for the contingent liabilities set forth above, we have not entered into any financial guarantees or other commitments to guarantee the payment obligations of any third parties. We have not entered into any derivative contracts that are indexed to our Shares and classified as shareholder’s equity, or that are not reflected in our consolidated financial statements. We do not have any variable interests 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.

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The directors have confirmed that there have been no material changes in the indebtedness and contingent liabilities of the Group since September 30, 2009.

All guarantees and financial assistance from and to the Controlling Shareholders, directors and related parties will be settled or released prior to the [●].

Contractual Obligations

As of June 30, 2009, our contractual obligations in connection with our property development activities amounted to RMB7,039 million, primarily arising from contracted construction fees or other capital commitments for future property developments. The following table sets forth our contractual obligations as of June 30, 2009.

	Payments due by period		
	Within one year	In the second to fifth year inclusive	After five years
	(RMB in thousands)		
Operating lease arrangements	13,476	13,560	—
Other commitments contracted but not provided for:			
Expenditure in respect of properties under development	3,584,979	830,048	—
Expenditure in respect of acquisition of land use rights	951,109	1,673,000	—
Total	4,549,564	2,516,608	—

Owned Properties and Property Valuation

We, together with our jointly controlled entities, own substantially all of our properties located in the PRC. These properties include properties held for occupation, properties held for sale, properties under development, properties held for future development, properties held for investment, and other property interests. See the Property Valuation in Appendix IV to this document for details of our property interests of properties as of June 30, 2009, together with those of our jointly controlled entities, prepared by Savills.

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The following table sets forth the reconciliation of our properties, together with those of our jointly controlled entities, from the audited combined financial statements as of June 30, 2009 to the Property Valuation in Appendix IV to this document as of June 30, 2009.

	As of June 30, 2009	As of August 31, 2009
	(RMB in millions)	
Valuation of properties as of June 30, 2009, as set out in the		
Property Valuation in Appendix IV to this document		37,871.0
Less: valuation of properties held by the jointly controlled entities		<u>(3,163.9)</u>
		34,707.1
Net book value as of June 30, 2009:		
Property, plant and equipment ⁽¹⁾	148.6	
Prepaid lease payments	2,566.3	
Property under development	16,817.9	
Investment properties	4,320.1	
Properties held for sales.	902.7	
Total	<u>24,755.6</u>	
Add: Additions during the period from July 1, 2009 to August 31, 2009	779.6	
Less: Disposal during the period from July 1 to August 31, 2009	(49.2)	
Less: Amortizaiton of land use rights and depreciation of buildings held for self use during the period from July 1, 2009 to August 31, 2009	<u>(1.3)</u>	
Net book value of properties of the Group as of August 31, 2009, as set out in the Property Valuation in Appendix IV to this document.		25,533.9
Revaluation surplus, before corporate income tax and LAT		<u>9,173.2</u>

Note:

- (1) Approximately RMB30.7 million of the property, plant and equipment was excluded from the valuation in Appendix IV to this document and was therefore also excluded from this reconciliation.

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MARKET RISK

Interest Rate Risk

Our business is sensitive to fluctuations in interest rates. As a portion of our long-term indebtedness prior to completion of the [●] is under loan agreements with variable interest rates, any increase in interest rates will increase our cost of financing. We currently do not hedge our interest rate risk but may do so in the future.

An increase in interest rates would also adversely affect our prospective purchasers’ ability to obtain financing and depress overall housing demand. Higher interest rates may adversely affect our revenue, gross profits and net profits. The PBOC published benchmark one-year lending rates in China (which directly affect the property mortgage rates offered by commercial banks in the PRC) as of December 31, 2006, 2007, 2008 and June 30, 2009 were 6.12%, 7.47%, 5.31% and 5.31%, respectively. On March 17, 2005, the PBOC raised the minimum property mortgage loan rate to 90% of the respective benchmark lending rates, which was changed to 85% of the respective benchmark lending rates on August 19, 2006. On September 27, 2007, the PBOC and the CBRC further increased the mortgage loan rates to at least 1.1 times the corresponding PBOC benchmark lending rates for residential property purchasers who have obtained their first home through a mortgage loan. We cannot assure you that the PBOC will not further raise lending rates or that our business, financial condition and results of operations will not be adversely affected as a result of these adjustments.

Commodities Risk

We are exposed to fluctuations in the prices of raw materials, primarily steel and cement, for our property developments. We procure the raw materials, such as cement and steel, and therefore we bear the risks of fluctuation in the costs of these materials. We currently do not engage and do not expect to engage in commodities hedging activities.

Foreign Exchange Rate Risk

We conduct our business primarily in Renminbi. On July 21, 2005, the PRC Government changed its policy of pegging the value of the Renminbi to the U.S. dollar. Under the new policy, the Renminbi is permitted to fluctuate within a narrow and managed band against a basket of certain foreign currencies. This change in policy has resulted in an appreciation of the Renminbi against the US dollar recently. The PRC government may take further actions that could cause future exchange rates to vary significantly from current or historical exchange rates. A depreciation of the Renminbi would adversely affect the value of any dividends we pay to investors outside the PRC and would also result in an increase in the price of goods with imported content which we source from our suppliers. An appreciation of the Renminbi, however, would adversely affect the value of proceeds we receive from the [●] if they are not converted into Renminbi in a timely manner. In addition, we undertake certain transactions denominated in foreign currency, and as of June 30, 2009, we had RMB66.2 million and RMB111.7 million worth of assets in U.S. dollars and HK dollars, respectively, and RMB1,170 million worth of liabilities in HK dollars. Any appreciation or depreciation of the Renminbi against either of these currencies would affect the value of these assets and liabilities. We currently do not engage in hedging activities designed or intended to manage such currency risk. See also “Risk Factors — Risks Relating to the PRC — Our business and in particular our ability to remit dividends may be adversely affected by changes in PRC foreign exchange regulations and fluctuation in the value of the Renminbi.”

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Inflation

Since January 2007, the inflation rate has risen in China, and we cannot make any assurance that we will not be adversely affected by inflation in China in the future. According to the China Statistical Bureau, China’s overall national inflation rate, as represented by the general consumer price index, was approximately 1.5%, 4.8%, 5.9% and 2.7% in 2006, 2007, 2008 and the six months ended June 30, 2009, respectively. As of the date of this document, we have not been materially affected by any inflation. We cannot assure you that the inflation rate in the PRC will decrease or increase in the future. We cannot predict the impact that a sustained increase in inflation will have on our business, financial conditions, results of operations or prospects.

Equity Price Risk

We are exposed to equity price risks arising from equity investments. These equity investments are held for strategic rather than trading purposes, and we do not actively trade these investments.

PROFIT FORECAST FOR THE YEAR ENDING DECEMBER 31, 2009

We have prepared our forecasted net profit for the year ending December 31, 2009. This profit forecast is based on the audited consolidated financial information for the six months ended June 30, 2009, the unaudited management accounts for the three months ended September 30, 2009 and our forecast of the consolidated results for the remaining three months ending December 31, 2009. The forecast for the year ending December 31, 2009 has been prepared on the basis of accounting policies consistent with those adopted for the purpose of the Accountant Report in Appendix I to this document and the principal assumptions set forth below in the section headed “Profit Forecast” in Appendix III to this document.

	RMB (in millions, except per Share data)
Forecast net profit attributable to the equity holders of our Company ⁽¹⁾⁽²⁾⁽³⁾	not less than 2,018.7
Forecast gross fair value gains on investment properties	836.1
Less: Provision for deferred tax liabilities on fair value gains on investment properties	(209.0)
Forecast fair value gains on investment properties (net of deferred tax)	627.1
Less: minority interests on forecast fair value gains	(54.6)
Forecast fair value gains on investment properties (net of deferred tax and minority interests).	572.5
Forecast consolidated net profit attributable to the equity holders of our Company (net of fair value gains)	not less than 1,446.2
Forecast earnings per Share	
Unaudited pro forma fully diluted ⁽⁴⁾	0.4037
Weighted average ⁽⁵⁾	0.4902

(1) The above profit forecast has been prepared in accordance with the following principal assumptions:

- The existing political, legal, fiscal or economic conditions in the PRC would not have a material effect on our business;
- There will be no material change in the PRC policies governing the pricing and sales of our properties;

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- There will be no material change in the prevailing banking and mortgage policies applicable to our purchasers;
 - There will be no material change in the bases or rates of taxation in the PRC;
 - There will be no material change in inflation and interest rates;
 - Our operations, results and financial condition will not be materially and adversely affected by the risk factors set forth in the section headed “Risk Factors” in the document;
 - Changes in foreign exchange rates will have no material impact on our operations; the remaining overseas capital raised from the [●] will be converted to Renminbi during the year, hence no material exchange gains or losses are taken into account in the profit forecast; and
 - The projected market values of our investment properties as of December 31, 2009 are estimated by our Directors with reference to the independent property valuer’s report set out in Appendix IV to the document from Savills, our independent property. The investment approach was adopted by Savills to assess the market value of our investment properties by capitalizing the net rental income derived from the existing tenancies with due allowance for reversionary incoming potential of the respective properties. Pursuant to the investment approach, the market value of a property is assessed by adding the estimated value of (i) the lease term interest of the property and (ii) the reversionary interest of the property. The estimated value of the lease term interest is derived by capitalizing a property’s contractual rental income for the relevant period, being in this case from June 30, 2009 through the end of the terms of the relevant leases. The estimated value of the reversionary interest is derived by capitalizing the property’s estimated market rental for the rest of its remaining life after the end of the terms of the relevant lease. In preparing our analysis of the effect of the increase in fair value on our profit forecast, our forecast is based on (i) the market valuation of our investment properties prepared by Savills as of June 30, 2009 and August 31, 2009 and (ii) the anticipated stable to moderately upward property-specific market trends which are estimated by Savills.
- (2) On the bases and assumptions set out above, and in the absence of the occurrence of unforeseen circumstances, we have forecasted that the net consolidated profit attributable to the equity holders of our Company for the year ending December 31, 2009 is unlikely to be less than RMB2,018.7 million, which includes the change of RMB572.5 million in the fair value of investment properties, net of deferred tax effect and share of minority interests and the compensation received from primary development project of RMB306 million, arising from primary land development in 2009, and takes into account the staff compensation costs arising from the Pre-[●] Share Award Schemes in the amount of RMB38.3 million and the Pre-[●] Option Scheme in the amount of RMB12.5 million.

Under IFRS, movement in the valuation of investment properties will be reflected in our financial statements through our consolidated statements of comprehensive income. Gains or losses arising from changes in the fair value of our investment properties are accounted for as profit or loss on revaluation increase/decrease in investment properties in our consolidated statements of comprehensive income.

We expect the fair value of our investment properties as of December 31, 2009, and in turn any fair value gains on investment properties, to continue to be dependent on market conditions and other factors that are beyond our control, and to be based on the valuation performed by an independent professional property valuer involving the use of assumptions that are, by their nature, subjective and uncertain. See “Risk Factors — Risks Relating to Our Business — The valuation attached to our property interests contains assumptions that may or may not materialize.”

Changes in the fair value of our investment properties are dependent on market conditions and factors that are beyond our control. While we have considered for the purposes of the profit forecast what we believe is the best estimate of the fair value of our

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investment properties as of December 31, 2009, and our independent property valuer is of the view that the assumptions upon which the forecast is based are reasonable, the fair value of our investment properties and/or any fair value gains or losses on investment properties as of the relevant time may differ materially from (and may be materially higher or lower than) our estimate.

The revaluation gains for the year ended December 31, 2006 were attributable to the revaluation of existing investment properties in the amount of RMB107.0 million and the completion of investment properties in the amount of RMB375.2 million. The revaluation gains for the year ended December 31, 2007 were attributable to the revaluation of existing investment properties in the amount of RMB273.9 million and the completion of investment properties in the amount of RMB627.2 million. The revaluation gains for the year ended December 31, 2008 were attributable to the revaluation of existing investment properties in the amount of RMB125.1 million. The revaluation gains for the six months ended June 30, 2009 were attributable to the revaluation of existing investment properties in the amount of RMB561.0 million. The forecast revaluation gains for the year ending December 31, 2009 are attributable to the revaluation of existing investment properties, but not to the completion of investment properties currently under construction or reclassification of properties as investment properties and other gains. We currently have no intention to reclassify any of our properties held for sale as investment properties.

We expect the fair value of our investment properties as at December 31, 2009, and any future fair value changes to be dependent on market conditions and other factors that are beyond our control, and to be based on market trends anticipated by an independent professional valuer involving the use of assumptions that are, by their nature, subjective and uncertain.

The following table illustrates the sensitivity of the net profit attributable to our equity holders to the average selling price for the year ending December 31, 2009.

% change in average selling price	5%	10%	15%	20%	-5%	-10%	-15%	-20%
Impact on net profit to our equity holders targeted for the year 2009 (RMB in millions)	17.9	35.7	53.6	71.4	(17.9)	(35.7)	(53.6)	(71.4)
% of total net profit to our equity holders . . .	0.9%	1.8%	2.7%	3.5%	-0.9%	-1.8%	-2.7%	-3.5%

If the average selling prices rise by 5%, the Group’s net profit for the year ending December 31, 2009 will be RMB2,036.6 million (i.e., 0.9% higher than the Group’s targeted 2009 net profit).

If the average selling prices rise by 10%, the Group’s net profit for the year ending December 31, 2009 will be RMB2,054.4 million (i.e., 1.8% higher than the Group’s targeted 2009 net profit).

If the average selling prices rise by 15%, the Group’s net profit for the year ending December 31, 2009 will be RMB2,072.3 million (i.e., 2.7% higher than the Group’s targeted 2009 net profit).

If the average selling prices rise by 20%, the Group’s net profit for the year ending December 31, 2009 will be RMB2,090.1 million (i.e., 3.5% higher than the Group’s targeted 2009 net profit).

If the average selling prices decline by 5%, the Group’s net profit for the year ending December 31, 2009 will be RMB2,000.8 million (i.e., 0.9% lower than the Group’s targeted 2009 net profit).

If the average selling prices decline by 10%, the Group’s net profit for the year ending December 31, 2009 will be RMB1,983.0 million (i.e., 1.8% lower than the Group’s targeted 2009 net profit).

If the average selling prices decline by 15%, the Group’s net profit for the year ending December 31, 2009 will be RMB1,965.1 million (i.e., 2.7% lower than the Group’s targeted 2009 net profit).

If the average selling prices decline by 20%, the Group’s net profit for the year ending December 31, 2009 will be RMB1,947.3 million (i.e., 3.5% lower than the Group’s targeted 2009 net profit).

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The analysis above includes only changes in average selling prices for the 5.6% of GFA not pre-sold to purchasers as of August 31, 2009.

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

% change in targeted GFA sold and delivered	-5%	-10%	-15%	-20%	-25%
Impact on net profit to our equity holders targeted for the year 2009 (RMB millions)	(2.4)	(4.8)	(7.1)	(9.5)	(11.9)
% of total net profit to our equity holders	-0.1%	-0.2%	-0.4%	-0.5%	-0.6%

If the targeted GFA sold and delivered declines by 5%, the Group’s net profit for the year ending December 31, 2009 will be RMB2,016.3 million (i.e., 0.1% lower than the Group’s targeted 2009 net profit).

If the targeted GFA sold and delivered declines by 10%, the Group’s net profit for the year ending December 31, 2009 will be RMB2,014.9 million (i.e., 0.2% lower than the Group’s targeted 2009 net profit).

If the targeted GFA sold and delivered declines by 15%, the Group’s net profit for the year ending December 31, 2009 will be RMB2,011.6 million (i.e., 0.4% lower than the Group’s targeted 2009 net profit).

If the targeted GFA sold and delivered declines by 20%, the Group’s net profit for the year ending December 31, 2009 will be RMB2,009.2 million (i.e., 0.5% lower than the Group’s targeted 2009 net profit).

If the targeted GFA sold and delivered declines by 25%, the Group’s net profit for the year ending December 31, 2009 will be RMB2,006.8 million (i.e., 0.6% lower than the Group’s targeted 2009 net profit).

The analysis above includes only changes in GFA to be sold and delivered for the 5.6% of GFA not pre-sold to purchasers as of August 31, 2009.

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

% change in fair value of investment properties	-5%	-10%	-15%	5%	10%	15%
Impact on net profit to our equity holders targeted for the year 2009 (RMB millions)	(28.6)	(57.3)	(85.9)	28.6	57.3	85.9
% of total net profit to our equity holder	-1.4%	-2.8%	-4.3%	1.4%	2.8%	4.3%

If the fair value of investment properties rises by 5%, the Group’s net profit for the year ending December 31, 2009 will be RMB2,047.3 million (i.e., 1.4% higher than the Group’s targeted 2009 net profit).

If the fair value of investment properties rises by 10%, the Group’s net profit for the year ending December 31, 2009 will be RMB2,075.9 million (i.e., 2.8% higher than the Group’s targeted 2009 net profit).

If the fair value of investment properties rises by 15%, the Group’s net profit for the year ending December 31, 2009 will be RMB2,104.6 million (i.e., 4.3% higher than the Group’s targeted 2009 net profit).

If the fair value of investment properties declines by 5%, the Group’s net profit for the year ending December 31, 2009 will be RMB1,990.1 million (i.e., 1.4% lower than the Group’s targeted 2009 net profit).

If the fair value of investment properties declines by 10%, the Group’s net profit for the year ending December 31, 2009 will be RMB1,961.4 million (i.e., 2.8% lower than the Group’s targeted 2009 net profit).

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If the fair value of investment properties declines by 15%, the Group’s net profit for the year ending December 31, 2009 will be RMB1,932.8 million (i.e., 4.3% lower than the Group’s targeted 2009 net profit).

The above illustrations are intended to be for reference only and any 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 average selling price, targeted GFA sold and delivered, and fair value changes of investment properties for the year ending December 31, 2009, the average selling price, GFA sold and delivered, and fair value changes of investment properties as at the relevant time may differ materially from our estimate and are dependent on market conditions and other factors which are beyond our control.

- (3) Our directors believe that our profit forecast for the year ending December 31, 2009 is reasonable, realistic and up-to-date and will not be materially impacted by the current market conditions and the PRC government’s tightening policies. The presale of our properties has been consistently strong. As of August 31, 2009, we had contracted or pre-sold approximately 94.4% of our GFA to be booked in 2009. As of August 31, 2009, the construction progress of our projects to be delivered to purchasers in the second half of 2009 is as follows: the decoration and installation of Peace Hill County II has been completed and the development is currently undergoing landscape finetuning. Most of the construction work relating to Chunsen Land I, Wisdom Town, Sunshine Riverside, Beijing Rose and Gingko Villa, Beijing Chianti, Blossom Chianti, Elegance Loft and Qujiang Glory has been completed. These projects are now undergoing decoration and installation. Our marketing plan for these projects in the second half of 2009 is consistent with our past marketing practices. In general, our sales are marginally higher in the spring and fall of each year.
- (4) The calculation of the forecast earnings per Share on a pro forma fully diluted basis is based on the forecast consolidated profit attributable to the majority equity holders of the Company for the year ending December 31, 2009, assuming that our Company had been [●] since January 1, 2009 and that a total of 5,000,000,000 Shares were in issue during the entire year. This calculation is based on the [●] and 5,000,000,000 Shares assumed to be in issue immediately following [●] without taking into account any shares which may be issued upon the exercise of the [●], Pre-[●] Option Scheme and the Pre-[●] Share Award Schemes.
- (5) The calculation of the forecast earnings per Share on a weighted average basis is based on the forecast consolidated profit attributable to equity owners of the Company for the year ending December 31, 2009 and a weighted average number of approximately 4,117,808,219 Shares were in issue during the entire year, assuming no exercise of the [●], Pre-[●] Option Scheme and the Pre-[●] Share Award Schemes.
- (6) GFA and changes in fair value for each project are shown as follows:

	GFA	Fair Value as	Fair Value	Fair Value as	Fair value	Fair Value as
	(sq.m.)	at December	Change	at December	change	at December
		31, 2007		31, 2008		31, 2009
(RMB in thousands, except GFA)						
North Paradise Walk Mall . . .	146,262	2,120,000	76,000	2,196,000	663,000	2,859,000
Chongqing Fairy Castle	29,413	357,000	12,400	369,400	6,900	376,300
Crystal Constellation of						
Crystal Town	44,514	180,000	4,700	184,700	7,200	191,900
West Paradise Walk	111,654	977,000	32,000	1,009,000	159,000	1,168,000
Total	331,843	3,634,000	125,100	3,759,100	836,100	4,595,200

FINANCIAL INFORMATION

CAPITAL EXPENDITURES

In 2006, 2007, 2008 and the six months ended June 30, 2009, we incurred capital expenditures in the amounts of RMB153.1 million, RMB222.9 million, nil and nil, respectively, comprising primarily expenditures for investment properties and offices.

WORKING CAPITAL

Despite the current market conditions in the property sector and the PRC Government’s tightening policies, the board of directors is satisfied after due and careful enquiry by taking into account the estimated net proceeds from this [●], available banking facilities and cash flow from our operations that our Group has sufficient working capital for our Group’s present requirements, which includes at least the next 12 months starting from the date of this document.

DIVIDENDS

Subject to the Companies Law, through a general meeting we may declare dividends in any currency but no dividend shall be declared in excess of the amount recommended by the Board. Our Articles of Association provide that dividends may be declared and paid out of our profit, realized or unrealized, or from any reserve set aside from profits which the directors determine is no longer needed. With the sanction of an ordinary resolution, dividends may also be declared and paid out of share premium account or any other fund or account which can be authorized for this purpose in accordance with the Cayman Companies Law.

Except in so far as the rights attaching to, or the terms of issue of, any Share may otherwise provide, (i) all dividends shall be declared and paid according to the amounts paid up on the Shares in respect whereof the dividend is paid but no amount paid up on a Share in advance of calls shall for this purpose be treated as paid up on the Share and (ii) all dividends shall be apportioned and paid pro rata according to the amount paid up on the Shares during any portion or portions of the period in respect of which the dividend is paid. The directors may deduct from any dividend or other monies payable to any member or in respect of any Shares all sums of money (if any) presently payable by him to us on account of calls or otherwise.

In addition, the declaration of dividends is subject to the discretion of our directors, and the amounts of dividends actually declared and paid will also depend upon the following factors:

- our general business conditions;
- our financial results;
- our capital requirements;
- interests of our Shareholders; and
- any other factors which the Board may deem relevant.

FINANCIAL INFORMATION

Our future dividend payments to our Shareholders will also depend upon the availability of dividends received from our subsidiaries in the PRC. PRC laws require that dividends be paid out of the net profit calculated according to PRC accounting principles, which differ in certain aspects from IFRS. PRC laws also require enterprises located in the PRC to set aside part of their net profit as statutory reserves before they distribute the net proceeds. These statutory reserves are not available for distribution as cash dividends. Distributions from our subsidiary companies may also be restricted if they incur losses.

In accordance with the Notice of the State Administration of Taxation on Delivering the Table of Negotiated Dividends and Interest Rates to Lower Levels (Guoshuihan [2008] 112) (國家稅務總局關於下發協定股息稅率情況一覽表的通知(國稅函[2008]112號)) effective from January 1, 2008, PRC withholding income tax at the rate of 10% is applicable to dividends paid to “non-resident” investors who do not have an establishment or place of business in the PRC. As for our Group, according to the Arrangement between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income (內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排) and Guoshuihan [2008]112, a 5% dividend withholding tax rate is applicable where the Hong Kong resident company directly owns at least 25% of the capital of the PRC company. The amount represents the withholding income tax provided on the profits arising during the six months ended June 30, 2009 of certain PRC subsidiaries, which are available for distribution to Juntion.

Our directors will declare dividends, if any, in Hong Kong dollars with respect to Shares on a per Share basis and will pay such dividends in Hong Kong dollars. Any final dividend for a fiscal year will be subject to our Shareholders’ approval.

Considering our financial position, our board currently intends, subject to the above limitations, and in the absence of any circumstances which might reduce the amount of available distributable reserves, whether by losses or otherwise, to distribute to our Shareholders no less than 20% of any distributable profit (excluding net fair value gains or losses on investment properties). There is, however, no assurance that dividends of such amount or any amount will be declared or distributed each year or in any year.

For 2006, 2007, 2008 and the six months ended June 30, 2009, we declared dividends in the total amount of RMB138,408,000 to our Shareholders.

We declared one-off and non-recurring dividends of HK\$100 million, which are conditional upon the Listing, to our Shareholders, namely Charm Talent, Precious Full and Fit All, in October 2009 and plan to distribute such dividends shortly after the Listing Date.

NO MATERIAL ADVERSE CHANGE

There was no interruption in our business that may have or has had a significant effect on our financial condition in the last 12 months. Our directors are not aware of any material adverse change in our financial or trading position since June 30, 2009 (being the date as of which our latest audited combined financial statements were prepared as set out in the Accountants’ Report in Appendix I to the document).

FINANCIAL INFORMATION

Our directors confirmed that we have not experienced any withdrawal of banking facilities, requests for early payment of outstanding bank loans or increase in the amount of pledge(s), cancellation of orders, bankruptcy or default of customers or suppliers which have had a material adverse impact on our business operations.

DISCLOSURE UNDER RULES 13.13 TO 13.19 OF THE [●]

According to Rule 13.17 of the [●], a general disclosure obligation will arise where the controlling shareholder of the company has pledged its interest in shares of the company to secure debts of the company or to secure guarantees or other support of obligations of the company.

On September 21, 2007, Juntion Development (as borrower) entered into a facility agreement with, among others, Citicorp Securities Asia Pacific Limited (as arranger and one of the lenders) and Citicorp International Limited (as security agent) in relation to a HK\$2,518 million term loan facility, which was secured by, among other types of collateral, charges over the 2,361,591,600 Shares and the 1,574,394,400 Shares held by Charm Talent and Precious Full. This loan, together with all interest accrued, was fully repaid in August 2009 and all security interests were released.

Save as disclosed, our directors have confirmed that, as of the Latest Practicable Date, they were not aware of any circumstances which would give rise to a disclosure obligation under Rules 13.13 to 13.19 of the [●].

FUTURE PLANS

FUTURE PLANS

See the sections headed “Business — Our Strategies” for a detailed description of our future plans.

APPENDIX I

ACCOUNTANTS’ REPORT



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[Date]

The Directors
Longfor Properties Co. Ltd.

Dear Sirs,

We set out below our report on the financial information (the “Financial Information”) regarding Longfor Properties Co. Ltd. (the “Company”) and its subsidiaries (hereinafter collectively referred to as the “Group”) for each of the three years ended December 31, 2006, 2007, 2008 and the six months ended June 30, 2009 (the “Relevant Periods”) for inclusion in the document of the Company dated [●] (the “Document”).

The Company was incorporated as an exempted company and registered in the Cayman Islands with limited liability under the Companies Law (2004 Revision) of the Cayman Islands on December 21, 2007. Pursuant to a corporate reorganisation, as described more fully in the section headed “History, Reorganisation and Group Structure” to the Document (the “Reorganisation”), the Company became the holding company of the companies now comprising the Group on June 11, 2008.

All subsidiaries, jointly controlled entities and associates have adopted December 31 as their financial year end date. As at the date of this report, the Company has direct and indirect interests in the following subsidiaries, jointly controlled entities and associates:

Name of company	Place and date of incorporation/ establishment	Equity interest attributable to the Group				At date of the report	Issued and fully paid share capital/ registered capital	Place of operation	Principal activities
		At December 31,							
		2006	2007	2008	2009				
Subsidiary									
Chongqing Longhu Development Company Limited 重慶龍湖企業拓展有限公司 (Formerly known as Chongqing Jiachen Economic and Cultural Development Company Limited 重慶佳辰經濟文化促進發展有限公司 and Chongqing Jiachen Economic Development Limited 重慶佳辰經濟發展有限公司) ("Chongqing Longhu Development")	People’s Republic of China (the “PRC”) October 18, 1994	60.0%	91.3%	91.3%	91.3%	91.3%	Registered RMB230,000,000 Paid up capital RMB230,000,000	PRC	Properties development and investment

APPENDIX I

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Name of company	Place and date of incorporation/ establishment	Equity interest attributable to the Group				At date of the report	Issued and fully paid share capital/ registered capital	Place of operation	Principal activities
		At December 31,							
		2006	2007	2008	2009				
Chengdu Longhu Jinhua Real Estate Company Limited 成都龍湖錦華置業有限公司 (Formerly known as Chengdu Longhu Properties Company Limited 成都龍湖地產發展有限公司)	PRC November 10, 2004	69.4%*	86.2%*	86.2%*	86.2%*	86.2%*	Registered RMB100,000,000 Paid up capital RMB100,000,000	PRC	Properties development
Sichuan Longhu Real Estate Development Company Limited 四川龍湖地產發展有限公司	PRC April 14, 2006	60.0%*	85.5%*	85.5%*	85.5%*	85.5%*	Registered RMB50,000,000 Paid up capital RMB50,000,000	PRC	Properties development
Chengdu Longhu Property Service Company Limited ("Chengdu Longhu Property Service") 成都龍湖物業服務有限公司	PRC April 13, 2006	60.0%*	91.04%*	91.04%*	91.04%*	91.04%*	Registered RMB5,000,000 Paid up capital RMB5,000,000	PRC	Properties management
Chengdu Yuanbo Gardening Co., Ltd 成都元博苗藝有限公司	PRC July 23, 2009	N/A	N/A	N/A	N/A	91.3%*	Registered RMB20,000 Paid up capital RMB20,000	PRC	Nursery of seeding tree
Chongqing Xinlonghu Property Service Company Limited ("Chongqing Xinlonghu") 重慶新龍湖物業服務有限公司	PRC November 6, 2003	60.0%*	91.3%*	91.3%*	91.3%*	91.3%*	Registered RMB5,000,000 Paid up capital RMB5,000,000	PRC	Properties management
Chongqing Longhu Properties Company Limited ("Chongqing Longhu") 重慶龍湖地產發展有限公司	PRC June 20, 1995	57.0%*	91.3%*	91.3%*	91.3%*	91.3%*	Registered RMB844,912,450 Paid up capital RMB844,912,450	PRC	Properties development and investment
Beijing Longhu Properties Company Limited 北京龍湖置業有限公司	PRC December 11, 2002	51.0%*	89.9%*	89.9%*	89.9%*	89.9%*	Registered RMB100,000,000 Paid up capital RMB100,000,000	PRC	Properties development and provision of consultancy service
Chongqing Longhu Xijie Real Estate Company Limited 重慶龍湖西街置業有限公司 (Formerly known as Chongqing Hangxing Real Estate Development Company 重慶航星置業發展有限公司) ("Chongqing Longhu Xijie")	PRC May 24, 2002	30.6%*	46.6%*	91.3%*	91.3%*	91.3%*	Registered RMB624,000,000 Paid up capital RMB624,000,000	PRC	Properties development and investment
Beijing Longhu Property Service Company Limited 北京龍湖物業服務有限公司 (Formerly known as Beijing Longhu Property Service Company Limited 北京龍湖物業管理有限公司)	PRC October 18, 2006	60.0%*	89.9%*	89.9%*	89.9%*	89.9%*	Registered RMB5,000,000 Paid up capital RMB5,000,000	PRC	Properties management

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Name of company	Place and date of incorporation/ establishment	Equity interest attributable to the Group				At date of the report	Issued and fully paid share capital/ registered capital	Place of operation	Principal activities
		At December 31,							
		2006	2007	2008	2009				
Beijing Longhu Qinghua Property Company Limited 北京龍湖慶華置業有限公司	PRC April 14, 2006	60.0%*	91.3%*	91.3%*	91.3%*	91.3%*	Registered RMB50,000,000 Paid up capital RMB50,000,000	PRC	Properties development
Chongqing Beilonghu Property Company Limited 重慶北龍湖置地發展有限公司	PRC May 12, 2004	60.0%*	91.3%*	91.3%*	91.3%*	91.3%*	Registered RMB700,000,000 Paid up capital RMB700,000,000	PRC	Properties development
Chongqing Juntion Real Estate Development Inc. (“Chongqing Juntion”) 重慶嘉遜地產開發有限公司	PRC November 24, 2003	70.0%*	93.5%*	93.5%*	93.5%*	93.5%*	Registered RMB100,000,000 Paid up capital RMB100,000,000	PRC	Properties development
Chongqing Juntion Architecture Engineering Company Limited (“Chongqing Juntion Architecture”) 重慶嘉遜建築營造工程 有限公司	PRC August 24, 2005	42.0%*	—**	—	—	—	Registered RMB20,000,000 Paid up capital RMB20,000,000	PRC	Properties development
Chongqing Longhu Hengshang Real Estate Company Limited 重慶龍湖恒尚地產發展有限公司	PRC September 13, 2006	60.0%*	91.3%*	91.3%*	91.3%*	91.3%*	Registered RMB30,000,000 Paid up capital RMB30,000,000	PRC	Properties development
Chengdu Longhu Tongjin Real Estate Company Limited 成都龍湖同晉置業有限公司	PRC April 19, 2007	N/A	46.6%*	68.5%*	68.5%*	68.5%*	Registered RMB966,549,865 Paid up capital RMB966,549,865	PRC	Properties development
Chengdu Longhu Jincheng Real Estate Company Limited (“Chengdu Jincheng”) 成都龍湖錦城置業有限公司 (Formerly known as Chengdu Shiyun Real Estate Development Company Limited 成都市時運房地產開發有限 責任公司)	PRC August 18, 2005	—	87.2%	91.1%*	91.1%*	91.1%*	Registered RMB120,000,000 Paid up capital RMB120,000,000	PRC	Properties development
Chengdu Jiaxun Investment Company Limited 成都佳遜投資有限公司	PRC July 13, 2007	N/A	91.3%*	91.3%*	91.3%*	91.3%*	Registered RMB30,000,000 Paid up capital RMB30,000,000	PRC	Properties development
Xi’an Longhu Real Estate Inc. 西安龍湖地產發展有限公司	PRC September 4, 2007	N/A	91.3%*	91.3%*	91.3%*	91.3%*	Registered RMB50,000,000 Paid up capital RMB50,000,000	PRC	Properties development
Xi’an Longhu Jincheng Real Estate Company Limited 西安龍湖錦城置業有限公司	PRC September 25, 2007	N/A	82.2%*	82.2%*	82.2%*	82.2%*	Registered RMB30,000,000 Paid up capital RMB9,000,000	PRC	Properties development
Beijing Huisheng Investment Limited 北京匯晟投資有限公司	PRC August 21, 2007	N/A	91.3%*	91.3%*	91.3%*	91.3%*	Registered RMB10,000,000 Paid up capital RMB10,000,000	PRC	Properties development

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Name of company	Place and date of incorporation/ establishment	Equity interest attributable to the Group				At date of the report	Issued and fully paid share capital/ registered capital	Place of operation	Principal activities
		At December 31,							
		2006	2007	2008	2009				
Chongqing Longhu Yiheng Estate Development Inc. ("Chongqing Longhu Yiheng") 重慶龍湖宜恒地產發展有限公司	PRC November 23, 2006	78.1%*	46.6%*	46.6%*	46.6%*	46.6%*	Registered RMB360,000,000 Paid up capital RMB360,000,000	PRC	Properties development
Chongqing Longhu Kaian Real Estate Development Inc. ("Chongqing Longhu Kaian") 重慶龍湖凱安地產發展有限公司	PRC November 30, 2006	79.6%*	95.6%*	95.6%*	95.6%*	95.6%*	Registered RMB600,000,00 Paid up capital RMB600,000,0000	PRC	Properties development
Chongqing Henghong Investment Inc. 重慶恒弘投資有限公司	PRC August 2, 2007	N/A	91.3%*	91.3%*	91.3%*	91.3%*	Registered RMB10,000,000 Paid up capital RMB10,000,000	PRC	Properties development
Chongqing Rongkai Industrial Company Limited ("Chongqing Rongkai") 重慶融凱實業有限公司	PRC January 10, 2007	N/A	93.5%*	93.5%*	93.5%*	93.5%*	Registered RMB20,000,000 Paid up capital RMB20,000,000	PRC	Properties development
Xi'an Longhu Banpo Real Estate Inc. ("Xi'an Longhu Banpo") 西安龍湖半坡置業有限公司	PRC October 18, 2007	N/A	46.6%*	91.3%*	91.3%*	91.3%*	Registered RMB19,610,000 Paid up capital RMB19,610,000	PRC	Properties development
Sichuan Xing Longhu Real Estate Development Company Limited 四川興龍湖地產發展有限公司	PRC December 12, 2007	N/A	85.5%	85.5%*	85.5%*	85.5%*	Registered RMB50,000,000 Paid up capital RMB50,000,000	PRC	Properties development and investment
Chengdu Jinteng Trade Company Limited 成都錦騰貿易有限公司	PRC December 26, 2007	N/A	91.3%*	93.5%*	93.5%*	93.5%*	Registered RMB20,000,000 Paid up capital RMB20,000,000	PRC	Trading of construction materials
Xi'an Longhu Xingcheng Real Estate Inc. ("Xi'an Xingcheng") 西安龍湖興城置業有限公司	PRC October 18, 2007	N/A	91.3%*	91.3%*	91.3%*	91.3%*	Registered RMB200,000,000 Paid up capital RMB200,000,000	PRC	Properties development
Beijing Longhu Zhongbai Company Limited 北京龍湖中佰置業有限公司	PRC October 24, 2007	N/A	82.2%*	91.3%*	91.3%*	91.3%*	Registered RMB1,500,000,000 Paid up capital RMB1,500,000,000	PRC	Properties development
Shanghai Longhu Real Estate Inc. 上海龍湖置業發展有限公司	PRC November 22, 2007	N/A	91.3%*	91.3%*	91.3%*	91.3%*	Registered RMB50,000,000 Paid up capital RMB50,000,000	PRC	Properties development
Longfor Investment Co. Ltd. 龍湖投資有限公司 ("Longfor Investment")	The British Virgin Islands (the "BVI") January 8, 2008	N/A	N/A	100%	100%	100%	Authorised USD1 Paid up capital USD1	HK	Investment holding
Juntion Development Hong Kong (Holding) Limited ("Juntion Development") 嘉遜發展香港(控股)有限公司	Hong Kong ("HK") January 11, 2002	100%	100%	100%	100%	100%	Authorised HK\$2,000,000 Paid up capital HK\$2,000,000	HK	Investment holding
Jasmine Spread Investment Limited ("Jasmine")	BVI October 9, 2006	100%	100%	100%	100%	100%	Authorised USD50,000 Paid up capital USD2	HK	Investment holding

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Name of company	Place and date of incorporation/ establishment	Equity interest attributable to the Group				At date of the report	Issued and fully paid share capital/ registered capital	Place of operation	Principal activities
		At December 31,			June 30, 2009				
		2006	2007	2008					
Fantastic Star Investment Limited ("Fantastic")	BVI May 12, 2006	100%	—**	—	—	—	Authorised USD50,000 Paid up capital USD2	HK	Investment holding
Everbay Investment Limited ("Everbay")	BVI September 27, 2006	100%	100%	100%	100%	100%	Authorised USD50,000 Paid up capital US2	HK	Investment holding
Silver Oak Enterprises Limited ("Silver Oak")	BVI November 6, 2006	100%	100%	100%	100%	100%	Authorised USD50,000 Paid up capital USD2	HK	Investment holding
Join Dragon Limited ("Join Dragon")	BVI November 6, 2006	100%	100%	100%	100%	100%	Authorised USD50,000 Paid up capital USD2	HK	Investment holding
Shanghai Wanzhuo Investment Limited 上海萬卓投資有限公司	PRC December 17, 2008	N/A	N/A	100%	—**	—	Registered RMB50,000,000 Paid up capital RMB50,000,000	PRC	Properties development
COF V SRL ("COF V")	Barbados January 24, 2007	N/A	N/A	—**	—	—	Authorised USD1 Paid up capital USD1	HK	Investment holding
Billion Way International Trading Limited ("Billion Way") 兆安國際貿易有限公司	HK January 15, 2009	N/A	N/A	N/A	89.9%	89.9%	Authorised HKD10,000 Paid up capital HKD2	HK	Investment holding
Joy Wealth Trading Limited ("Joy Wealth") 寶欣貿易有限公司	HK February 19, 2009	N/A	N/A	N/A	91.3%	91.3%	Authorised HKD10,000 Paid up capital HKD2	HK	Investment holding
Smart Sight Trading Limited ("Smart Sight") 駿景貿易有限公司	HK February 19, 2009	N/A	N/A	N/A	61.2%	61.2%	Authorised HKD10,000 Paid up capital HKD2	HK	Investment holding
Sure Fortune Trading Limited	HK March 4, 2009	N/A	N/A	N/A	—	91.3%*	Registered HKD10,000 Paid up capital HKD1	HK	Investment holding
Win Team Trading Limited	HK March 4, 2009	N/A	N/A	N/A	—	91.3%*	Registered HKD10,000 Paid up capital HKD1	HK	Investment holding
Chengdu Xixi Real Estate Company Limited 成都西璽置業有限公司 ("Chengdu Xixi")	PRC January 24, 2008	N/A	N/A	27.4%#	91.3%*	91.3%*	Registered RMB335,660,000 Paid up capital RMB335,660,000	PRC	Properties development
Chengdu Xixiang Real Estate Company Limited 成都西祥置業有限公司 ("Chengdu Xixiang")	PRC January 24, 2008	N/A	N/A	27.4%#	91.3%*	91.3%*	Registered RMB436,370,000 Paid up capital RMB436,370,00	PRC	Properties development

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Name of company	Place and date of incorporation/ establishment	Equity interest attributable to the Group				At date of the report	Issued and fully paid share capital/ registered capital	Place of operation	Principal activities
		At December 31,							
		2006	2007	2008	2009				
Beijing Longhu Shidai Properties Company Limited 北京龍湖時代置業有限公司	PRC January 3, 2008	N/A	N/A	91.3%*	91.3%*	91.3%*	Registered RMB900,000,000 Paid up capital RMB900,000,000	PRC	Properties development
Beijing Longhu Tianxing Properties Company Limited 北京龍湖天行置業有限公司	PRC February 25, 2008	N/A	N/A	91.3%*	91.3%*	91.3%*	Registered RMB10,000,000 Paid up capital RMB10,000,000	PRC	Properties development
Beijing Dezhuo Trade Company Limited 北京德卓貿易有限公司	PRC January 9, 2008	N/A	N/A	93.5%*	93.5%*	93.5%*	Registered RMB20,000,000 Paid up capital RMB20,000,000	PRC	Trading of construction materials
Beijing Longhu Chengheng Decoration Company Limited 北京龍湖成恒裝飾有限公司	PRC May 16, 2008	N/A	N/A	91.3%*	91.3%*	91.3%*	Registered RMB2,000,000 Paid up capital RMB2,000,000	PRC	House decoration
Chongqing Tianzhuo Investment Company Limited 重慶天卓投資有限公司	PRC June 25, 2008	N/A	N/A	93.5%*	93.5%*	93.5%*	Registered RMB20,000,000 Paid up capital RMB20,000,000	PRC	Properties development
Chongqing Longhu Chengheng Real Estate Development Inc. 重慶龍湖成恒地產發展有限公司	PRC August 7, 2008	N/A	N/A	91.3%*	91.3%*	91.3%*	Registered RMB50,000,000 Paid up capital RMB50,000,000	PRC	Properties development
Chongqing Tianlang Agriculture Development Company Limited 重慶天朗農業發展有限公司 (“Chongqing Tianlang Agriculture”)	PRC June 1, 2009	N/A	N/A	N/A	93.5%*	93.5%*	Registered RMB10,000,000 Paid up capital RMB10,000,000	PRC	Nursery of seeding tree
Shanghai Longhu Property Management Company Limited 上海龍湖物業管理有限公司	PRC June 18, 2008	N/A	N/A	91.3%*	91.3%*	91.3%*	Registered RMB5,000,000 Paid up capital RMB5,000,000	PRC	Properties management
Shanghai Yujiu Industrial Company Limited 上海渝久實業有限公司	PRC July 8, 2008	N/A	N/A	68.5%*	68.5%*	68.5%*	Registered RMB20,000,000 Paid up capital RMB20,000,000	PRC	Trading of construction materials
Shanghai Hengchi Real Estate Inc. 上海恒馳房地產有限公司	PRC July 8, 2008	N/A	N/A	93.5%*	93.5%*	93.5%*	Registered RMB120,566,000 Paid up capital RMB120,566,000	PRC	Properties development
Xi'an Longhu Property Service Company Limited 西安龍湖物業服務有限公司	PRC July 3, 2008	N/A	N/A	82.2%*	82.2%*	82.2%*	Registered RMB1,000,000 Paid up capital RMB1,000,000	PRC	Properties development
Xi'an Yeheng Industrial Company Limited 西安業恒實業有限公司 (“Xi'an Yeheng Industrial”)	PRC March 30, 2009	N/A	N/A	N/A	68.5%*	68.5%*	Registered RMB20,000,000 Paid up capital RMB20,000,000	PRC	Trading of construction materials

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Name of company	Place and date of incorporation/ establishment	Equity interest attributable to the Group				At date of the report	Issued and fully paid share capital/ registered capital	Place of operation	Principal activities
		At December 31,			June 30,				
		2006	2007	2008					
Wuxi Longhu Real Estate Inc. 無錫龍湖置業發展有限公司	PRC July 16, 2009	N/A	N/A	N/A	N/A	91.3%*	Registered RMB100,000,000 Paid up capital RMB100,000,000	PRC	Properties development
Shanghai Xinrun Garden Virescence Company Limited 上海莘潤園林綠化有限公司 ("Shanghai Xinrun Garden Virescence")	PRC June 25, 2009	N/A	N/A	N/A	100%	100%	Registered RMB2,000,000 Paid up capital RMB2,000,000	PRC	Nursery of seeding tree
Jointly Controlled Entity									
Longhu Land Limited ("Longhu Land") 重慶興龍湖置地發展有限公司	PRC July 19, 2005	50%#	50%#	50%#	50%#	50%#	Registered USD27,000,000 Paid up capital USD27,000,000	PRC	Properties development
Chengdu Jia'nan Real Estate Company Limited ("Chengdu Jia'nan") 成都嘉南置業有限公司	PRC October 24, 2007	N/A	7.2%#	7.2%#	7.2%#	7.2%#	Registered RMB382,890,100 Paid up capital RMB382,890,100	PRC	Properties development
Chengdu Tuosheng Real Estate Company Limited ("Chengdu Tuosheng") 成都拓盛置業有限公司	PRC October 24, 2007	N/A	4.3%#	4.3%#	4.3%#	4.3%#	Registered RMB633,495,100 Paid up capital RMB633,495,100	PRC	Properties development
Chengdu Jinghui Real Estate Company Limited ("Chengdu Jinghui") 成都景匯置業有限公司	PRC October 24, 2007	N/A	4.2%#	4.2%#	4.2%#	4.2%#	Registered RMB653,275,800 Paid up capital RMB653,275,800	PRC	Properties development
Chengdu Huixin Real Estate Company Limited ("Chengdu Huixin") 成都匯新置業有限公司	PRC October 24, 2007	N/A	57.8%	29.3%#	29.3%#	29.3%#	Registered RMB629,993,500 Paid up capital RMB629,993,500	PRC	Properties development
Shanghai Hengrui Real Estate Company Limited ("Shanghai Hengrui") 上海恒睿房地產有限公司	PRC January 28, 2008	N/A	N/A	18.3%#	45.7%#	45.7%#	Registered RMB1,589,000,000 Paid up capital RMB1,589,000,000	PRC	Properties development
Associate									
Jiaxun Land (China) Company Limited 嘉遜置地(中國)有限公司 (Formerly known as Easeridge Investments Limited)	BVI December 3, 2004	47.4%	47.4%	47.4%	47.4%	47.4%	Authorised USD100 Paid up capital USD100	HK	Investment holding
埃克爾空調技術(無錫)有限公司 [Ar Ke Er Air-conditioning (Wuxi) Company Limited] ("Ar Ke Er")	PRC July 7, 2002	20%	20%	20%	20%	20%	Registered USD1,250,000 Paid up capital USD100	PRC	Production of air conditioning

* These companies are subsidiaries held by Chongqing Longhu Development, a subsidiary in which the Company has 60%, 91.3%, 91.3% and 91.3% equity interest at December 31, 2006, 2007, 2008 and June 30, 2009 respectively. These companies are

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indirectly controlled subsidiaries of the Company. Therefore, the Company could exercise the control over these companies through Chongqing Longhu Development, though the effective beneficial interests attributable to the Company in these companies are calculated at less than 50% based on the effective interest holding percentage.

These companies were accounted for as jointly controlled entities as at respective period end date as in accordance with the memorandum and the articles of the companies, the joint venture partners have contractually agreed sharing of control over the financial and operating policies of these companies.

** The entities were disposed of during the Relevant Periods (notes 35 and 36).

Note: Except for BVI, Barbados and Hong Kong incorporated companies which are operating in Hong Kong, other subsidiaries are operating in the PRC.

No statutory audited financial statements have been prepared for the Company, Longfor Investment, Jasmine, Fantastic, Silver Oak, Join Dragon, Everbay and COF V since they were incorporated in jurisdictions where there is no statutory audit requirement. No statutory audited financial statements have been prepared for Chongqing Tianlang Agriculture, Xi’an Yeheng Industrial and Shanghai Xinrun Garden Vinescence since their respective dates of establishment as they have not carried out any business. No audited financial statements have been prepared for Billion Way, Joy Wealth and Smart Sight for the period from the date of incorporation to June 30, 2009 as the period is less than one year. For the purpose of this report, we have, however, reviewed all the relevant transactions of the Company, Longfor Investment, Jasmine, Fantastic, Silver Oak, Join Dragon, Everbay, COF V, Chongqing Tianlang Agriculture, Xi’an Yeheng Industrial, Shanghai Xinrun Garden Vinescence, Billion Way, Joy Wealth and Smart Sight since their respective dates of incorporation/establishment and carried out such procedures as we considered necessary for inclusion of the financial information relating to these companies in this report.

During the Relevant Periods, the statutory financial statements of the following subsidiaries of the Company established in the PRC (“PRC GAAP”), except for those subsidiaries mentioned in previous paragraph, were prepared in accordance with relevant accounting principles and financial regulations applicable to entities established in the PRC and were audited by the following certified public accountants registered in Hong Kong/the PRC:

Name of company	Financial period ended	Name of auditor
Chongqing Longhu Development	12.31.2006, 12.31.2007 and 12.31.2008	重慶永和會計師事務所 Chongqing Yonghe Certified Public Accountants (“Chongqing Yonghe”)
Chengdu Longhu Jinhua Real Estate Company Limited 成都龍湖錦華置業有限公司	12.31.2006, 12.31.2007 and 12.31.2008	重慶永和會計師事務所 Chongqing Yonghe
Sichuan Longhu Real Estate Development Company Limited 四川龍湖地產發展有限公司	12.31.2006 and 12.31.2007 12.31.2008	重慶永和會計師事務所 Chongqing Yonghe 北京永拓會計師事務所重慶分所 Beijing Yongtuo Certified Public Accountants — Chongqing division (“Beijing Yongtuo”)
Chengdu Longhu Property Service Company Limited 成都龍湖物業服務有限公司	12.31.2006, 12.31.2007 and 12.31.2008	重慶永和會計師事務所 Chongqing Yonghe

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Name of company	Financial period ended	Name of auditor
Chongqing Xinlonghu	12.31.2006 and 12.31.2007	重慶永和會計師事務所
	12.31.2008	Chongqing Yonghe 北京永拓會計師事務所重慶分所 Beijing Yongtuo
Chongqing Longhu	12.31.2006 and 12.31.2007	重慶永和會計師事務所
	12.31.2008	Chongqing Yonghe 北京永拓會計師事務所重慶分所 Beijing Yongtuo
Beijing Longhu Properties Company Limited 北京龍湖置業有限公司	12.31.2006 and 12.31.2007	重慶永和會計師事務所
	12.31.2008	Chongqing Yonghe 北京永拓會計師事務所重慶分所 Beijing Yongtuo
Chongqing Longhu Xijie	12.31.2006 and 12.31.2007	重慶永和會計師事務所
	12.31.2008	Chongqing Yonghe 北京永拓會計師事務所重慶分所 Beijing Yongtuo
Beijing Longhu Property Service Company Limited 北京龍湖物業服務有限公司	12.31.2006 and 12.31.2007	重慶永和會計師事務所
	12.31.2008	Chongqing Yonghe 北京永拓會計師事務所重慶分所 Beijing Yongtuo
Beijing Longhu Qinghua Property Company Limited 北京龍湖慶華置業有限公司	12.31.2006 and 12.31.2007	重慶永和會計師事務所
	12.31.2008	Chongqing Yonghe 北京永拓會計師事務所重慶分所 Beijing Yongtuo
Chongqing Beilonghu Property Company Limited 重慶北龍湖置地發展有限公司	12.31.2006 and 12.31.2007	重慶永和會計師事務所
	12.31.2008	Chongqing Yonghe 北京永拓會計師事務所重慶分所 Beijing Yongtuo
Chongqing Juntion	12.31.2006 and 12.31.2007	重慶永和會計師事務所
	12.31.2008	Chongqing Yonghe 北京永拓會計師事務所重慶分所 Beijing Yongtuo
Chongqing Juntion Architecture Engineering Company Limited 重慶嘉遜建築營造工程有限公司	12.31.2006	重慶永和會計師事務所 Chongqing Yonghe
Chongqing Longhu Heng Shang Real Estate Company Limited 重慶龍湖恒尚地產發展有限公司	12.31.2006 and 12.31.2007	重慶永和會計師事務所
	12.31.2008	Chongqing Yonghe 北京永拓會計師事務所重慶分所 Beijing Yongtuo
Chengdu Longhu Tongjin Real Estate Company Limited 成都龍湖同晉置業有限公司	12.31.2007	重慶永和會計師事務所
	12.31.2008	Chongqing Yonghe 北京永拓會計師事務所重慶分所 Beijing Yongtuo
Chengdu Jincheng	12.31.2007	重慶永和會計師事務所
	12.31.2008	Chongqing Yonghe 北京永拓會計師事務所重慶分所 Beijing Yongtuo

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Name of company	Financial period ended	Name of auditor
Chengdu Jiaxun Investment Company Limited 成都佳遜投資有限公司	12.31.2007 12.31.2008	重慶永和會計師事務所 Chongqing Yonghe 北京永拓會計師事務所重慶分所 Beijing Yongtuo
Xi'an Longhu Real Estate Inc. 西安龍湖地產發展有限公司	12.31.2007 12.31.2008	重慶永和會計師事務所 Chongqing Yonghe 北京永拓會計師事務所重慶分所 Beijing Yongtuo
Xi'an Longhu Jincheng Real Estate Company Limited 西安龍湖錦城置業有限公司	12.31.2007 12.31.2008	重慶永和會計師事務所 Chongqing Yonghe 北京永拓會計師事務所重慶分所 Beijing Yongtuo
Beijing Huisheng Investment Limited 北京匯晟投資有限公司	12.31.2007 12.31.2008	重慶永和會計師事務所 Chongqing Yonghe 北京永拓會計師事務所重慶分所 Beijing Yongtuo
Chongqing Longhu Yiheng	12.31.2006 and 12.31.2007 12.31.2008	重慶永和會計師事務所 Chongqing Yonghe 北京永拓會計師事務所重慶分所 Beijing Yongtuo
Chongqing Longhu Kaian	From 11.30.2006 to 12.31.2007 12.31.2008	重慶永和會計師事務所 Chongqing Yonghe 北京永拓會計師事務所重慶分所 Beijing Yongtuo
Chongqing Henghong Investment Inc. 重慶恒弘投資有限公司	12.31.2007 12.31.2008	重慶永和會計師事務所 Chongqing Yonghe 北京永拓會計師事務所重慶分所 Beijing Yongtuo
Chongqing Rongkai	12.31.2007 12.31.2008	重慶永和會計師事務所 Chongqing Yonghe 北京永拓會計師事務所重慶分所 Beijing Yongtuo
Xi'an Longhu Banpo	12.31.2007 12.31.2008	重慶永和會計師事務所 Chongqing Yonghe 北京永拓會計師事務所重慶分所 Beijing Yongtuo
Sichuan Xing Longhu Real Estate Development Company Limited 四川興龍湖地產發展有限公司	12.31.2007 12.31.2008	重慶永和會計師事務所 Chongqing Yonghe 北京永拓會計師事務所重慶分所 Beijing Yongtuo
Chengdu Jinteng Trade Company Limited 成都錦騰貿公司	12.31.2007 and 12.31.2008	重慶永和會計師事務所 Chongqing Yonghe
Xi'an Xingcheng	12.31.2007 12.31.2008	重慶永和會計師事務所 Chongqing Yonghe 北京永拓會計師事務所重慶分所 Beijing Yongtuo

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Name of company	Financial period ended	Name of auditor
Beijing Longhu Zhongbai Company Limited 北京龍湖中佰置業有限公司	12.31.2007 12.31.2008	重慶永和會計師事務所 Chongqing Yonghe 北京永拓會計師事務所重慶分所 Beijing Yongtuo
Shanghai Longhu Real Estate Inc. 上海龍湖置業發展有限公司	12.31.2007 12.31.2008	重慶永和會計師事務所 Chongqing Yonghe 北京永拓會計師事務所有限責任公司 Beijing Yongtuo
Juntion Development	12.31.2006 12.31.2007 and 12.31.2008	Louis Leung & Partners CPA Limited Deloitte Touche Tohmatsu
Shanghai Wanzhuo Investment Limited 上海萬卓投資有限公司	12.31.2008	北京永拓會計師事務所有限責任公司 Beijing Yongtuo
Chengdu Xixi	12.31.2008	北京永拓會計師事務所有限責任公司 Beijing Yongtuo
Chengdu Xixiang	12.31.2008	北京永拓會計師事務所有限責任公司 Beijing Yongtuo
Beijing Longhu Shidai Properties Company Limited 北京龍湖時代置業有限公司	12.31.2008	北京永拓會計師事務所有限責任公司 Beijing Yongtuo
Beijing Longhu Tianxing Company Limited 北京龍湖天行置業有限公司	12.31.2008	北京永拓會計師事務所有限責任公司 Beijing Yongtuo
Beijing Dezhuo Trade Company Limited 北京德卓貿易有限公司	12.31.2008	北京永拓會計師事務所有限責任公司 Beijing Yongtuo
Beijing Longhu Chengheng Decoration Company Limited 北京龍湖成恒裝飾有限公司	12.31.2008	北京永拓會計師事務所有限責任公司 Beijing Yongtuo
Chongqing Tianzhuo Investment Company Limited 重慶天卓投資有限公司	12.31.2008	北京永拓會計師事務所有限責任公司 Beijing Yongtuo
Chongqing Longhu Chengheng Real Estate Development Inc. 重慶龍湖成恒地產發展有限公司	12.31.2008	北京永拓會計師事務所有限責任公司 Beijing Yongtuo
Shanghai Longhu Property Management Company Limited 上海龍湖物業管理有限公司	12.31.2008	北京永拓會計師事務所有限責任公司 Beijing Yongtuo
Shanghai Yujiu Industrial Company Limited 上海渝久實業有限公司	12.31.2008	北京永拓會計師事務所有限責任公司 Beijing Yongtuo
Shanghai Hengchi Real Estate Inc. 上海恒馳房地產有限公司	12.31.2008	北京永拓會計師事務所有限責任公司 Beijing Yongtuo
Xi'an Longhu Property Service Company Limited 西安龍湖物業服務有限公司	12.31.2008	北京永拓會計師事務所有限責任公司 Beijing Yongtuo
Longhu Land	12.31.2006, 12.31.2007 and 12.31.2008	普華永道中天會計師事務所有限公司 PricewaterhouseCoopers

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For the purpose of this report, the directors of the Company have prepared the consolidated financial statements of the Company and its subsidiaries for the Relevant Periods, in accordance with the International Financial Reporting Standards (the “Underlying Financial Statements”). We have undertaken our own independent audits on the Underlying Financial Statements in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”).

We have examined the Underlying Financial Statements in accordance with the Auditing Guideline 3.340 “Prospectuses and the Reporting Accountant” as recommended by the HKICPA.

The Financial Information of the Group for the Relevant Periods set out in this report has been prepared from the Underlying Financial Statements on the basis set out in note 1 of section A below for the purpose of preparing our report for inclusion in the Document. No adjustments were deemed necessary by us to the Underlying Financial Statements in preparing our report for inclusion in the Document.

The Underlying Financial Statements are the responsibility of the directors of the Company who approved their issue. The directors of the Company are also responsible for the contents of the Document in which this report is included. It is our responsibilities to compile the Financial Information set out in this report from the Underlying Financial Statements, to form an independent opinion on the Financial Information and to report our opinion to you.

In our opinion, on the basis of presentation set out in note 1 of section A below, the Financial Information gives, for the purpose of this report, a true and fair view of the state of affairs of the Company at December 31, 2008 and June 30, 2009 and of the Group at December 31, 2006, December 31, 2007, December 31, 2008 and June 30, 2009 and of the consolidated results and consolidated cash flows of the Group for each of the three years ended December 31, 2006, 2007, 2008 and the six months ended June 30, 2009.

The comparative consolidated statement of comprehensive income, consolidated statement of cash flows and consolidated statement of changes in equity of the Group for the six months ended June 30, 2008 together with the notes thereon have been extracted from the Group’s consolidated financial information for the same period (the “Interim Financial Information”) which were prepared by the directors of the Company solely for the purpose of this report. We conducted our review in accordance with the Hong Kong Standards on Review Engagement 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the HKICPA. Our review of the Interim Financial Information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on the Interim Financial Information. Based on our review, nothing has come to our attention that causes us to believe that the Interim Financial Information is not prepared, in all material respects, in accordance with the accounting policies consistent with those used in the preparation of the Financial Information, which conform with International Financial Reporting Standards.

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A. FINANCIAL INFORMATION

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	NOTES	Year ended December 31,			Six months ended June 30,	
		2006	2007	2008	2008	2009
		RMB’000	RMB’000	RMB’000	RMB’000 (unaudited)	RMB’000
Revenue	5	2,100,666	3,498,040	4,475,199	2,230,128	5,875,808
Cost of sales		(1,380,137)	(2,307,239)	(3,321,192)	(1,601,873)	(4,035,743)
Gross profit		720,529	1,190,801	1,154,007	628,255	1,840,065
Other income	6	13,843	113,315	132,068	58,047	344,159
Change in fair value of investment properties		482,177	901,113	125,100	71,200	561,000
Distribution expenses		(131,351)	(210,187)	(323,910)	(133,285)	(105,975)
Administrative expenses		(108,755)	(335,370)	(408,286)	(169,201)	(84,822)
Loss on disposal of investment held for trading		—	(131)	—	—	—
Finance costs	7	—	(20,579)	(61,525)	(33,415)	(41,634)
Share of results of jointly controlled entities		602	(13,681)	63,225	(1,938)	32,570
Profit before taxation		977,045	1,625,281	680,679	419,663	2,545,363
Income tax expense	8	(337,577)	(724,081)	(281,198)	(182,893)	(885,379)
Profit for the year/period	9	<u>639,468</u>	<u>901,200</u>	<u>399,481</u>	<u>236,770</u>	<u>1,659,984</u>
<i>Other comprehensive expense for the year/period</i>						
Exchange differences arising on translation		(1,310)	—	—	—	—
Total comprehensive income for the year/period		<u>638,158</u>	<u>901,200</u>	<u>399,481</u>	<u>236,770</u>	<u>1,659,984</u>
Attributable to:						
Equity owners of the Company . . .		370,969	749,990	331,590	198,158	1,456,061
Minority interests		<u>268,499</u>	<u>151,210</u>	<u>67,891</u>	<u>38,612</u>	<u>203,923</u>
Profit for the year/period		<u>639,468</u>	<u>901,200</u>	<u>399,481</u>	<u>236,770</u>	<u>1,659,984</u>
Attributable to:						
Equity owners of the Company . . .		369,659	749,990	331,590	198,158	1,456,061
Minority interests		<u>268,499</u>	<u>151,210</u>	<u>67,891</u>	<u>38,612</u>	<u>203,923</u>
Total comprehensive income for the year/period		<u>638,158</u>	<u>901,200</u>	<u>399,481</u>	<u>236,770</u>	<u>1,659,984</u>
Earnings per share, in RMB cents	12					
Basic		<u>9.2</u>	<u>18.7</u>	<u>8.3</u>	<u>5.0</u>	<u>36.4</u>

APPENDIX I

ACCOUNTANTS’ REPORT

STATEMENTS OF FINANCIAL POSITION

	NOTES	The Group				The Company	
		At December 31,			At	At	At
					June 30,	December 31,	June 30,
		2006	2007	2008	2009	2008	2009
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
NON-CURRENT ASSETS							
Investment properties	13	2,466,926	3,634,000	3,759,100	4,320,100	—	—
Property, plant and equipment	14	55,229	133,386	166,976	179,331	—	—
Properties under development	15	—	—	10,701	—	—	—
Prepaid lease payments	16	142,226	3,418,668	3,026,288	2,566,294	—	—
Interests in associates	17	1	1	1	1	—	—
Investments in subsidiaries	17A	—	—	—	—	2,875,598	2,875,598
Interests in jointly controlled entities	18	49,066	506,095	932,468	1,232,161	—	—
Available-for-sale investments	19	8,820	8,600	8,600	8,600	—	—
Investment in a trust fund	20	14,823	—	—	—	—	—
Deposits paid for acquisition of land use rights		586,475	2,249,415	845,780	89,527	—	—
Deposits paid for acquisition of a subsidiary/additional interest in a subsidiary		30,000	—	—	—	—	—
Deferred taxation assets	32	44,945	71,503	347,960	209,042	—	—
Amount due from a minority shareholder	43(e)	—	11,153	12,490	12,423	—	—
Loan receivable		14,596	—	—	—	—	—
		<u>3,413,107</u>	<u>10,032,821</u>	<u>9,110,364</u>	<u>8,617,479</u>	<u>2,875,598</u>	<u>2,875,598</u>
CURRENT ASSETS							
Inventories	21	27,244	47,620	138,652	204,560	—	—
Properties under development	15	4,740,061	8,702,421	14,880,070	16,817,943	—	—
Properties held for sales	22	421,603	363,516	2,582,592	902,708	—	—
Accounts and other receivables, deposits and prepayments	23	426,208	686,599	1,611,597	1,038,374	—	—
Investments held for trading	24	1,148	—	—	—	—	—
Investment in a trust fund	20	—	74,863	—	—	—	—
Amounts due from related parties	25	159,696	147,111	107,094	74,416	—	—
Taxation recoverable		31,725	59,668	131,722	136,081	—	—
Pledged bank deposits	26	138,912	187,246	605,379	353,338	—	—
Bank balances and cash	26	729,106	2,337,618	3,228,797	5,919,421	—	4
		<u>6,675,703</u>	<u>12,606,662</u>	<u>23,285,903</u>	<u>25,446,841</u>	<u>—</u>	<u>4</u>
CURRENT LIABILITIES							
Accounts payable, deposits received and accrued charges	27	3,777,580	9,096,044	13,843,721	13,464,958	—	—
Amounts due to associates		1,402	—	—	—	—	—
Amounts due to subsidiaries		—	—	—	—	53	57
Amounts due to jointly controlled entities	28	—	117,331	19,957	226,576	—	—
Amounts due to directors	28	35,594	36,722	81,590	79,181	—	—
Taxation payable		381,029	687,968	935,528	1,214,349	—	—
Bank and other borrowings - due within one year	29	649,100	3,175,520	6,480,051	7,549,506	—	—
		<u>4,844,705</u>	<u>13,113,585</u>	<u>21,360,847</u>	<u>22,534,570</u>	<u>53</u>	<u>57</u>
NET CURRENT ASSETS							
(LIABILITIES)		<u>1,830,998</u>	<u>(506,923)</u>	<u>1,925,056</u>	<u>2,912,271</u>	<u>(53)</u>	<u>(53)</u>
TOTAL ASSETS LESS CURRENT							
LIABILITIES		<u>5,244,105</u>	<u>9,525,898</u>	<u>11,035,420</u>	<u>11,529,750</u>	<u>2,875,545</u>	<u>2,875,545</u>

APPENDIX I

ACCOUNTANTS’ REPORT

	NOTES	The Group				The Company	
		At December 31,			At	At	At
					June 30,	December 31,	June 30,
		2006	2007	2008	2009	2008	2009
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
CAPITAL AND RESERVES							
Share capital	30	2,125	2,125	351,668	351,668	351,668	351,668
Reserves		1,491,410	2,867,115	2,770,893	4,242,454	2,523,877	2,523,877
Equity attributable to owners of the							
Company		1,493,535	2,869,240	3,122,561	4,594,122	2,875,545	2,875,545
Minority interests		996,517	1,259,228	821,673	1,025,596	—	—
TOTAL EQUITY		2,490,052	4,128,468	3,944,234	5,619,718	2,875,545	2,875,545
NON-CURRENT LIABILITIES							
Bank and other borrowings							
- due after one year	29	2,450,260	4,752,930	6,359,700	4,948,494	—	—
Amount due to a minority shareholder . .	31	—	19,306	—	—	—	—
Deferred taxation liabilities	32	303,793	625,194	731,486	961,538	—	—
		2,754,053	5,397,430	7,091,186	5,910,032	—	—
		5,244,105	9,525,898	11,035,420	11,529,750	2,875,545	2,875,545

The statement of financial position as at December 31, 2006 of the Company is not presented as the Company was incorporated on December 21, 2007. On December 21, 2007, the Company was incorporated as an exempted company with limited liability in the Cayman Islands. As at the date of incorporation, the Company’s initial authorised share capital was HK\$50,000, divided into 500,000 ordinary shares of par value of HK\$0.10 each, of which 1 subscriber share was allotted and issued to Codan Trust Company (Cayman) Limited as the initial subscriber. At the same date, one share was transferred from Codan Trust Company (Cayman) Limited to Charm Talent International Limited and 599 shares and 400 shares were allotted and issued to Charm Talent International Limited and Precious Full International Limited, respectively. The authorised share capital of the Company was increased from HK\$50,000 to HK\$1,000,000,000 by the creation of 9,999,500,000 new shares pursuant to a resolution in writing passed by shareholders on May 27, 2008.

The share capital at December 31, 2007 represents the combination of the share capital of Juntion Development and the Company.

The share capital December 31, 2008 and June 30, 2009 represents the share capital of the Company.

APPENDIX I

ACCOUNTANTS’ REPORT

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to owners of the Company										
	Share capital	Capital reserve	Special reserve	Statutory surplus reserve	Exchange reserve	Share option reserve	Capital contribution reserve	Retained profits	Total	Minority interests	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(Note 1)		(Note 2)	(Note 3)							
At January 1, 2006.	2,125	215	—	51,474	(344)	—	—	1,070,406	1,123,876	759,629	1,883,505
Profit for the year	—	—	—	—	—	—	—	370,969	370,969	268,499	639,468
Exchange differences arising from translation.	—	—	—	—	(1,310)	—	—	—	(1,310)	—	(1,310)
Total comprehensive income for the year.	—	—	—	—	(1,310)	—	—	370,969	369,659	268,499	638,158
Dividend paid to minority interests	—	—	—	—	—	—	—	—	—	(31,611)	(31,611)
Appropriations to reserve	—	—	—	396	—	—	—	(396)	—	—	—
At December 31, 2006	2,125	215	—	51,870	(1,654)	—	—	1,440,979	1,493,535	996,517	2,490,052
Profit and total comprehensive income for the year.	—	—	—	—	—	—	—	749,990	749,990	151,210	901,200
Capital injection from minority shareholders	—	—	—	—	—	—	43	—	43	911,225	911,268
Recognition of equity-settled share-based payments	—	—	—	—	—	1,000	4,000	—	5,000	—	5,000
Dividend paid to minority interests	—	—	—	—	—	—	—	—	—	(161,440)	(161,440)
Deemed acquisition of additional interests in subsidiaries	—	—	620,672	—	—	—	—	—	620,672	(640,727)	(20,055)
Acquisition of additional interests in subsidiaries	—	—	—	—	—	—	—	—	—	(17,963)	(17,963)
Acquisition of assets and assumptions of liabilities through acquisition of subsidiaries	—	—	—	—	—	—	—	—	—	25,869	25,869
Disposal of a subsidiary	—	—	—	—	—	—	—	—	—	(5,995)	(5,995)
Disposal of partial interest in a subsidiary	—	—	—	—	—	—	—	—	—	532	532
Appropriations to reserve	—	—	—	306	—	—	—	(306)	—	—	—
At December 31, 2007	2,125	215	620,672	52,176	(1,654)	1,000	4,043	2,190,663	2,869,240	1,259,228	4,128,468
Profit and total comprehensive income for the year.	—	—	—	—	—	—	—	331,590	331,590	67,891	399,481
Capital injection from minority shareholders	—	—	—	—	—	—	—	—	—	13,000	13,000
Recognition of equity-settled share-based payments	—	—	—	—	—	12,513	47,626	—	60,139	—	60,139
Dividend recognised as distribution.	—	—	—	—	—	—	—	(138,408)	(138,408)	—	(138,408)
Acquisition of additional interests in subsidiaries	—	—	—	—	—	—	—	—	—	(518,446)	(518,446)
Increase in share capital of the Company upon Reorganisation	349,543	(349,543)	—	—	—	—	—	—	—	—	—
Appropriations to reserve	—	—	—	79,137	—	—	—	(79,137)	—	—	—
At December 31, 2008	351,668	(349,328)	620,672	131,313	(1,654)	13,513	51,669	2,304,708	3,122,561	821,673	3,944,234
Profit and total comprehensive income for the period	—	—	—	—	—	—	—	1,456,061	1,456,061	203,923	1,659,984
Recognition of equity-settled share-based payments	—	—	—	—	—	3,338	12,162	—	15,500	—	15,500
Appropriations to reserve	—	—	—	1,490	—	—	—	(1,490)	—	—	—
At June 30, 2009	351,668	(349,328)	620,672	132,803	(1,654)	16,851	63,831	3,759,279	4,594,122	1,025,596	5,619,718

APPENDIX I

ACCOUNTANTS’ REPORT

	Attributable to owners of the Company										
	Share capital	Capital reserve	Special reserve	Statutory surplus reserve	Exchange reserve	Share option reserve	Capital contribution reserve	Retained profits	Total	Minority interests	Total
	RMB'000 (Note 1)	RMB'000	RMB'000 (Note 2)	RMB'000 (Note 3)	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Unaudited											
At January 1, 2008.	2,125	215	620,672	52,176	(1,654)	1,000	4,043	2,190,663	2,869,240	1,259,228	4,128,468
Profit and total comprehensive income for the period	—	—	—	—	—	—	—	198,158	198,158	38,612	236,770
Capital injection from minority shareholders	—	—	—	—	—	—	—	—	—	13,000	13,000
Recognition of equity-settled share-based payments	—	—	—	—	—	6,257	23,813	—	30,070	—	30,070
Dividend recognised as distribution.	—	—	—	—	—	—	—	(138,408)	(138,408)	—	(138,408)
Acquisition of additional interests in subsidiaries	—	—	—	—	—	—	—	—	—	(274,810)	(274,810)
Increase in share capital of the Company upon the Reorganisation (Note 1)	349,543	(349,543)	—	—	—	—	—	—	—	—	—
Appropriations to reserve	—	—	—	49,998	—	—	—	(49,998)	—	—	—
At June 30, 2008 (unaudited)	351,668	(349,328)	620,672	102,174	(1,654)	7,257	27,856	2,200,415	2,959,060	1,036,030	3,995,090

Notes:

- On June 11, 2008, the Reorganisation was completed by issuing 4,000,000,000 shares of HK\$0.1 each. The details of which are set out in the section headed “History Reorganisation and Group Structure” to the Document. The difference between the nominal amount of the shares issued by the Company and the aggregate amount of the share capital of Juntion Development is debited to capital reserve.
- During the year ended December 31, 2007, Juntion Development injected additional capital of HK\$770,000,000 in a non-wholly owned subsidiary, Chongqing Longhu Development in which the minority shareholders are Madam Wu Yajun and Mr. Cai Kui, who are also the ultimate shareholders of the Company. The Group’s equity interest in Chongqing Longhu Development has increased from 60% to 91.3% and a discount on deemed acquisition of RMB620,672,000 which represents the excess of the share of net assets attributable to the additional interest acquired over the amount injected was recognised in capital contribution reserve as the contribution from equity holders.
- In accordance with the Articles of Association of certain subsidiaries established in the PRC, those subsidiaries are required to transfer 5% to 10% of the profit after taxation to the statutory surplus reserve until the reserve reaches 50% of the registered capital. Transfer to this reserve must be made before distributing dividends to equity holders. The statutory surplus reserve can be used to make up for previous year’s losses, expand the existing operations or convert into additional capital of the subsidiaries.

APPENDIX I

ACCOUNTANTS’ REPORT

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended December 31,			Six months ended June 30,	
	2006	2007	2008	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)	
OPERATING ACTIVITIES					
Profit before taxation	977,045	1,625,281	680,679	419,663	2,545,363
Adjustments for:					
Finance costs	—	20,579	61,525	33,415	41,634
Write down of inventories	—	—	1,094	—	—
Impairment loss on amount due from a related party	—	3,000	—	—	—
Impairment loss on loan receivable	—	15,471	—	—	—
Impairment loss on other receivables	80	12,000	31,109	—	—
Impairment loss on investment in an associate	414	—	—	—	—
Depreciation of property, plant and equipment	5,839	10,031	16,884	6,535	7,777
Imputed interest income of amount due from a minority shareholder	—	—	(1,337)	—	—
Increase in fair value of investments held for trading	(126)	—	—	—	—
Increase in fair value of investment properties	(482,177)	(901,113)	(125,100)	(71,200)	(561,000)
Share of (profits) losses of jointly controlled entities	(602)	13,681	(63,225)	1,938	(32,570)
Loss (gain) on disposal of property, plant and equipment	94	(1,281)	(77)	(233)	(7)
Excess compensation received from primary development project	—	—	—	—	(306,000)
Loss on disposal of investments held for trading	—	131	—	—	—
Gain on disposal of partial interest in a subsidiary	—	(23,121)	—	—	—
(Gain) loss on disposal of subsidiaries	—	(10)	5,787	—	10,533
Gain on disposal of partial interest in a jointly controlled entity	—	—	(36,774)	(36,774)	—
Discount arising on acquisition of additional interest in subsidiaries	—	(41,017)	—	—	—
Interest income	(9,671)	(28,942)	(33,388)	(10,077)	(23,108)
Dividend income from available-for-sale investments	—	(1,297)	(847)	—	—
Dividend income from investments held for trading	(51)	(273)	—	—	—
Share-based payments expenses	—	5,000	60,139	30,070	15,500
Operating cash flows before movements in working capital	490,845	708,120	596,469	373,337	1,698,122
Increase in inventories	(10,169)	(20,376)	(92,928)	(48,856)	(65,908)
(Increase) decrease in properties under development and properties held for sales	(2,542,911)	(2,910,708)	(4,590,814)	(2,692,349)	1,124,707
Decrease (increase) in accounts and other receivables, deposits and prepayments	82,880	(230,330)	(414,134)	(196,834)	788,716
(Increase) decrease in amounts due from related parties	(82,206)	9,585	40,017	(73,545)	32,678
Increase (decrease) in accounts payable, deposits received and accrued charges	1,747,939	5,086,089	4,697,603	1,660,228	(297,973)
Cash (used in) from operations	(313,622)	2,642,380	236,213	(978,019)	3,280,342
PRC income tax paid	(85,299)	(151,406)	(272,905)	(251,172)	(239,290)
NET CASH (USED IN) FROM OPERATING ACTIVITIES	(398,921)	2,490,974	(36,692)	(1,229,191)	3,041,052

APPENDIX I

ACCOUNTANTS’ REPORT

	Notes	Year ended December 31,			Six months ended June 30,	
		2006	2007	2008	2008	2009
		RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
INVESTING ACTIVITIES						
Additions to investment properties under development		(148,641)	(173,467)	—	—	—
Additions to prepaid lease payments		(142,226)	(3,276,442)	(2,232,949)	(1,848,145)	(35,387)
Deposits paid for acquisition of land use rights		(525,475)	(1,662,940)	(302,292)	(276,600)	(37,747)
Refund of deposit paid for acquisition of land use rights		—	—	365,650	106,650	—
Acquisition of assets and assumption of liabilities through acquisition of subsidiaries/settlement of consideration payable	33	—	(633,754)	(190,664)	—	(400,789)
Acquisition of additional interest in jointly controlled entities		—	(470,710)	(56,231)	(56,231)	(537,796)
Dividend received from a jointly controlled entity		—	—	—	—	41,490
Addition to properties under development		—	—	(10,701)	—	—
Repayment from a minority shareholder		—	—	—	—	67
Purchases of investment in a trust fund		(14,823)	(60,690)	—	—	—
(Increase) decrease in pledged bank deposits		(28,968)	(48,334)	(418,133)	59,976	252,041
Purchase of property, plant and equipment		(11,974)	(11,555)	(27,731)	(15,882)	(2,583)
Acquisition of additional interest in subsidiaries/settlement of consideration payable		—	(2,500)	(508,554)	(274,810)	(25,000)
Deposits paid for acquisition of a subsidiary/additional interest in a subsidiary		(30,000)	—	—	(200,000)	—
Interest received.		8,845	28,067	28,145	10,077	23,108
Net cash inflow (outflow) of disposal of subsidiaries	36	—	13,015	(2,616)	—	56,691
Proceeds from disposal of partial interest in a jointly controlled entity		—	—	196,105	196,105	—
Proceeds from disposal of partial interest of a subsidiary		—	12,500	—	—	—
Proceeds from disposal of property, plant and equipment		585	2,183	1,437	348	88
Compensation received from primary development project		—	—	—	—	1,000,000
Dividend received from available-for-sale investments		—	1,297	847	—	—
Proceeds from disposal of investments held-for-trading		—	1,017	—	—	—
Proceeds from disposal of investment in a trust fund		—	650	80,106	—	—
Dividend received from investments held for trading.		51	273	—	—	—
Proceeds from disposal of available-for-sale investments		—	220	—	—	—
NET CASH (USED IN) FROM INVESTING ACTIVITIES		(892,626)	(6,281,170)	(3,077,581)	(2,298,512)	334,183

APPENDIX I

ACCOUNTANTS’ REPORT

Notes	Year ended December 31,			Six months ended June 30,	
	2006	2007	2008	2008	2009
	RMB’000	RMB’000	RMB’000	RMB’000 (unaudited)	RMB’000
FINANCING ACTIVITIES					
Repayment of bank and other loans	(639,364)	(1,071,434)	(3,680,948)	(791,000)	(3,762,345)
Interest paid	(134,251)	(316,614)	(812,409)	(332,852)	(366,807)
Dividends paid to minority shareholders . .	(31,611)	(161,440)	—	—	—
New bank and other loans raised	2,445,000	5,900,565	8,592,249	5,277,972	1,855,400
Proceed from issuance of a bond	—	—	—	—	1,384,931
Capital injected from minority shareholders.	—	911,268	13,000	13,000	—
Advances from (repayments to) associates .	1,598	(1,402)	—	—	—
Advances from (repayment to) jointly controlled entities	—	117,331	6,406	(152,140)	206,619
Advance from (repayment to) a minority shareholder	—	19,306	(19,306)	(19,059)	—
Advances from (repayments to) directors . .	23,921	1,128	(10,633)	(84,350)	235
Dividend	—	—	(82,907)	(82,907)	(2,644)
NET CASH FROM (USED IN) FINANCING ACTIVITIES	<u>1,665,293</u>	<u>5,398,708</u>	<u>4,005,452</u>	<u>3,828,664</u>	<u>(684,611)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	373,746	1,608,512	891,179	300,961	2,690,624
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR/PERIOD	356,110	729,106	2,337,618	2,337,618	3,228,797
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	(750)	—	—	—	—
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR/PERIOD . . .	<u>729,106</u>	<u>2,337,618</u>	<u>3,228,797</u>	<u>2,638,579</u>	<u>5,919,421</u>
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS					
Bank balances and cash	<u>729,106</u>	<u>2,337,618</u>	<u>3,228,797</u>	<u>2,638,579</u>	<u>5,919,421</u>

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NOTES TO THE FINANCIAL INFORMATION

1. BASIS OF PRESENTATION OF FINANCIAL INFORMATION

Pursuant to the Reorganization, which was completed by interspersing the Company and Longfor Investment between Juntion Development and certain companies under the control of the ultimate shareholders, the Company became the holding company of the companies now comprising the Group on June 11, 2008. The Group comprising the Company and its subsidiaries resulting from the Reorganisation is regarded as a continuing entity. The Group was under the control of the ultimate shareholders, Wu Yajun and Cai Kui, prior to and after the Reorganisation.

The consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the years ended December 31, 2006, 2007 and 2008 which include the results, changes in equity and cash flows of the companies now comprising the Group have been prepared as if the current group structure had been in existence throughout the Relevant Periods, or since their respective dates of incorporation/establishment where it is a shorter period.

The consolidated statements of financial position of the Group as at December 31, 2006 and 2007 have been prepared to present the assets and liabilities of the companies now comprising the Group as at the respective dates as if the current group structure had been in existence at those dates.

The Financial Information is presented in Renminbi (“RMB”), which is the functional currency of the Company and its major subsidiaries.

2. ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS

The International Accounting Standards Board (the “IASB”) has issued a number of new and revised International Accounting Standards (“IASs”), International Financial Reporting Standards (“IFRSs”), amendments and related Interpretations (“IFRICs”) (hereinafter collectively referred to as the “new IFRSs”) which are effective for the Group’s financial year beginning on January 1, 2009. For the purpose of preparing and presenting the Financial Information of the Relevant Periods, the Group has consistently adopted all these new IFRSs for the Relevant Periods.

The Group has not early applied the following new and revised standards, amendments and interpretations that have been issued but not yet effective.

IFRSs (Amendments)	Amendment to IFRS 5 as part of Improvements to IFRSs May 2008 ¹
IFRSs (Amendments)	Improvements to IFRSs April 2009 ²
IAS 27 (Revised 2008)	Consolidated and Separate Financial Statements ¹
IAS 32 (Amendment)	Classification of Right Issues ³
IAS 39 (Amendment)	Eligible Hedged Items ¹
IFRS 1 (Amendment)	Additional Exemptions for First-time Adopters ⁴
IFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transactions ⁴
IFRS 3 (Revised 2008)	Business Combinations ¹

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IFRIC 17	Distributions of Non-cash Assets to Owners ¹
IFRIC 18	Transfers of Assets from Customers ⁵

¹ Effective for annual periods beginning on or after July 1, 2009

² Amendments that are effective for annual periods beginning on or after July 1, 2009 or January 1, 2010, as appropriate

³ Effective for annual periods beginning on or after February 1, 2010

⁴ Effective for annual periods beginning on or after January 1, 2010

⁵ Effective for transfers on or after July 1, 2009

The adoption of IFRS 3 (Revised 2008) may affect the Group’s accounting for business combinations for which the acquisition dates are on or after January 1, 2010. IAS 27 (Revised 2008) will affect the accounting treatment for changes in the Group’s ownership interest in a subsidiary. The directors of the Company anticipate that the application of other new and revised standards, amendments or interpretations will have no material impact on the results and the financial position of the Group.

3. SIGNIFICANT ACCOUNTING POLICIES

The Financial Information has been prepared on the historical cost basis, except for the investment properties and certain financial instruments which are measured at fair value, and in accordance with accounting policies set out below which are in conformity with International Financial Reporting Standards. In addition, the Financial Information includes applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance. These policies have been consistently applied throughout the Relevant Periods.

Basis of consolidation

The Financial Information incorporates the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year/period, are included in the consolidated statement of comprehensive income from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Minority interests in the net assets of consolidated subsidiaries are presented separately from the Group’s equity therein. Minority interests in the net assets consist of the amount of those interests at the date of the original business combination and the minority’s share of changes in equity since the date of the combination. Losses applicable to the minority in excess of the minority’s interest in the subsidiary’s equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

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Business combinations

The acquisition of businesses is accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree’s identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 “*Business Combinations*” are recognised at their fair values at the acquisition date.

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group’s interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, the Group’s interest in the net fair value of the acquiree’s identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in profit or loss.

The interest of minority shareholders in the acquiree is initially measured at the minority’s proportion of the net fair value of the assets, liabilities and contingent liabilities recognised.

Goodwill

Goodwill arising on an acquisition of a subsidiary represents the excess of the cost of acquisition over the Group’s interest in the fair value of the identifiable assets, liabilities and contingent liabilities of the relevant subsidiary at the date of acquisition. Such goodwill is carried at cost less any accumulated impairment losses.

Capitalised goodwill arising on an acquisition of a subsidiary is presented separately in the consolidated statement of financial position.

For the purpose of impairment testing, goodwill arising from an acquisition is allocated to each of the relevant cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the acquisition. A cash-generating unit to which goodwill has been allocated is tested for impairment annually, and whenever there is an indication that the unit may be impaired. For goodwill arising on an acquisition in a financial year, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that financial year. When the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated to reduce the carrying amount of any goodwill allocated to the unit first, and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in the consolidated statement of comprehensive income. An impairment loss for goodwill is not reversed in subsequent periods.

On subsequent disposal of a subsidiary, the attributable amount of goodwill capitalised is included in the determination of the amount of profit or loss on disposal.

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Acquisition of additional interests in subsidiaries

On acquisition of additional interests in subsidiaries, the difference between the consideration paid and the carrying amounts of the underlying assets and liabilities attributable to the additional interests acquired is recognised as goodwill.

On acquisition of additional interests in subsidiaries which result in acquisition of assets and assumption of liabilities, the difference between the consideration and the carrying values of the underlying assets and liabilities attributable to the additional interests acquired is added to or deducted from the carrying values of the relevant assets, where appropriate.

Discount arising on acquisition of additional interests in subsidiaries represents the excess of the carrying value of the net assets attributable to the additional interests acquired over the cost of the acquisition and is credited to consolidated statement of comprehensive income.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold and services provided in the normal course of business, net of discounts and sales related taxes.

Revenue from sale of properties in the ordinary course of business is recognised when all of the following criteria are met:

- the significant risks and rewards of ownership of the properties are transferred to buyers;
- neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the properties are retained;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Deposits and instalments received from purchasers prior to the date of revenue recognition are included in the statement of financial position under current liabilities.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

Property management and related service fees are recognised over the period in which the services are rendered.

Other service income is recognized when the services are provided.

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Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset’s net carrying amount.

Dividend income from investments is recognised when the shareholders’ rights to receive payment have been established.

Investment properties

On initial recognition, investment properties are measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties, including completed and under development are measured at their fair values using the fair value model. Gains or losses arising from changes in the fair value of investment property are included in profit or loss for the period in which they arise.

Property under construction or development for future use as an investment property is classified as investment property under development. If the fair value cannot be reliably determined, the investment property under development will be measured at cost until such time as fair value can be determined or development is completed, in which time any difference between the fair value and the carrying amount will be recognised in profit or loss in that period.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use or no future economic benefits are expected from its disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated statement of comprehensive income in the period in which the item is derecognised.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any recognised impairment loss.

Depreciation is provided to write off the cost of items of property, plant and equipment over their estimated useful lives after taking into account of their estimated residual values, using the straight-line method.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the consolidated statement of comprehensive income in the period in which the item is derecognised.

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Prepaid lease payments

The prepaid lease payments represent upfront payments for land use rights are initially recognised at cost and released to the consolidated statement of comprehensive income over the lease term on a straight-line basis, except for those that are classified and accounted for as properties under development intended to be held for sale.

Investments in subsidiaries

Investments in subsidiaries are included in the Company’s statement of financial position at cost less any identified impairment loss.

Interests in associates

An associate is an entity over which the investor has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over these policies.

The results and assets and liabilities of associates are incorporated in this Financial Information using the equity method of accounting. Under the equity method, investments in associates are carried in the consolidated statement of financial position at cost as adjusted for post-acquisition changes in the Group’s share of the net assets of the associates, less any identified impairment loss. When the Group’s share of losses of an associate equals or exceeds its interest in that associate (which includes any long-term interests that, in substance, form part of the Group’s net investment in the associate), the Group discontinues recognising its share of further losses. An additional share of losses is provided for and a liability is recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate.

Where a group entity transacts with an associate of the Group, profits and losses are eliminated to the extent of the Group’s interest in the relevant associate.

Investments in jointly controlled entities

Joint venture arrangements that involve the establishment of a separate entity in which venturers have joint control over the economic activity of the entity are referred to as jointly controlled entities.

The results and assets and liabilities of jointly controlled entities are incorporated in the consolidated financial statements using the equity method of accounting. Under the equity method, investments in jointly controlled entities are carried in the consolidated statement of financial position at cost as adjusted for post-acquisition changes in the Group’s share of the net assets of the jointly controlled entities, less any identified impairment loss. When the Group’s share of losses of a jointly controlled entity equals or exceeds its interest in that jointly controlled entity (which includes any long-term interests that, in substance, form part of the Group’s net investment in the jointly controlled entity), the Group discontinues recognising its share of further losses. An additional share of losses is provided for and a liability is recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that jointly controlled entity.

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When a group entity transacts with a jointly controlled entity of the Group, profits and losses are eliminated to the extent of the Group’s interest in the jointly controlled entity.

Properties under development

When the leasehold land and buildings are in the course of development for production, rental or for administrative purposes, the leasehold land component is classified as a prepaid lease payment and amortised over a straight-line basis over the lease term. During the construction period, the amortisation charge provided for the leasehold land is included as part of the costs of the properties under development. Properties under development not for sale are carried at cost, less any identified impairment losses. Properties under development which are intended to be held for own use or their investment potential are shown as non-current assets.

Properties under development which are intended to be held for sale are shown as current assets, included the related land cost, and carried at the lower of cost and net realisable value.

Properties held for sales

Properties held for sales are stated at the lower of cost and net realisable value. Cost includes the costs of land, development expenditure incurred and, where appropriate, borrowing costs capitalised. Net realised value is determined based on prevailing market conditions.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average method.

Financial instruments

Financial assets and financial liabilities are recognised on the statement of financial position when a group entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition or issue of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

The Group’s and the Company’s financial assets are classified into one of the three categories, including financial assets at fair value through profit or loss (“FVTPL”), loans and receivables, and available-for-sale financial assets. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

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Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period.

Interest income is recognised on an effective interest basis for debt instruments.

Financial assets at fair value through profit or loss

Financial assets at FVTPL has two subcategories, including financial assets held for trading and those designated at FVTPL on initial recognition.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near future; or
- it is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group’s documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IAS 39 permits the entire consolidated contract to be designated as FVTPL.

At each end of the reporting period subsequent to initial recognition, financial assets at FVTPL are measured at fair value, with changes in fair value recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial assets.

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Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At each end of the reporting period subsequent to initial recognition, loans and receivables (including loan receivable, deposits, amount due from a minority shareholder, accounts and other receivables, amounts due from related parties, pledged bank deposits and bank balances and cash) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment loss on financial assets below).

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated or not classified as financial assets at FVTPL, loans and receivables or held-to-maturity investments.

For available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured, they are measured at cost less any identified impairment losses at each end of the reporting period subsequent to initial recognition (see accounting policy on impairment loss on financial assets below).

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at each end of the reporting period. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial asset, such as accounts receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group’s past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the credit period, observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, an impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset’s carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

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The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of accounts and other receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When an account and other receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset’s carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities and equity

Financial liabilities and equity instruments issued by the Group and the Company are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Interest expense is recognised on an effective interest basis.

Financial liabilities

Financial liabilities (including accounts payable and other payables, amounts due to associates, amounts due to subsidiaries, amounts due to jointly controlled entities, amounts due to directors, bank and other borrowings and amount due to a minority shareholder) are subsequently measured at amortised cost using effective interest method.

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Equity instruments

Equity instruments issued by the group entities are recorded at the proceeds received, net of direct issue costs.

Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument. A financial guarantee contract issued by the Group and not designated as at fair value through profit or loss is recognised initially at its fair value less transaction costs that are directly attributable to the issue of the financial guarantee contract. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount determined in accordance with IAS 37 “*Provisions, Contingent Liabilities and Contingent Assets*”; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with IAS 18 “*Revenue*”.

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset’s carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised directly in equity is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Impairment losses on tangible assets

At each end of the reporting period, the Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

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Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Rental income from operating leases is recognised in the consolidated statement of comprehensive income on a straight-line basis over the term of the relevant lease.

The Group as lessee

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are recognised as a reduction of rental expense over the lease term on a straight-line basis.

Leasehold land and building

The land and building elements of a lease of land and building are considered separately for the purpose of lease classification, unless the lease payments cannot be allocated reliably between the land and building elements, in which case, the entire lease is generally treated as a finance lease and accounted for as property, plant and equipment. To the extent the allocation of the lease payments can be made reliably, leasehold interests in land are accounted for as operating leases except for those that are classified and accounted for as investment properties under the fair value model.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, are capitalised as part of the cost of those assets. Capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At each end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the date of the reporting period end. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

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Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in the consolidated statement of comprehensive income in the period in which they arise.

For the purposes of presenting the Financial Information, the assets and liabilities of the Group’s foreign operations are translated into the presentation currency of the Group (i.e. RMB) at the rate of exchange prevailing at the date of the reporting period end, and their income and expenses are translated at the average exchange rates for the year/period, unless exchange rates fluctuate significantly during the year/period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised as a separate component of equity (the exchange reserve). Such exchange differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred taxation.

The tax currently payable is based on taxable profit for the year/period. Taxable profit differs from profit as reported in the consolidated statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group’s liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred taxation is recognised on differences between the carrying amounts of assets and liabilities in the Financial Information and the corresponding tax base used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred taxation liabilities are generally recognised for all taxable temporary differences and deferred taxation assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred taxation liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred taxation assets is reviewed at each end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

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Deferred taxation is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred taxation is charged or credited to profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred taxation is also dealt with in equity.

Retirement benefit costs

Payments to defined contribution retirement benefit plans are charged as an expense when employees have rendered service entitling them to the contributions. Payments made to state-managed retirement benefit schemes are dealt with as payments to defined contribution plans where the Group’s obligations under the schemes are equivalent to those arising in a defined contribution retirement benefit plan.

Share-based payment transactions

Equity-settled share-based payment transactions

Share Option/Share awards to employees

The fair value of services received determined by reference to the fair value of share options or shares granted at the grant date is expensed on a straight-line basis over the vesting period with a corresponding increase in equity.

At each of the end of the reporting period, the Group revises its estimates of the number of options or shares that are expected to ultimately vest. The impact of the revision of the estimates, if any, is recognised in profit or loss, with a corresponding adjustment to reserve.

At the time when the share options are exercised, the amount previously recognised in share option reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share option reserve will be transferred to retained profits.

Government grants

Government grants are recognised as income over the periods necessary to match them with related costs. Grants related to depreciable assets are presented as a deduction from the carrying amount of the relevant asset and are released to income over the useful lives of the assets. Grants related to expense items are recognised in the same period as those expenses are charged in the consolidated statement of comprehensive income.

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ACCOUNTANTS’ REPORT

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the process of applying of the Group’s accounting policies, which are described in note 3, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Investment properties

Investment properties are stated at fair values based on the valuation performed by independent professional valuers. In determining the fair values, the valuers have based on a method of valuation which involves certain estimates of market condition. In relying on the valuation report, the directors of the Company have exercised their judgement and are satisfied that the assumptions used in the valuation are reflective of the current market conditions. Changes to these assumptions would result in changes in the fair values of the Group’s investment properties and the corresponding adjustments to the amount of gain or loss reported in the consolidated statement of comprehensive income.

Investment properties under development

Certain of the Group’s investment properties are in the progress of development. In view of the fact that the historical fair value cannot be measured reliably as it was difficult to find relevant comparables at that time, the directors of the Company have considered that the fair value of the investment property under development cannot be measured reliably. Such properties are carried at cost less impairment and any fair value change will affect the profit or loss of the period where fair value can be measured reliably.

Income tax expense

Deferred taxation assets of RMB44,945,000, RMB71,503,000, RMB347,960,000 and RMB209,042,000 mainly in relation to tax losses, land appreciation tax provisions, allowance for doubtful debts, government grants and unrealised profit on intra-group purchases and others have been recognised at December 31, 2006, 2007, 2008 and June 30, 2009 respectively, after offsetting certain deferred taxation liabilities as set out in note 32. The realisability of the deferred taxation assets mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future. The directors of the Company determine the deferred taxation assets based on the enacted or substantially enacted tax rates and the best knowledge of profit projections of the Group for coming years during which the deferred taxation assets are expected to be utilised. The directors of the Company will review the assumptions and profit projections by the end of the reporting period. In cases where the actual future profits generated are more or less than expected, an additional recognition or a reversal of deferred tax assets may arise, which would be recognised in the consolidated statement of comprehensive income for the period in which such a recognition or reversal takes place.

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Land appreciation tax

The Group is subject to land appreciation tax in the PRC. However, the implementation and settlement of the tax varies amongst different tax jurisdictions in various cities of the PRC and certain projects of the Group have not finalised their land appreciation tax calculations and payments with any local tax authorities in the PRC. Accordingly, significant judgment is required in determining the amount of land appreciation and its related income tax provisions. The Group recognised the land appreciation tax based on management’s best estimates. The final tax outcome could be different from the amounts that were initially recorded, and these differences will impact the income tax expense and the related income tax provisions in the periods in which such tax is finalised with local tax authorities.

5. SEGMENT INFORMATION

The Group determines its operating segments based on internal reports about components of the Group that are regularly reviewed by the chief operating decision maker (i.e. the board of directors of the Company) in order to allocate resources to the segment and to assess its performance.

The Group is organised into business units based on their products and services, based on which information is prepared and reported to the Group’s chief operating decision maker for the purposes of resource allocation and assessment of performance. The Group reportable segments under IFRS 8 are identified as three main operations:

- Property development: this segment develops and sells office premises, commercial and residential properties. All the group’s activities in this regard are carried out in the PRC.
- Property investment: this segment leases investment properties, which are developed by the Group to generate rental income and to gain from the appreciation in the properties’ values in the long term. Currently the Group’s investment property portfolio is located entirely in the PRC.
- Property management and related services: this segment mainly represents the income generated from property management. Currently the Group’s activities in this regard are carried out in PRC.

(a) Segment results, assets and liabilities

For the purposes of assessing segment performance and allocating resources between segments, the Group’s board of directors monitors the results, assets and liabilities attributable to each reportable segment on the following bases:

Segment assets include all tangible assets and current assets with the exception of interests in associates, interests in jointly controlled entities, available-for-sales investments, investment in a trust fund, deferred taxation assets, investment held for trading, taxation recoverable and other corporate assets. The investment properties included in segment assets are stated at cost when assessed by the chief operating decision maker. Segment liabilities include trade payables, bills payable, deposits received and receipt in advance from property sales, and other payables with exception of taxation payable, deferred taxation liabilities and other corporate liabilities.

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Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation or amortisation of assets attributable to those segments. Segment profit does not include the Group’s share of results arising from the activities of the Group’s jointly controlled entities.

The measure used for reporting segment profit is adjusted earnings before interest, taxes, depreciation and amortisation, change in fair value of investment properties and finance cost (“Adjusted Earnings”), where “interest” is regarded as including investment income and “depreciation” is regarded as including impairment losses on non-current assets. To arrive at Adjusted Earnings the Group’s earnings are further adjusted for items not specifically attributed to individual segments, such as directors’ and auditor’s remuneration and other head office or corporate administration costs.

In addition to receiving segment information concerning Adjusted Earnings, management is provided with segment information concerning revenue (including inter-segment sales), interest income and finance cost from borrowings managed directly by the segments, depreciation and impairment losses and additions to non-current segment assets used by the segments in their operations. Inter-segment sales are priced with reference to prices charged to external parties for similar service.

For the years ended December 31, 2006 and 2007, the Group prepared the financial statements under PRC GAAP and no formal reports were prepared and reviewed by the chief operating decision maker. Starting from January 1, 2008, financial statements were prepared under IFRSs and formal reports were prepared and reviewed by the chief operating decision maker.

Information regarding the Group’s reportable segments for the Relevant Periods is set out below.

	Year ended December 31, 2006			
	Property development	Property investment	Property management and related services	Total
	RMB’000	RMB’000	RMB’000	RMB’000
Revenue from external customers	1,991,442	67,311	41,913	2,100,666
Inter-segment revenue	—	—	—	—
Reportable segment revenue	<u>1,991,442</u>	<u>67,311</u>	<u>41,913</u>	<u>2,100,666</u>
Reportable segment profit (Adjusted Earnings) . .	<u>518,999</u>	<u>49,004</u>	<u>2,869</u>	<u>570,872</u>
Interest income	9,671	—	—	9,671
Finance cost	—	—	—	—
Depreciation for the year	—	—	(5,839)	(5,839)
Reportable segment assets	6,341,306	1,911,749	46,479	8,299,534
Additions to non-current segment assets during the year	—	148,641	9,422	158,063
Reportable segment liabilities	2,666,158	13,831	27,861	2,707,850

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Year ended December 31, 2007				
	Property development	Property investment	Property management and related services	Total
	RMB’000	RMB’000	RMB’000	RMB’000
Revenue from external customers	3,334,339	101,734	61,967	3,498,040
Inter-segment revenue	—	—	—	—
Reportable segment revenue	<u>3,334,339</u>	<u>101,734</u>	<u>61,967</u>	<u>3,498,040</u>
Reportable segment profit (Adjusted Earnings) . .	<u>873,583</u>	<u>87,963</u>	<u>5,298</u>	<u>966,844</u>
Interest income	28,942	—	—	28,942
Finance cost	(20,579)	—	—	(20,579)
Depreciation for the year	—	—	(10,031)	(10,031)
Reportable segment assets	15,470,158	2,177,710	14,375	17,662,243
Additions to non-current segment assets during the year	—	265,961	5,309	271,270
Reportable segment liabilities	7,176,847	23,322	33,465	7,233,634
Year ended December 31, 2008				
	Property development	Property investment	Property management and related services	Total
	RMB’000	RMB’000	RMB’000	RMB’000
Revenue from external customers	4,216,172	158,785	100,242	4,475,199
Inter-segment revenue	—	—	16,282	16,282
Reportable segment revenue	<u>4,216,172</u>	<u>158,785</u>	<u>116,524</u>	<u>4,491,481</u>
Reportable segment profit (Adjusted Earnings) . .	<u>637,418</u>	<u>103,214</u>	<u>17,794</u>	<u>758,426</u>
Interest income	33,388	—	—	33,388
Finance cost	(61,525)	—	—	(61,525)
Depreciation for the year	(15,988)	—	(896)	(16,884)
Reportable segment assets	22,387,387	2,177,710	19,138	24,584,235
Additions to non-current segment assets during the year	4,355,509	—	32,322	4,387,831
Reportable segment liabilities	10,962,757	44,099	57,698	11,064,554

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Six months ended June 30, 2008 (unaudited)				
	Property development	Property investment	Property management and related services	Total
	RMB’000	RMB’000	RMB’000	RMB’000
Revenue from external customers	2,123,425	62,726	43,977	2,230,128
Inter-segment revenue	—	—	7,556	7,556
Reportable segment revenue	<u>2,123,425</u>	<u>62,726</u>	<u>51,533</u>	<u>2,237,684</u>
Reportable segment profit (Adjusted Earnings) . .	<u>443,699</u>	<u>40,384</u>	<u>8,347</u>	<u>492,430</u>
Interest income	10,077	—	—	10,077
Finance cost	(33,415)	—	—	(33,415)
Depreciation for the period	(6,182)	—	(353)	(6,535)
Reportable segment assets	N/A	N/A	N/A	N/A
Additions to non-current segment assets during the period	3,751,527	—	17,498	3,769,025
Reportable segment liabilities	N/A	N/A	N/A	N/A
Six months ended June 30, 2009				
	Property development	Property investment	Property management and related services	Total
	RMB’000	RMB’000	RMB’000	RMB’000
Revenue from external customers	5,718,444	86,266	71,098	5,875,808
Inter-segment revenue	—	—	9,081	9,081
Reportable segment revenue	<u>5,718,444</u>	<u>86,266</u>	<u>80,179</u>	<u>5,884,889</u>
Reportable segment profit (Adjusted Earnings) . .	<u>1,631,561</u>	<u>65,416</u>	<u>18,628</u>	<u>1,715,605</u>
Interest income	23,108	—	—	23,108
Finance cost	(41,634)	—	—	(41,634)
Depreciation for the period	(7,040)	—	(737)	(7,777)
Reportable segment assets	21,498,926	2,177,710	30,947	23,707,583
Additions to non-current segment assets during the period	1,030,909	—	2,748	1,033,657
Reportable segment liabilities	10,725,807	66,191	61,455	10,853,453

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(b) Reconciliations of reportable segment revenues, profit or loss, assets and liabilities

	Year ended December 31,			Six months ended June 30,	
	2006	2007	2008	2008	2009
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
				(unaudited)	
Revenue					
Reportable segment revenue	2,100,666	3,498,040	4,491,481	2,237,684	5,884,889
Elimination of inter-segment revenue . .	—	—	(16,282)	(7,556)	(9,081)
Consolidated turnover	<u>2,100,666</u>	<u>3,498,040</u>	<u>4,475,199</u>	<u>2,230,128</u>	<u>5,875,808</u>
Profit					
Reportable segment profit	570,872	966,844	758,426	492,430	1,715,605
Other income	13,843	113,315	132,068	58,047	344,159
Change in fair value of investment properties	482,177	901,113	125,100	71,200	561,000
Finance costs	—	(20,579)	(61,525)	(33,415)	(41,634)
Share of results of jointly controlled entities	602	(13,681)	63,225	(1,938)	32,570
Depreciation	(5,839)	(10,031)	(16,884)	(6,535)	(7,777)
Unallocated operating and corporate expenses	(84,610)	(311,700)	(319,731)	(160,126)	(58,560)
Consolidated profit before taxation	<u>977,045</u>	<u>1,625,281</u>	<u>680,679</u>	<u>419,663</u>	<u>2,545,363</u>
	At December 31,			At June 30,	
	2006	2007	2008	2008	2009
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
Assets					
Reportable segment assets	8,299,534	17,662,243	24,584,235	23,707,583	
Change in fair value of investment properties . .	555,177	1,456,290	1,581,390	2,142,390	
Interests in associates	1	1	1	1	
Interests in jointly controlled entities	49,066	506,095	932,468	1,232,161	
Available-for-sales investments	8,820	8,600	8,600	8,600	
Investment in a trust fund	14,823	74,863	—	—	
Deferred taxation assets	44,945	71,503	347,960	209,042	
Investments held for trading	1,148	—	—	—	
Taxation recoverable	31,725	59,668	131,722	136,081	
Unallocated head office and corporate assets . . .	1,083,571	2,800,220	4,809,891	6,628,462	
Consolidated total assets	<u>10,088,810</u>	<u>22,639,483</u>	<u>32,396,267</u>	<u>34,064,320</u>	
Liabilities					
Reportable segment liabilities	2,707,850	7,233,634	11,064,554	10,853,453	
Taxation payable	381,029	687,968	935,528	1,214,349	
Deferred taxation liabilities	303,793	625,194	731,486	961,538	
Unallocated head office and corporate liabilities .	4,206,086	9,964,219	15,720,465	15,415,262	
Consolidated total liabilities	<u>7,598,758</u>	<u>18,511,015</u>	<u>28,452,033</u>	<u>28,444,602</u>	

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(c) Geographic information

The following table sets out information about the Group’s revenue from external customers by geographical location. The geographical location of customers is based on the location at which the services were provided or the goods were delivered.

	Revenues from external customers				
	Year ended December 31,			Six months ended June 30,	
	2006	2007	2008	2008	2009
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
				(unaudited)	
Chongqing	2,100,666	3,029,071	2,184,825	1,330,086	1,174,380
Chengdu.	—	468,969	2,285,681	898,214	1,874,169
Beijing.	—	—	4,693	1,828	2,817,766
Others	—	—	—	—	9,493
	<u>2,100,666</u>	<u>3,498,040</u>	<u>4,475,199</u>	<u>2,230,128</u>	<u>5,875,808</u>

[No revenue from transaction with single external customer is amounted to 10% or more of the Group’s revenue in each of the reporting period over the Relevant Periods.]

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6. OTHER INCOME

	Year ended December 31,			Six months ended June 30,	
	2006	2007	2008	2008	2009
	RMB’000	RMB’000	RMB’000	RMB’000 (unaudited)	RMB’000
Interest income	9,671	28,942	28,145	10,077	23,108
Interest income from investment in a trust fund	—	—	5,243	—	—
Imputed interest income of amount due from a minority shareholder	—	—	1,337	—	—
Consultancy fee income (Note 1)	838	6,916	4,291	132	18
Dividend income from available-for-sale investments	—	1,297	847	—	—
Dividend income from investments held for trading	51	273	—	—	—
Excess compensation received from primary development project (Note 2)	—	—	—	—	306,000
Gain on change in fair value of investments held for trading	126	—	—	—	—
Gain on disposal of property, plant and equipment	—	1,281	77	233	7
Gain on disposal of a subsidiary	—	10	—	—	—
Gain on disposal of partial interest in a subsidiary	—	23,121	—	—	—
Gain on disposal of partial interest in a jointly controlled entity (Note 3)	—	—	36,774	36,774	—
Discount on acquisition of additional interest in subsidiaries (Note 4)	—	41,017	—	—	—
Net exchange gain	—	—	38,555	7,570	—
Sundry income	3,157	10,458	16,799	3,261	15,026
Total	13,843	113,315	132,068	58,047	344,159

Notes:

1. It represented the design and consulting services related to real estate development provided by the Group to the independent third parties in Beijing and Hong Kong.
2. During the year ended December 31, 2006, Chongqing Longhu has entered into a joint land renovation and development agreement with the government and paid deposits of RMB185,000,000, RMB511,050,000 and RMB97,950,000 during the year ended December 31, 2006, 2007 and 2008 respectively. (included in the deposits paid for acquisition of land use rights). On December 15, 2008, Chongqing Longhu has entered into an agreement to terminate the joint land renovation and development as a result of change in the development plan of that region. Pursuant to the agreement of termination of the joint land renovation and development, the compensation from government (including the deposit paid by the Group) was RMB1,100,000,000. As at June 30, 2009, Chongqing Longhu has received an amount of RMB1,000,000,000 of the compensation. As the compensation of RMB1,000,000,000 was received and only met the revenue recognition requirement of IAS 18 that “it is probable that the economic benefits associated with the transaction will flow to the entity” during the six months ended June 30, 2009, the excess compensation received from primary development project was recognised during the six months ended June 30, 2009. The remaining compensation is scheduled to be settled within one year and included in “Accounts and other receivables, deposits and prepayments”.
3. During the year ended December 31, 2008, the Group has disposed of its 28.5% equity interest in a jointly controlled entity, Chengdu Huixin, at a cash consideration of approximately RMB196,105,000 which is determined with reference to the attributable registered capital of Chengdu Huixin. Gain on disposal amounting to approximately RMB36,774,000 was resulted.
4. During the year ended December 31, 2007, Chongqing Longhu Development has contributed additional capital of RMB160,000,000 in Chongqing Longhu and Chongqing Longhu Development’s equity interest increased from 95% to 98.81% and a discount on deemed acquisition of RMB25,554,000 was recognised. Chongqing Longhu Development has further acquired the remaining 1.19% equity interest from the minority shareholder who is the close family member of directors of the Company at a consideration of RMB2,500,000 and a discount on acquisition of RMB15,463,000 was recognised.

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7. FINANCE COSTS

	Year ended December 31,			Six months ended June 30,	
	2006	2007	2008	2008	2009
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
				(unaudited)	
Interest on bank and other borrowings wholly repayable within five years . . .	(134,251)	(337,193)	(814,722)	(332,852)	(366,526)
Less: Amount capitalised to properties under development	134,251	316,614	753,197	299,437	324,892
	—	(20,579)	(61,525)	(33,415)	(41,634)

Borrowing costs capitalised arose on the general borrowing pool of the Group were calculated by applying a capitalisation rate of 6.50%, 6.23%, 7.36%, 7.44% and 7.36% for the years ended December 31, 2006, 2007, 2008 and the six months ended June 30, 2008 and 2009 respectively, to expenditure on the qualifying assets.

8. INCOME TAX EXPENSE

	Year ended December 31,			Six months ended June 30,	
	2006	2007	2008	2008	2009
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
				(unaudited)	
PRC enterprise income tax:					
Current income tax	(190,537)	(282,018)	(396,746)	(137,024)	(294,361)
Land appreciation tax (“LAT”)	(98,783)	(147,220)	(55,478)	(46,147)	(219,390)
	(289,320)	(429,238)	(452,224)	(183,171)	(513,751)
Deferred taxation (note 32)					
Current year	(48,257)	(203,467)	171,026	278	(371,628)
Attributable to a change in tax rate . . .	—	(91,376)	—	—	—
	(337,577)	(724,081)	(281,198)	(182,893)	(885,379)

PRC enterprise income tax has been generally provided at the applicable enterprise income tax rate of 33% (including 30% of income tax and 3% of local income tax) on the estimated assessable profits of the companies in the Group during the years ended December 31, 2006 and 2007.

Pursuant to the PRC Enterprise Income Tax Law promulgated on March 16, 2007, the enterprise income tax for both domestic and foreign-invested enterprises has been unified at the enterprise income tax rate of 25% effective from January 1, 2008. The following preferential tax rates should still be effective after adoption of the unified tax rate.

According to document (CaiShui [2001] 202), PRC foreign invested enterprise established in western regions and engaged in the encouraged business, including development of ordinary residential units should be eligible for a preferential tax rate at 15%, subject to approval of the competent tax authority, if the annual income derived from the encouraged business is more than 70% of the annual total income (“Certain

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Conditions”). In addition, according to the approval documents issued by the relevant tax bureau, certain PRC subsidiaries were further approved to enjoy 2-year exemption of 3% local income tax followed by 50% reduction of local income tax for 3 years. Accordingly, for those subsidiaries in the Group, PRC enterprise income tax has been provided at the reduced enterprise income tax rate of 31.5%, 18%, 16.5% or 15% on the respective estimated assessable profits of the companies in their respective years/periods.

According to document (Yuguoshuihan [2003] 447) issued by Chongqing State Administration of Taxation, the applicable income tax rate of Chongqing Longhu Development is 15% from 2002 to 2010 based on Certain Conditions. Further, according to document (Beixinguoshuihan [2005] 19) issued by the tax bureau directly under Chongqing State Administration of Taxation, Chongqing Longhu Development enjoyed a 50% reduction on PRC local income tax of 3% from 2005 to 2007.

However, since Chongqing Longhu Development cannot meet the requirement related to the preferential tax rate at 15% for 2007, 2008 and the six months ended June 30, 2009, as such, the enterprise income tax for this subsidiary has been provided at the rate of 16.5%, 31.5%, 25% and 25% on the respective estimated assessable profits during the years ended December 31, 2006, 2007, 2008 and the six months ended June 30, 2009 respectively.

According to document (Yudishuimian [2007] 416) issued by Chongqing Local Administration of Taxation, the applicable income tax rate of Chongqing Xinlonghu is 15% from 2007 to 2010 based on Certain Conditions.

According to document (Jingkaiguoshuijian [2007] 19) issued by Chongqing State Administration of Taxation, the applicable income tax rate of Chongqing Juntion is 15% from 2007 to 2010 based on Certain Conditions.

According to document (Jingkaiguoshuijian [2007] 20) issued by Chongqing State Administration of Taxation, Chongqing Juntion is exempted from PRC local income tax of 3% for two years from 2007 to 2008, followed by a 50% reduction from 2009 to 2011. Accordingly, the enterprise income tax of this subsidiary has been provided at the rate of 15% of the estimated assessable profit during the years ended December 31, 2007, 2008 and six months ended June 30, 2009.

According to relevant documents issued by Chongqing State Administration of Taxation, the applicable reduced enterprise income tax rate of Chongqing Longhu Yiheng and Chongqing Longhu Kaian are 18% for 2007 and 15% for 2008 to 2010 based on Certain Conditions.

According to document (Jingkaiguoshuijian [2008] 5) issued by Chongqing State Administration of Taxation, the applicable income tax rate of Chongqing Rongkai is 15% from 2007 to 2010.

The provision of LAT is estimated according to the requirements set forth in the relevant PRC tax laws and regulations. LAT has been provided at ranges of progressive rates of the appreciation value, with certain allowable exemptions and deductions.

No provision for Hong Kong Profits Tax has been made as the income of the companies comprising the Group neither arises in, nor is derived from, Hong Kong.

Details of the deferred taxation are set out in note 32.

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The tax charge for the year/period can be reconciled to the profit before taxation per consolidated statement of comprehensive income as follows:

	Year ended December 31,			Six months ended June 30,	
	2006	2007	2008	2008	2009
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
				(unaudited)	
Profit before taxation	<u>977,045</u>	<u>1,625,281</u>	<u>680,679</u>	<u>419,663</u>	<u>2,545,363</u>
PRC enterprise income tax at 33% (for 2008 and six months ended June 30, 2009: 25%)	(322,425)	(536,343)	(170,170)	(104,916)	(636,341)
Tax effect of share of results of jointly controlled entities	199	(4,515)	15,806	(484)	8,143
Tax effect of expenses not deductible for tax purposes (Note 1).	(7,371)	(47,921)	(50,835)	(30,026)	(13,899)
Tax effect of income not taxable for tax purposes (Note 2)	388	18,851	9,730	4,006	250
Changes in opening deferred taxation balances arising from changes in applicable tax rate	—	(91,376)	—	—	—
LAT	(98,783)	(147,220)	(55,478)	(46,147)	(219,390)
Tax effect of LAT.	32,598	48,676	13,869	11,537	54,847
Tax effect of tax losses not recognised . .	(1)	(1,216)	(3,974)	(832)	(686)
Utilisation of tax loss previously not recognised.	—	—	129	—	—
Utilisation of deductible temporary differences previously not recognised .	—	—	11,748	6,358	—
Effect of tax exemption on concessionary rates granted to the PRC subsidiaries. .	58,198	36,072	(376)	880	11,956
Effect of different tax rate of subsidiaries operating in other jurisdictions.	(380)	911	(6,760)	(3,851)	(4,248)
Withholding tax on retained profits to be distributed (Note 3).	—	—	(44,887)	(19,418)	(86,011)
Tax charge for the year/period.	<u>(337,577)</u>	<u>(724,081)</u>	<u>(281,198)</u>	<u>(182,893)</u>	<u>(885,379)</u>

Notes:

1. The amount mainly comprises of the tax effect of non-deductible corporate expenses of Juntion Development and the expenses of certain subsidiaries in excess of the allowable deduction limits in accordance with the relevant tax regulations.
2. The amount for the year ended December 31, 2007 comprises mainly of the tax effect of non-taxable income arising from gain on disposal of partial interest in a subsidiary and discount on acquisition of an additional interest in a subsidiary by Juntion Development.
3. In accordance to PRC tax circular (Guoshuihan [2008] 112) effective from January 1, 2008, PRC withholding income tax at the rate of 10% is applicable to dividends to “non-resident” investors who do not have an establishment or place of business in the PRC. According to the “Arrangement between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income” and Guoshuihan [2008] 112, where the Hong Kong resident company directly owns at least 25% of the capital of the Mainland company, 5% dividend withholding tax rate is applicable. The amount represents the withholding income tax provided on the profits arisen during the year ended December 31, 2008 and the six months ended June 30, 2008 and 2009 of certain PRC subsidiaries, which are available for distribution to Juntion Development.

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9. PROFIT FOR THE YEAR/PERIOD

	Year ended December 31,			Six months ended June 30,	
	2006	2007	2008	2008	2009
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
				(unaudited)	
Profit for the year/period has been arrived at after charging (crediting):					
Auditors’ remuneration	548	533	3,000	545	1,708
Cost of property inventories included in cost of sales	1,339,369	2,250,570	3,239,602	1,519,648	3,973,155
Write down of property inventories included in cost of sales	—	—	1,094	—	—
Depreciation of property, plant and equipment	5,839	10,031	16,884	6,535	7,777
(Gain) loss on disposal of property, plant and equipment	94	(1,281)	(77)	(233)	(7)
Loss on disposal of subsidiaries.	—	—	5,787	—	10,533
Impairment loss on amount due from a related party	—	3,000	—	—	—
Impairment loss on loan receivable.	—	15,471	—	—	—
Impairment loss on other receivables	80	12,000	31,109	—	—
Operating lease rentals	1,141	2,957	9,100	4,256	3,705
Staff costs					
Directors’ emoluments (including equity-settled share-based payments) (note 10)	6,439	16,560	20,902	9,461	7,706
Other staff costs					
Staff costs excluding retirement benefit costs	89,883	255,173	375,607	121,421	125,905
Retirement benefit costs	3,984	6,711	28,260	4,736	8,107
Equity-settled share-based payments (note 42)	—	4,230	50,897	25,448	12,628
Total staff costs	100,306	282,674	475,666	161,066	154,346
Less: Amount capitalised to properties under development	(24,157)	(44,384)	(151,921)	(62,038)	(53,913)
	76,149	238,290	323,745	99,028	100,433
Gross rental income from investment properties	67,311	101,734	158,785	62,726	86,266
Less: direct expenses that generated rental income.	(18,307)	(13,771)	(55,571)	(22,342)	(20,850)
	49,004	87,963	103,214	40,384	65,416
Share of tax of jointly controlled entities (included in share of profit of jointly controlled entities)	284	(2,381)	20,722	(629)	12,113

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10. DIRECTORS’ AND EMPLOYEES’ EMOLUMENTS

Directors’ emoluments

	Year ended December 31,			Six months ended June 30,	
	2006	2007	2008	2008	2009
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
				(unaudited)	
Directors’ fees	—	—	—	—	—
Other emoluments for non-executive directors and independent non-executive directors	—	—	—	—	—
Other emoluments for executive directors					
- basic salaries and allowances	5,942	9,027	9,558	4,791	4,771
- bonus (note)	300	6,470	2,000	—	—
- retirement benefit contributions	197	293	102	48	63
- equity-settled share-based payments	—	770	9,242	4,622	2,872
	<u>6,439</u>	<u>16,560</u>	<u>20,902</u>	<u>9,461</u>	<u>7,706</u>

Note: The performance related incentive payment is determined as a percentage of the profit of the Group for the Relevant Periods.

	Directors’ fees	Basic salaries and allowances	Bonus	Retirement benefit contribution	Equity-settled share-based payments	Total
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
Year ended December 31, 2006						
Name of director						
Wu Yajun	—	1,799	—	85	—	1,884
Cai Kui	—	1,550	—	73	—	1,623
Lin Chu Chang	—	1,093	—	39	—	1,132
Fang Shengtao	—	1,500	300	—	—	1,800
	<u>—</u>	<u>5,942</u>	<u>300</u>	<u>197</u>	<u>—</u>	<u>6,439</u>

Year ended December 31, 2007

Name of director						
Wu Yajun	—	2,713	—	97	—	2,810
Cai Kui	—	2,160	—	97	—	2,257
Lin Chu Chang	—	2,319	—	80	450	2,849
Fang Shengtao	—	1,835	6,470	19	320	8,644
	<u>—</u>	<u>9,027</u>	<u>6,470</u>	<u>293</u>	<u>770</u>	<u>16,560</u>

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	Directors’ fees	Basic salaries and allowances	Bonus	Retirement benefit contribution	Equity- settled share-based payments	Total
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
Year ended December 31, 2008						
Name of director						
Wu Yajun	—	3,015	600	29	—	3,644
Cai Kui	—	2,412	600	10	—	3,022
Lin Chu Chang	—	2,197	300	11	5,140	7,648
Fang Shengtao	—	1,934	500	52	4,102	6,588
	—	9,558	2,000	102	9,242	20,902

Six months ended June 30,
2008 (unaudited)

Name of director						
Wu Yajun	—	1,507	—	14	—	1,521
Cai Kui	—	1,206	—	4	—	1,210
Lin Chu Chang	—	1,110	—	5	2,571	3,686
Fang Shengtao	—	968	—	25	2,051	3,044
	—	4,791	—	48	4,622	9,461

Six months ended June 30,
2009

Name of director						
Wu Yajun	—	1,507	—	15	—	1,522
Cai Kui	—	1,207	—	15	—	1,222
Lin Chu Chang	—	1,090	—	5	1,829	2,924
Fang Shengtao	—	967	—	28	1,043	2,038
	—	4,771	—	63	2,872	7,706

Five highest paid individuals

The five highest paid individuals included three directors for the year ended December 31, 2006, one director for the year ended December 31, 2007, two directors for the year ended December 31, 2008, four directors for the six months ended June 30, 2008 and four directors for the six months ended June 30, 2009. The emoluments of the remaining two highest paid individuals for the year ended December 31, 2006, remaining four highest paid individuals for the year ended December 31, 2007, three highest paid individuals for the year ended December 31, 2008, one highest paid individual for

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the six months ended 30 June 2008 and one highest paid individual for the six months ended June 30, 2009 are as follows:

	Year ended December 31,			Six months ended June 30,	
	2006	2007	2008	2008	2009
	RMB’000	RMB’000	RMB’000	RMB’000 (unaudited)	RMB’000
Employees					
- basic salaries and allowances . .	2,063	6,162	5,478	967	967
- bonus.	400	27,000	2,300	—	—
- retirement benefit contributions .	147	326	156	25	28
- equity-settled share-based payments.	—	1,298	11,682	1,947	1,177
	<u>2,610</u>	<u>34,786</u>	<u>19,616</u>	<u>2,939</u>	<u>2,172</u>

During the Relevant Periods, no emoluments were paid by the Group to the directors of the Company or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors of the Company has waived any emoluments during the Relevant Periods.

Their emoluments were within the following bands:

	Number of Individuals				
	Year ended December 31,			Six months ended June 30,	
	2006	2007	2008	2008	2009
Nil to RMB1,000,000	1	—	—	—	—
RMB1,000,001 to RMB1,500,000 .	—	—	—	—	—
RMB2,000,001 to RMB2,500,000 .	1	—	—	—	1
RMB2,500,001 to RMB3,000,000 .	—	1	1	1	—
RMB3,000,001 or above	—	3	2	—	—

11. DIVIDEND

During the six months ended June 30, 2008 and year ended December 31, 2008, dividends of RMB138,408,000 were declared from Juntion Development to the ultimate shareholders, Wu Yajun and Cai Kui. The amounts of RMB65,882,000 and RMB2,644,000 were paid during the year ended December 31, 2008 and six months ended June 30, 2009 respectively. The directors of the Company represented the remaining balance will be paid prior to the Listing.

No dividends have been paid or declared by the Company during the years ended December 31, 2007, 2008 and six months ended June 30, 2008 and 2009.

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12. EARNINGS PER SHARE - BASIC

The calculation of the basic earnings per share attributable to owners of the Company is based on the following data:

	Year ended December 31,			Six months ended June 30,	
	2006	2007	2008	2008	2009
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
				(unaudited)	
Earnings					
Earnings for the purpose of basic earnings per share (profit for the year/period attributable to the owners of the Company).	<u>370,969</u>	<u>749,990</u>	<u>331,590</u>	<u>198,158</u>	<u>1,456,061</u>
	2006	2007	2008	2008	2009
	’000	’000	’000	’000	’000
Number of shares					
Weighted average number of ordinary shares for the purpose of basic earnings per share	<u>4,000,000</u>	<u>4,000,000</u>	<u>4,000,000</u>	<u>4,000,000</u>	<u>4,000,000</u>

For the Relevant Periods, the calculations of basic earnings per share are based on 4,000,000,000 shares in issue on the assumption that the issue of such shares of the Company upon the Reorganisation had been completed on January 1, 2006.

No diluted earnings per share has been presented for the year ended December 31, 2006 as the Company did not have any potential ordinary shares during the year.

No diluted earnings per share is calculated for the years ended December 31, 2007 and 2008 and six months ended June 30, 2008 and 2009 in respect of the share-based payment transactions since the directors are in the opinion that, without reliable information of the market price of the shares, such calculation and disclosure are not meaningful.

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13. INVESTMENT PROPERTIES

	Completed	Under development	Total
	RMB’000	RMB’000	RMB’000
At January 1, 2006	1,728,000	108,108	1,836,108
Additions	—	148,641	148,641
Transfer	126,823	(126,823)	—
Change in fair value recognised in the consolidated statement of comprehensive income	482,177	—	482,177
At December 31, 2006	2,337,000	129,926	2,466,926
Additions	—	173,467	173,467
Transfer from properties held for sales (<i>Note 15</i>)	92,494	—	92,494
Transfer	303,393	(303,393)	—
Change in fair value recognised in the consolidated statement of comprehensive income	901,113	—	901,113
At December 31, 2007	3,634,000	—	3,634,000
Change in fair value recognised in the consolidated statement of comprehensive income	125,100	—	125,100
At December 31, 2008	3,759,100	—	3,759,100
Change in fair value recognised in the consolidated statement of comprehensive income	561,000	—	561,000
At June 30, 2009	4,320,100	—	4,320,100

The investment properties are all situated in the PRC under medium-term lease. All the completed investment properties are rented out under operating leases.

The fair values of the Group’s completed investment properties at December 31, 2006, 2007, 2008 and June 30, 2009 have been arrived at on the basis of valuations carried out on those dates by Savills Valuation and Professional Services Limited (“Savills”), a firm of independent qualified professional valuers not connected with the Group, who have appropriate qualifications and recent experiences in the valuation of similar properties in the relevant locations. The address of Savills is 23/F Two Exchange Square, Central, Hong Kong. The valuations were arrived at with adoption of the direct comparison approach by making reference to comparable sales transactions as available in the relevant markets and where appropriate, by capitalising the net rental income derived from the existing tenancies with due allowance for reversionary incoming potential of the respective properties.

[The Group has concluded the fair value of its investment properties under development cannot be measured reasonably, therefore, the Group’s investment properties under development continued to be measured at cost until such time as fair value can be determined or construction is completed.]

All of the Group’s property interests in leasehold land and buildings to earn rentals or for capital appreciation purposes are measured using the fair value model and classified and accounted for as investment properties.

The Group had pledged investment properties of approximately RMB1,978,681,000 RMB2,036,139,000, RMB2,945,732,000 and RMB3,725,518,000 at December 31, 2006, 2007, 2008 and June 30, 2009 respectively, to secure general banking facilities granted to the Group.

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14. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Motor vehicles	Equipment and furniture	Total
	RMB’000	RMB’000	RMB’000	RMB’000
COST				
At January 1, 2006	50,682	9,367	3,106	63,155
Additions	—	9,246	2,728	11,974
Disposals	(1,174)	(1,228)	(150)	(2,552)
At December 31, 2006	49,508	17,385	5,684	72,577
Additions	—	6,004	5,551	11,555
Transfer from properties under development	77,535	—	—	77,535
Disposals	(1,035)	(448)	(126)	(1,609)
At December 31, 2007	126,008	22,941	11,109	160,058
Additions	2,186	12,357	13,188	27,731
Transfer from properties under development	24,115	—	—	24,115
Disposals	—	(3,202)	(709)	(3,911)
Disposal of a subsidiary	—	—	(13)	(13)
At December 31, 2008	152,309	32,096	23,575	207,980
Additions	—	159	2,424	2,583
Acquisition of subsidiaries	—	—	39	39
Transfer from properties under development	17,591	—	—	17,591
Disposals	—	—	(425)	(425)
At June 30, 2009	169,900	32,255	25,613	227,768
ACCUMULATED DEPRECIATION				
At January 1, 2006	6,767	5,207	1,408	13,382
Charge for the year	2,379	2,358	1,102	5,839
Eliminated on disposals	(609)	(1,162)	(102)	(1,873)
At December 31, 2006	8,537	6,403	2,408	17,348
Charge for the year	4,936	3,031	2,064	10,031
Eliminated on disposals	(201)	(405)	(101)	(707)
At December 31, 2007	13,272	9,029	4,371	26,672
Charge for the year	6,920	5,176	4,788	16,884
Eliminated on disposals	—	(2,215)	(336)	(2,551)
Disposal of subsidiary	—	—	(1)	(1)
At December 31, 2008	20,192	11,990	8,822	41,004
Charge for the period	1,144	2,520	4,113	7,777
Eliminated on disposals	—	—	(344)	(344)
At June 30, 2009	21,336	14,510	12,591	48,437
CARRYING VALUES				
At December 31, 2006	40,971	10,982	3,276	55,229
At December 31, 2007	112,736	13,912	6,738	133,386
At December 31, 2008	132,117	20,106	14,753	166,976
At June 30, 2009	148,564	17,745	13,022	179,331

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The above items of property, plant and equipment are depreciated using the straight-line method after taking into account of their estimated residual values at the following rates per annum:

Buildings	Over the estimated useful lives of 20 years or the term of the leases, if shorter
Motor vehicles	20%
Equipment and furniture	33%

The buildings are all situated on land in the PRC held under medium-term leases.

The Group had no pledged property, plant and equipment at December 31, 2006, 2007, 2008 and June 30, 2009.

15. PROPERTIES UNDER DEVELOPMENT

	At December 31,			At June 30,
	2006	2007	2008	2009
	RMB’000	RMB’000	RMB’000	RMB’000
COST				
At the beginning of the year/period	2,124,845	4,740,061	8,702,421	14,890,771
Additions	4,031,663	5,488,799	8,400,488	3,447,019
Additions through acquisition of subsidiaries	—	841,481	231,782	826,203
Disposal	—	—	—	(931)
Disposal of a subsidiary.	—	—	(858,990)	(18,112)
Transfer from prepaid lease payment	—	—	3,604,037	223,674
Transfer from deposit paid for acquisition of land use rights	—	—	100,000	—
Transfer to properties held for sales	(1,416,447)	(2,197,891)	(5,264,852)	(2,533,090)
Transfer to property, plant and equipment	—	(77,535)	(24,115)	(17,591)
Transfer to properties held for sales and then to investment properties	—	(92,494)	—	—
At the end of the year/period	<u>4,740,061</u>	<u>8,702,421</u>	<u>14,890,771</u>	<u>16,817,943</u>

The properties under development are located in the PRC under medium-term lease and analysed for reporting purposes as follows:

	At December 31,			At June 30,
	2006	2007	2008	2009
	RMB’000	RMB’000	RMB’000	RMB’000
Current	4,740,061	8,702,421	14,880,070	16,817,943
Non-current	—	—	10,701	—
	<u>4,740,061</u>	<u>8,702,421</u>	<u>14,890,771</u>	<u>16,817,943</u>

The current portion and non-current portion represent properties held for sales and property held for own use under development.

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Included in the properties under development classified as current assets as at December 31, 2006, 2007, 2008 and June 30, 2009 is carrying value of RMB3,064 million, RMB4,322 million, RMB7,362 million and RMB6,553 million which represents the carrying value of the properties expected to be completed and available for sale after more than twelve months from the end of the respective reporting period.

The Group had pledged properties under development of approximately RMB650,426,000, RMB3,426,790,000, RMB8,793,468,000 and RMB8,122,772,000 at December 31, 2006, 2007, 2008 and June 30, 2009 respectively to secure general banking facilities granted to the Group.

Included in the properties under development are the government grants of RMB84,480,000 and RMB60,346,000 as at year ended December 31, 2006 and 2007 and nil as at December 31, 2008 and June 30, 2009.

16. PREPAID LEASE PAYMENTS

The carrying amount of prepaid lease payments represents land use rights held in the PRC and is analysed as follows:

	At December 31,			At June 30,
	2006	2007	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000
Medium term	—	186,509	458,217	187,450
Long term	142,226	3,232,159	2,568,071	2,378,844
Non-current	142,226	3,418,668	3,026,288	2,566,294

The Group’s prepaid lease payments represent payments for obtaining the land use rights in the PRC with lease terms ranging from 40 to 70 years. The Group had not yet obtained the certificates of land use rights of approximately RMB142,226,000, RMB2,005,931,000, RMB1,348,406,000 and RMB1,379,442,000 from the relevant authorities at December 31, 2006, 2007, 2008 and June 30, 2009 respectively.

At December 31, 2006, 2007, 2008 and June 30, 2009, the Group had pledged the land use rights of approximately RMB142,226,000, nil, RMB554,567,000 and 813,319,000 respectively to secure general banking facilities granted to the Group.

17. INTERESTS IN ASSOCIATES

	At December 31,			At June 30,
	2006	2007	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000
Cost of investments, unlisted	415	415	415	415
Less: Impairment loss recognised	(414)	(414)	(414)	(414)
	1	1	1	1

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17A. INVESTMENTS IN SUBSIDIARY

	The Company			
	At December 31,			At June 30,
	2006	2007	2008	2009
	RMB’000	RMB’000	RMB’000	RMB’000
Unlisted shares, at cost	—	—	2,875,598	2,875,598

18. INTERESTS IN JOINTLY CONTROLLED ENTITIES

	At December 31,			At June 30,
	2006	2007	2008	2009
	RMB’000	RMB’000	RMB’000	RMB’000
Cost of investments, unlisted	48,618	519,328	882,476	1,153,306
Share of post-acquisition profits (losses)	448	(13,233)	49,992	78,855
	<u>49,066</u>	<u>506,095</u>	<u>932,468</u>	<u>1,232,161</u>

As at December 31, 2006, Longhu Land has been accounted for as jointly controlled entities as, in the opinion of the directors of the Company, the Group is in a position to exercise joint control over the financial and operating policies of this company.

During the year ended December 31, 2007, the Group had injected, in aggregate, RMB470,710,000 in Chengdu Jia’nan, Chengdu Tuosheng, Chengdu Jinghui, Chengdu Huixin and Longhu Land. They have been accounted for as jointly controlled entities as, in the opinion of the directors of the Company, the Group is in a position to exercise joint control over the financial and operating policies of those companies.

During the year ended December 31, 2008, the Group has disposed of its 28.5% equity interest in Chengdu Huixin. The Group’s interest has decreased from 57.8% to 29.3% accordingly. Details of which are disclosed in note 6. Chengdu Huixin is still accounted for as a jointly controlled entity since in accordance with the memorandum and the articles of Chengdu Huixin, the joint venture partners still have contractually agreed the sharing of control over the financial and operating policies of Chengdu Huixin.

During the year ended December 31, 2008, the Group has injected RMB317,800,000 into Shanghai Hengrui as capital injection, representing 18.3% effective interest in Shanghai Hengrui, in which RMB261,569,000 was injected by using the deposit paid for acquisition of land use rights in prior period.

On October 23, 2008, the Group disposed of 70% interest of two wholly owned subsidiaries, Chengdu Xixi and Chengdu Xixiang, through the disposal of a wholly owned subsidiary, COF V. Upon completion of the disposal, Chengdu Xixi and Chengdu Xixiang became jointly controlled entities of the Group (see note 36).

During the six months ended June 30, 2009, the Group has acquired an effective equity interest of 27.4% in Shanghai Hengrui. The Group’s interest has increased from 18.3% to 45.7%, at a consideration of approximately RMB537,796,000. Shanghai Hengrui is still accounted for as a jointly controlled entity since in accordance with the memorandum and the articles of Shanghai Hengrui, the joint venture partners still have contractually agreed the sharing of control over the financial and operating policies of Shanghai Hengrui.

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The summarised financial information in respect of the Group’s jointly controlled entities which are accounted for using the equity accounting method is set out below:

	At December 31,			At June 30,
	2006	2007	2008	2009
	RMB’000	RMB’000	RMB’000	RMB’000
Non-current assets	286	5,510	13,706	18,123
Current assets	381,224	3,731,103	7,470,298	7,188,442
Current liabilities	(283,379)	(1,133,012)	(1,650,474)	(2,357,406)
Non-current liabilities	—	(120,000)	(620,000)	(713,558)
Income	7,815	1,318	678,346	679,033
Expenses	(6,611)	(28,476)	(134,832)	(71,093)

19. AVAILABLE-FOR-SALE INVESTMENTS

	At December 31,			At June 30,
	2006	2007	2008	2009
	RMB’000	RMB’000	RMB’000	RMB’000
Unlisted equity securities, at cost.	8,820	8,600	8,600	8,600

The above unlisted equity investments represent the investments in unlisted equity securities issued by private entities established in the PRC. They are measured at cost less impairment at the end of the respective reporting period because the range of reasonable fair value estimates is so significant that the directors of the Company are of the opinion that its fair value cannot be reliably measured.

20. INVESTMENT IN A TRUST FUND

The investment represents investment in trust fund units purchased in open market by the Group. The investment provided a return of 5.5% per annum payable yearly and matured in December 2008. The directors of the Company consider that the carrying amount of investment in a trust fund recorded at amortised cost approximates to its fair value.

21. INVENTORIES

	At December 31,			At June 30,
	2006	2007	2008	2009
	RMB’000	RMB’000	RMB’000	RMB’000
Construction materials	27,016	47,364	138,163	204,316
Consumables and others.	228	256	489	244
	27,244	47,620	138,652	204,560

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22. PROPERTIES HELD FOR SALES

The Group’s properties held for sales are situated in the PRC. All the properties held for sales are stated at cost.

The Group had pledged properties held for sales of approximately RMB279,740,000, RMB43,190,000, RMB9,713,000 and RMB12,031,000 as at December 31, 2006, 2007, 2008 and June 30, 2009 respectively to secure general banking facilities granted to the Group.

23. ACCOUNTS AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

Trade receivables are mainly arisen from sales of properties. Considerations in respect of properties sold are paid in accordance with the terms of the related sales and purchase agreements, normally within 45 days from the agreement date. Consideration under pre-sale contracts will be fully received prior to the delivery of the properties to the purchasers.

	At December 31,			At June 30,
	2006	2007	2008	2009
	RMB’000	RMB’000	RMB’000	RMB’000
Trade receivables	38,695	34,931	41,996	31,821
Other receivables	213,017	128,549	713,343	308,879
Advances to suppliers	13,392	98,207	111,824	115,438
Prepaid tax	161,086	424,772	742,885	581,751
Prepayments and utilities deposits	18	140	1,549	485
	<u>426,208</u>	<u>686,599</u>	<u>1,611,597</u>	<u>1,038,374</u>

The following is an aged analysis of trade receivables at the end of the reporting period:

	At December 31,			At June 30,
	2006	2007	2008	2009
	RMB’000	RMB’000	RMB’000	RMB’000
Within 60 days	29,682	33,495	35,693	27,157
61 - 180 days	—	594	4,389	—
181 - 365 days	1,827	842	1,435	4,664
1 - 2 years	7,186	—	479	—
	<u>38,695</u>	<u>34,931</u>	<u>41,996</u>	<u>31,821</u>

At December 31, 2006, 2007, 2008 and June 30, 2009, 77%, 96%, 85% and 85% of the trade receivables are neither past due nor impaired, respectively, and with satisfactory credit quality.

Included in the Group’s accounts receivable balance are trade receivables with a carrying amount of approximately RMB9,013,000, RMB1,436,000, RMB6,303,000 and RMB4,664,000 at December 31, 2006, 2007, 2008 and June 30, 2009 respectively which are past due at the end of the reporting period for which the Group has not provided for as the Group has retained the legal titles of the properties sold to these customers at each reporting end date.

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In determining the recoverability of trade receivables, the Group considers any change in the credit quality of the trade receivables from the date credit was initially granted up to the end of the reporting period. The concentration of credit risk is limited due to the customer base being large and unrelated.

Movements in the allowance for doubtful debts on other receivables

	At December 31,			At June 30,
	2006	2007	2008	2009
	RMB’000	RMB’000	RMB’000	RMB’000
Balance at the beginning of the year/period	1,377	1,457	13,457	44,566
Impairment losses recognised	80	12,000	31,109	—
Balance at the end of the year/period	<u>1,457</u>	<u>13,457</u>	<u>44,566</u>	<u>44,566</u>

Included in other receivables mainly represented temporary payments and miscellaneous projects related deposits paid which are refundable when maturity, of which, approximately RMB1,457,000, RMB13,457,000, RMB44,566,000 and RMB44,566,000 was impaired as at December 31, 2006, 2007, 2008 and June 30, 2009 respectively because the counterparties are in severe financial difficulties and the Group does not hold any collateral over these balances. The remaining balance was not yet due for repayment.

24. INVESTMENTS HELD FOR TRADING

	At December 31,			At June 30,
	2006	2007	2008	2009
	RMB’000	RMB’000	RMB’000	RMB’000
Listed equity investments in PRC at fair value	<u>1,148</u>	<u>—</u>	<u>—</u>	<u>—</u>

The fair value of the above investments was determined based on the quoted market bid prices available on the relevant exchange.

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25. AMOUNTS DUE FROM RELATED PARTIES

Particulars of the amounts due from related parties are as follows:

	Maximum balance outstanding								
	At January 1, 2006	At December 31, 2006 2007 2008			At June 30, 2009	Year ended December 31, 2006 2007 2008			Six months ended June 30, 2009
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Amount due from minority shareholders of subsidiaries:									
[He Tian Tao]									
何天濤	3,000	3,000	—	—	—	3,000	3,000	—	—
[Beijing Eastern Garden Art Engineering Company Limited] (“Beijing Eastern Garden”)									
北京東方苑藝園林綠化工程有限公司	12,000	12,000	—	—	—	12,000	12,000	—	—
[Chongqing Hu Ke Investment Company Limited]									
重慶旭科投資有限公司 .	—	—	—	—	50,000	—	—	—	50,000
Amount due from jointly controlled entities:									
Longhu Land	62,490	144,696	147,111	—	5,678	144,696	147,111	147,111	5,678
Chengdu Huixin	—	—	—	5,712	6,093	—	—	5,712	6,093
Chengdu Jia’nan	—	—	—	2,329	2,329	—	—	2,329	2,329
Chengdu Jinghui	—	—	—	5,032	5,032	—	—	5,032	5,032
Chengdu Tuosheng	—	—	—	5,284	5,284	—	—	5,284	5,284
Chengdu Xixi	—	—	—	50,329	—	—	—	50,329	50,329
Chengdu Xixiang	—	—	—	38,408	—	—	—	38,408	38,408
	77,490	159,696	147,111	107,094	74,416				

The balances due from minority shareholders of subsidiaries were unsecured and interest-free. Amount due from [He Tian Tao] was fully impaired during 2007 while [Beijing Eastern Garden] ceased to be a minority shareholder of a subsidiary after the disposal of its interest to an independent third party in June 2007 and the balance transferred to other receivables. The balance due from jointly controlled entities are unsecured, interest free except for amount due from Longhu Land which is interest bearing at 7.2% per annum since January 1, 2007 and repayable on demand.

The directors of the Company represented that the balance with a minority shareholder of a subsidiary will be settled prior to the [●] of the Company’s shares on the [●] of The Stock Exchange of Hong Kong Limited (the “[●]”).

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26. PLEDGED BANK DEPOSITS/BANK BALANCES AND CASH

Pledged bank deposits are denominated in RMB and HKD which represent deposits pledged to the banks to secure the banking facilities granted to the Group or restricted for mortgage sales of property. The deposits carry fixed rate at 0.81% per annum, 0.72% per annum, 0.72% per annum and 0.36% per annum at December 31, 2006, 2007, 2008 and June 30, 2009 respectively.

Bank balances and cash comprise cash held by the Group and demand deposits with an original maturity of three months or less. Bank balances carry prevailing deposit interest rate.

	At December 31,			At June 30,
	2006	2007	2008	2009
	RMB’000	RMB’000	RMB’000	RMB’000
Analysis of bank balances and cash by currency:				
- Denominated in RMB	728,530	1,927,508	2,896,604	5,741,573
- Denominated in Hong Kong dollars (“HKD”)	500	367,423	233,474	111,653
- Denominated in USD.	76	42,687	98,719	66,195
	<u>729,106</u>	<u>2,337,618</u>	<u>3,228,797</u>	<u>5,919,421</u>

27. ACCOUNTS PAYABLE, DEPOSITS RECEIVED AND ACCRUED CHARGES

	At December 31,			At June 30,
	2006	2007	2008	2009
	RMB’000	RMB’000	RMB’000	RMB’000
Trade payables and accrued expenditure on construction	320,089	389,002	1,453,839	1,526,892
Bills payable.	434,890	474,946	282,789	62,386
Deposits received and receipt in advance from property sales.	2,666,158	7,180,704	10,959,662	10,791,999
Other payables and accrued charges	<u>356,443</u>	<u>1,051,392</u>	<u>1,147,431</u>	<u>1,083,681</u>
	<u>3,777,580</u>	<u>9,096,044</u>	<u>13,843,721</u>	<u>13,464,958</u>

Trade payables and accrued expenditure on construction comprise construction costs and other project-related expenses which are payable based on project progress measured by the Group. The Group has financial risk management policies in place to ensure that all payables within the credit timeframe.

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The following is an aged analysis of trade payables and bills payable at the end of the reporting period:

	At December 31,			At June 30,
	2006	2007	2008	2009
	RMB’000	RMB’000	RMB’000	RMB’000
Within 60 days	471,123	574,955	1,491,136	1,477,528
61 - 180 days	250,769	266,249	205,148	61,054
181 - 365 days	14,131	12,131	23,882	26,236
1 - 2 years	16,007	8,580	11,354	19,555
2 - 3 years	1,907	1,993	5,108	3,664
Over 3 years	1,042	40	—	1,241
	<u>754,979</u>	<u>863,948</u>	<u>1,736,628</u>	<u>1,589,278</u>

28. AMOUNTS DUE TO JOINTLY CONTROLLED ENTITIES/DIRECTORS

The amounts are denominated in RMB which are unsecured, interest free and repayable on demand. The directors of the Company represented the amounts due to directors will be settled prior to the [●].

29. BANK AND OTHER BORROWINGS

	At December 31,			At June 30,
	2006	2007	2008	2009
	RMB’000	RMB’000	RMB’000	RMB’000
Bank loans, secured	2,383,600	5,567,790	10,448,051	9,456,706
Bank loans, unsecured	410,000	2,054,900	2,312,700	1,567,100
Other loan, secured (note)	305,760	305,760	—	—
Other loan, unsecured	—	—	79,000	89,000
Bond, secured	—	—	—	1,385,194
	<u>3,099,360</u>	<u>7,928,450</u>	<u>12,839,751</u>	<u>12,498,000</u>

Note:

In October 2005, the Group entered into a capital injection agreement with a trust fund company pursuant to which 49% interest of the enlarged registered capital of a subsidiary was transferred to the trust fund company at a cash consideration of RMB305,760,000.

In December 2005, the Group entered into a supplementary agreement to the above-mentioned capital injection agreement with the trust fund company pursuant to which the Group agreed to repurchase and the trust fund company agreed to sell the 49% interest in the subsidiary at an aggregate cash consideration of RMB365,383,000 at the end of a three-year term. Accordingly, the capital injected has been treated in this Financial Information as a loan granted to the Group rather than equity invested by the trust fund company.

The loan carries interest at a rate of 6.5% per annum and is repayable through four installments during the period from December 26, 2005 to December 25, 2008. For the years ended December 31, 2006, 2007, 2008 and the six months ended June 30, 2008, interest charge amounting to approximately RMB19,874,000, RMB19,874,000, RMB19,874,000 and RMB9,937,000 stated in the supplementary agreement respectively, was capitalised in properties under development.

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The borrowings are repayable:

	At December 31,			At June 30,
	2006	2007	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000
Within one year or on demand	649,100	3,175,520	6,480,051	7,549,506
More than one year, but not exceeding two years.	2,450,260	3,807,930	5,279,700	2,069,700
More than two years, but not exceeding three years	—	945,000	1,080,000	1,493,600
More than three years, but not exceeding five years	—	—	—	—
Exceeding five years	—	—	—	1,385,194
	3,099,360	7,928,450	12,839,751	12,498,000
Less: Amount due within one year shown under current liabilities	(649,100)	(3,175,520)	(6,480,051)	(7,549,506)
Amount due after one year	<u>2,450,260</u>	<u>4,752,930</u>	<u>6,359,700</u>	<u>4,948,494</u>

	At December 31,			At June 30,
	2006	2007	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000
Analysis of borrowings by currency:				
- Denominated in RMB	3,099,360	7,085,690	10,884,550	11,424,594
- Denominated in HKD	—	842,760	1,955,201	1,073,406
	<u>3,099,360</u>	<u>7,928,450</u>	<u>12,839,751</u>	<u>12,498,000</u>

Certain bank and other loans as at the end of the reporting period were secured by the pledge of assets as set out in note 38.

Borrowings include approximately RMB1,472,260,000, RMB797,760,000, RMB279,000,000 and RMB99,000,000 fixed rate borrowings which carry interest ranging from 5.49% to 7%, 6.50% to 6.75%, 6.75% to 7.47% and 5.31% per annum at December 31, 2006, 2007, 2008 and June 30, 2009 respectively, and exposing the Group to fair value interest rate risk. The remaining borrowings are arranged at variable rate based on the interest rates quoted by the People’s Bank of China or Hong Kong Interbank Offer Rate plus a premium, the effective interest rate is ranging from 5.49% to 6.30%, 5.47% to 7.56%, 5.20% to 10.71% and 5.40% to 9.22% per annum at December 31, 2006, 2007, 2008 and June 30, 2009 respectively, and exposing the Group to cash flow interest rate risk.

On September 21, 2007, the Group has entered into a new bank loan agreement to obtain new bank loans facilities amounted to HK\$2,518,000,000. Total amount of HK\$900,000,000 (equivalent to RMB842,760,000), HK\$2,517,980,000 (approximately RMB2,261,977,000) and HK\$1,217,980,000 (approximately RMB1,073,406,000) was utilised at December 31, 2007, 2008 and June 30, 2009, respectively. The bank loans bear interest at market rates and will be repayable at the earlier of (a) the date falling twenty-four months from the date of the facility agreement and (b) the interest payment date immediately following the date of the Company’s share commences trading on the Stock Exchange of Hong Kong Limited. Accordingly, such bank loans are classified as current liabilities.

On May 5, 2009, the Group issued a bond of the principal amount of RMB1,400,000,000 and will be repayable in full by May 5, 2016, subject to early redemption. The bond bears fixed coupon interest rate at 6.7% per annum for the first five years payable semi-annually in arrears and is subject to an one-off

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upward adjustment of up to 100 basis points (inclusive) from May 5, 2014 at the election of the Group. On April 25, 2014, the Group will determine the interest rate by election of an upward adjustment to the interest rate or maintain the interest rate at 6.7%, a holder of the bond then may elect to redeem all or part of the bond at the face value. A portion of such bond, RMB1,100,000,000, is listed and traded on the Shanghai Stock Exchange. The bond is secured by certain properties and land use rights of the Group.

Management estimates the fair value of the bond at June 30, 2009 to be approximately RMB1,461,600,000. The fair value has been calculated with reference to the quoted market price of the bond.

30. SHARE CAPITAL

For the purpose of the preparation of the Financial Information, the share capital at December 31, 2006 represented the share capital of Juntion Development, which was subsequently acquired by the Company upon the Reorganisation.

On December 21, 2007, the Company was incorporated as an exempted company with limited liability in the Cayman Islands. As at the date of incorporation, the Company’s initial authorised share capital was HK\$50,000, divided into 500,000 ordinary shares of par value of HK\$0.10 each, of which 1 subscriber share was allotted and issued to Codan Trust Company (Cayman) Limited as the initial subscriber. At the same date, one share was transferred from Codan Trust Company (Cayman) Limited to Charm Talent International Limited (“Charm Talent”) and 599 shares and 400 shares were allotted and issued to Charm Talent and Precious Full International Limited (“Precious Full”), respectively.

The share capital at December 31, 2007 represents the combination of the share capital of Juntion Development and the Company.

Pursuant to the resolutions in writing of the shareholders of the Company on May 27, 2008, the authorised share capital of the Company was increased from HK\$50,000 to HK\$1,000,000,000 by the creation of 9,999,500,000 new shares.

Pursuant to an agreement dated June 11, 2008, Wu Yajun and Cai Kui, the shareholders and directors of Juntion Development, transferred the shares in Juntion Development of 1,200,000 shares and 800,000 shares, respectively, to Longfor Investment at a total consideration of HK\$3,201,155,089.

Pursuant to two deeds of assignment dated June 11, 2008, Wu Yajun and Cai Kun assign the amount of HK\$3,201,155,089 due from Longfor Investment to Charm Talent and Precious Full for the purchase of the entire issued share capital of Juntion Development which these companies then assign the amount to the Company.

Longfor Investment allotted and issued one share of USD 1, credit as fully paid, in settlement of the amount due from Longfor Investment to the Company.

Pursuant to the written resolutions of the shareholders of the Company passed on June 11, 2008, the loan due to Charm Talent and Precious Full in the total sum of HK\$3,201,155,089 was capitalised and be applied in paying up in full a total of 3,999,999,000 ordinary shares of HK\$0.10 each.

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The share capital December 31, 2008 and June 30, 2009 represents the share capital of the Company of 4,000,000,000 ordinary shares of HK\$0.10 each.

31. AMOUNT DUE TO A MINORITY SHAREHOLDER

The amount was unsecured, interest bearing at 7% per annum and fully repaid during 2008.

32. DEFERRED TAXATION

The followings are the major deferred tax assets (liabilities) recognised and movements thereon during the Relevant Periods:

	Accelerated tax depreciation	Fair value of investment properties	Tax losses	Land appreciation tax provisions	Allowance for doubtful debts	Government grants (Note 1)	Unrealised profit on intra-group purchases	Withholding tax on retained profits to be distributed	Others (Note 2)	Temporary differences on revenue recognition and related cost of sales	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At January 1, 2006	(8,052)	(225,481)	1,305	20,888	—	—	—	—	749	—	(210,591)
(Charge) credit to consolidated statement of comprehensive income	(2,924)	(119,891)	14,607	31,204	—	27,878	—	—	869	—	(48,257)
At December 31, 2006 . .	(10,976)	(345,372)	15,912	52,092	—	27,878	—	—	1,618	—	(258,848)
(Charge) credit to consolidated statement of comprehensive income	(6,979)	(293,693)	252	33,639	10,073	19,914	17,604	—	13,031	2,692	(203,467)
Effect of change in tax rate	(4,169)	(48,422)	(3,093)	(13,880)	(2,323)	(11,585)	(4,268)	—	(3,636)	—	(91,376)
At December 31, 2007 . .	(22,124)	(687,487)	13,071	71,851	7,750	36,207	13,336	—	11,013	2,692	(553,691)
(Charge) credit to consolidated statement of comprehensive income	(10,289)	(31,275)	18,148	23,156	1,250	(5,195)	(775)	(44,887)	13,467	207,426	171,026
Disposal of subsidiaries . .	—	—	(861)	—	—	—	—	—	—	—	(861)
At December 31, 2008 . .	(32,413)	(718,762)	30,358	95,007	9,000	31,012	12,561	(44,887)	24,480	210,118	(383,526)
(Charge) credit to consolidated statement of comprehensive income	(4,712)	(140,251)	4,259	54,535	—	—	9,510	(86,011)	1,160	(210,118)	(371,628)
Acquisition of subsidiaries	—	—	1,100	—	—	—	—	—	1,558	—	2,658
At June 30, 2009	(37,125)	(859,013)	35,717	149,542	9,000	31,012	22,071	(130,898)	27,198	—	(752,496)

Notes:

- This represents the tax effect of the temporary difference arising from the treatment of the government grants between the accounting standard and the tax bureau. Tax bureau treated the government grants as an income but in accounting, the government grants is treated as a decrease in properties under development.

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2. This represents the tax effect of temporary differences arising from the deduction of the advertising expense. The Group can deduct its advertising expense of no more than 15% of its revenue and for the part that cannot be deducted, if any, it can be brought forward to the future.

For the presentation purposes on the consolidation of statement of financial position, certain deferred taxation (assets) liabilities have been offset. The following is the analysis of the deferred tax balances for financial reporting purposes:

	At December 31,			At June 30,
	2006	2007	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000
Deferred taxation assets	44,945	71,503	347,960	209,042
Deferred taxation liabilities.	(303,793)	(625,194)	(731,486)	(961,538)
	<u>(258,848)</u>	<u>(553,691)</u>	<u>(383,526)</u>	<u>(752,496)</u>

At December 31, 2006, 2007, 2008 and June 30, 2009, the Group had unused tax losses of approximately RMB53,352,000, RMB57,859,000, RMB177,598,000 and RMB202,064,000 respectively, available to offset against future profits. Deferred taxation assets have been recognised in respect of approximately RMB53,335,000, RMB54,718,000, RMB126,122,000 and RMB147,556,000 of such losses at December 31, 2006, 2007, 2008 and June 30, 2009 respectively. No deferred taxation asset has been recognised in respect of the remaining RMB17,000, RMB3,141,000, RMB51,476,000 and RMB54,508,000 at December 31, 2006, 2007, 2008 and June 30, 2009 respectively due to the unpredictability of future profit streams. The unrecognised tax losses will expire in the following years:

	At December 31,			At June 30,
	2006	2007	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000
2010	16	—	—	—
2011	1	—	—	—
2012	—	3,141	1,338	1,338
2013	—	—	50,138	50,138
2014	—	—	—	3,032
	<u>17</u>	<u>3,141</u>	<u>51,476</u>	<u>54,508</u>

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33. ACQUISITION OF ASSETS AND ASSUMPTION OF LIABILITIES THROUGH ACQUISITION OF SUBSIDIARIES

The assets acquired and liabilities assumed through the acquisition of 90% equity interest in Chengdu Jincheng and 100% equity interest in Xi’an Xingcheng during the year ended December 31, 2007 are as follows:

	Chengdu Jincheng	Xi’an Xingcheng	Total
	RMB’000	RMB’000	RMB’000
Net assets acquired at fair value:			
Properties under development	276,525	564,956	841,481
Other receivables	—	59,897	59,897
Bank balances and cash	3,255	90	3,345
Accounts payable and accruals	(21,091)	—	(21,091)
	258,689	624,943	883,632
Minority interests	(25,869)	—	(25,869)
Total consideration	<u>232,820</u>	<u>624,943</u>	<u>857,763</u>
Satisfied by:			
Cash	202,820	434,279	637,099
Other payable (Note).	—	190,664	190,664
Deposit previously paid	30,000	—	30,000
	<u>232,820</u>	<u>624,943</u>	<u>857,763</u>
Net cash outflow arising on acquisition:			
Cash paid	202,820	434,279	637,099
Bank balances and cash acquired	(3,255)	(90)	(3,345)
	<u>199,565</u>	<u>434,189</u>	<u>633,754</u>

Note: The amount is fully settled during the year ended December 31, 2008.

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After the disposal during the year ended December 31, 2008 as set out in note 36, Chengdu Xixi and Chengdu Xixiang became a wholly owned subsidiary of Chongqing Longhu Development on March 31, 2009. The additional 70% equity interest in Chengdu Xixi and Chengdu XiXiang had been acquired by Chongqing Langin Development at a consideration of RMB224,300,000 and RMB301,700,000 respectively. The effects of the acquisition of the assets and liabilities of Chengdu Xixi and Chengdu Xixiang are summarised as follows:

	Chengdu Xixi	Chengdu Xixiang	Total
	RMB’000	RMB’000	RMB’000
Net assets acquired at fair value:			
Property, plant and equipment	—	39	39
Properties under development	376,228	449,976	826,204
Deferred tax assets	343	2,315	2,658
Accounts receivables, deposits and prepayments.	7,490	108,003	115,493
Bank balances and cash	120,699	4,512	125,211
Accounts payable and accruals.	(177)	(134,246)	(134,423)
Long-term loan.	(180,000)	—	(180,000)
	324,583	430,599	755,182
Amount attributable to the Group and previously classified as interest in jointly controlled entities	(100,283)	(128,899)	(229,182)
Total consideration	224,300	301,700	526,000
Satisfied by:			
Cash	224,300	301,700	526,000
Net cash outflow arising on acquisition:			
Cash paid	224,300	301,700	526,000
Bank balances and cash acquired	(120,699)	(4,512)	(125,211)
	103,601	297,188	400,789

34. ACQUISITION OF ADDITIONAL INTERESTS IN SUBSIDIARIES

During the year ended December 31, 2007, the Group has further contributed additional capital of RMB150,000,000 in Chengdu Jincheng, resulting in the increase in effective equity interest from 82.2% to 87.2%. In February 2008, the Group acquired the remaining effective 3.9% equity interest in Chengdu Jincheng at a consideration of approximately RMB39,200,000.

During the year ended December 31, 2008, the remaining 44.7% equity interest in Xi’an Longhu Banpo has been acquired by the Group at a consideration of approximately RMB269,056,000 from the minority shareholders. As at December 31, 2008, an amount of RMB241,674,000 was not yet paid by the Group. As at June 30, 2009, RMB216,674,000 was still not yet paid by the Group.

During the year ended December 31, 2008, the remaining 1% equity interest in Beijing Longhu Zhongbai Company Limited has been acquired by the Group at a consideration of RMB10,000,000 from the minority shareholder.

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During the year ended December 31, 2008, the remaining 2% equity interest in Beijing Longhu Shidai Company Limited has been acquired by the Group at a consideration of RMB200,000,000 from the minority shareholders.

During the year ended December 31, 2008, the additional 21.9% equity interest in Chengdu Longhu Tongjin Real Estate Company Limited has been acquired by the Group, resulting in the increase in effective interest from 46.6% to 68.5%, at a consideration of approximately RMB231,972,000 from the minority shareholders.

Since these companies are principally engaged in the property development, the acquisitions of additional interests in these subsidiaries were therefore regarded as acquisition of assets which resulted in additional costs for properties under development. The total amount of the additional costs were approximately RMB231,782,000 for the year ended December 31, 2008 respectively.

35. DISPOSAL OF PARTIAL INTEREST IN A SUBSIDIARY THROUGH DISPOSAL OF A WHOLLY OWNED SUBSIDIARY

During the year ended December 31, 2007, the Group disposed of 49% equity interest in a subsidiary, Chongqing Longhu Yiheng, through disposal of its entire equity interest in a wholly owned subsidiary, Fantastic, to an independent third party at a consideration of RMB25,000,000, which is determined with reference to the fair value of interest in subsidiary. RMB12,500,000 has been received before the year ended December 31, 2007. In the opinion of the directors, the remaining balance of RMB12,500,000 will be settled in 12 months from June 30, 2009. Gain on disposal amounted to approximately RMB23,121,000.

36. DISPOSAL OF SUBSIDIARIES

During the year ended December 31, 2007, the Group disposed of its 70% equity interest in a non-wholly owned subsidiary, Chongqing Juntion Architecture, at a cash consideration of approximately RMB14,000,000.

During the year ended December 31, 2008, the Group disposed of its 100% equity interest in a wholly owned subsidiary, COF V, which holds 70% interest in Chengdu Xixi and Chengdu Xixiang, companies established in the PRC and engaged in property development, at a cash consideration of US\$1 to an independent third party. Subsequent to the disposal of COF V, the remaining 30% interest in Chengdu Xixi and Chengdu Xixiang are still held by group companies and they became jointly controlled entities of the Group.

During the period ended June 30, 2009, the Group disposed of its 100% equity interest in a wholly owned subsidiary, Shanghai Wanzhuo Investment Limited, at a cash consideration of approximately RMB56,833,000 to an independent third party.

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The net assets of subsidiaries at the date of disposal are as follows:

	2006	2007	2008	2009
	RMB’000	RMB’000	RMB’000	RMB’000
Net assets disposed of:				
Property, plant and equipment	—	—	12	—
Prepaid lease payment	—	—	—	271,708
Deferred taxation asset	—	—	861	—
Inventories	—	—	802	—
Properties under development	—	—	858,990	18,112
Accounts receivable, deposits and prepayments	—	19,000	17,010	—
Bank balances and cash	—	985	2,616	142
Accounts payable, deposits received and accrued charges	—	—	(3,249)	(222,596)
Amount due to the other entities of the Group	—	—	(532,827)	—
Amount due to jointly controlled entities	—	—	(103,780)	—
Taxation payable	—	—	(3,814)	—
	—	19,985	236,621	67,366
Minority interest	—	(5,995)	—	—
Gain (loss) on disposal	—	10	(5,787)	(10,533)
The Group’s remaining interest and classified as interest in jointly controlled entities	—	—	(230,834)	—
Total consideration	—	14,000	—	56,833
Satisfied by:				
Cash	—	14,000	—	56,833
Net cash inflow arising from disposal:				
Cash consideration	—	14,000	—	56,833
Bank balances and cash disposed of	—	(985)	(2,616)	(142)
	—	13,015	(2,616)	56,691

37. RETIREMENT BENEFIT PLANS

According to the relevant laws and regulations in the PRC, the Company’s PRC subsidiaries are required to participate in a defined contribution retirement scheme administrated by the local municipal government. The Group’s PRC subsidiaries contribute funds which are calculated on certain percentage of the average employee salary as agreed by local municipal government to the scheme to fund the retirement benefits of the employees. The principal obligation of the Group with respect to the retirement benefit scheme is to make the required contributions under the scheme.

The Group also operates a Manatary Provident Fund Scheme for all qualifying employees in Hong Kong. The assets of the scheme are held separately from those of the Group, in funds under the control of trustee. The Group contributes 5% of relevant payroll costs to the scheme, which contribution is matched by employees.

The Group recognised the retirement benefit costs of RMB4,181,000, RMB7,004,000, RMB28,362,000, RMB4,784,000 and RMB8,170,000 for the years ended December 31, 2006, 2007, 2008 and the six months ended June 30, 2008, 2009 respectively.

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38. PLEDGE OF ASSETS

The following assets were pledged to secure certain banking and other facilities granted to the Group at the end of the reporting period:

	At December 31,			At June 30,
	2006	2007	2008	2009
	RMB’000	RMB’000	RMB’000	RMB’000
Investment properties	1,978,681	2,036,139	2,945,732	3,725,518
Prepaid lease payments	142,226	—	554,567	813,319
Properties under development	650,426	3,426,790	8,793,468	8,122,772
Properties held for sales.	279,740	43,190	9,713	12,031
Other receivables	—	50,000	—	—
Pledged bank deposits	138,912	187,246	605,379	353,338
	<u>3,189,985</u>	<u>5,743,365</u>	<u>12,908,859</u>	<u>13,026,978</u>

Other than the above, certain banking facilities are secured by a charge over the shares of Juntion Development and subsidiaries, including Jasmine, Everbay, Silver Oak and Join Dragon, at December 31, 2007, 2008 and June 30, 2009. The directors of the Company represented to us that the shares charged will be released on or immediately after the [●].

39. LEASE ARRANGEMENTS

The Group as a lessor

Contingent rental for certain properties was determined by a certain percentage of turnover earned by the tenants. The contingent rental income recognised during the years ended December 31, 2006, 2007, 2008 and the six months ended June 30, 2008 and 2009 amounting to approximately RMB4,128,000, RMB9,081,000, RMB12,454,000 and RMB6,227,000 and RMB16,929,000 respectively. The properties held by the Group for rental purpose have committed tenants from one to twenty years.

At the end of the reporting period, the Group had contracted with tenants for the following future minimum lease payments as follows:

	At December 31,			At June 30,
	2006	2007	2008	2009
	RMB’000	RMB’000	RMB’000	RMB’000
Within one year	83,335	115,656	131,810	147,200
In the second to fifth year inclusive	287,605	395,377	335,920	323,887
After five years	733,947	771,543	539,744	382,397
	<u>1,104,887</u>	<u>1,282,576</u>	<u>1,007,474</u>	<u>853,484</u>

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The Group as a lessee

At the end of the reporting period, the Group had future minimum lease payments under non-cancelable operating leases in respect of leased properties are as follows:

	At December 31,			At June 30,
	2006	2007	2008	2009
	RMB’000	RMB’000	RMB’000	RMB’000
Within one year	997	8,200	15,394	13,476
In the second to fifth year inclusive	1,885	14,128	23,870	13,560
After five years	125	—	—	—
	<u>3,007</u>	<u>22,328</u>	<u>39,264</u>	<u>27,036</u>

Operating lease payments represent rentals payable by the Group for certain of its office premises. Leases are negotiated for an average term of one to five years and rentals are fixed at the date of signing of lease agreements.

40. COMMITMENTS

At the end of the reporting period, the Group had the following commitments:

	At December 31,			At June 30,
	2006	2007	2008	2009
	RMB’000	RMB’000	RMB’000	RMB’000
Contracted for but not provided for in the Financial Information:				
- Expenditure in respect of properties under development	2,140,525	1,981,307	5,170,495	4,415,027
- Expenditure in respect of acquisition of a subsidiary	146,370	—	—	—
- Expenditure in respect of acquisition of land use rights	185,522	4,183,044	3,231,372	2,624,109
	<u>2,472,417</u>	<u>6,164,351</u>	<u>8,401,867</u>	<u>7,039,136</u>

41. CONTINGENT LIABILITIES

The Group provided guarantees amounting approximately RMB686,151,000, RMB1,609,322,000, RMB2,204,667,000 and RMB1,846,988,000 as at December 31, 2006, 2007, 2008 and June 30, 2009 respectively in respect of mortgage bank loans granted to purchasers of the Group’s developed properties. In the opinion of the directors of the Company, the fair values of these financial guarantee contracts of the Group are insignificant at initial recognition and the directors of the Company consider that the possibility of the default of the parties involved is remote, accordingly, no value has been recognised at the inception of the guarantee contracts and at the end of the reporting period as at December 31, 2006, 2007, 2008 and June 30, 2009.

As at June 30, 2009, the Group issued financial guarantees to banks in respect of loans granted to a related party. The aggregate amounts that could be required to be paid if the guarantees were called upon in entirety amounted to RMB100,000,000.

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The amounts of the outstanding guarantees at the end of the reporting period are as follows:

	At December 31,			At June 30,
	2006	2007	2008	2009
	RMB’000	RMB’000	RMB’000	RMB’000
Mortgage guarantees	686,151	1,609,322	2,204,667	1,846,988
Bank loan guarantees	—	—	—	100,000
	<u>686,151</u>	<u>1,609,322</u>	<u>2,204,667</u>	<u>1,946,988</u>

42. SHARE-BASED PAYMENT TRANSACTIONS

Equity-settled share award/share option scheme

a. Pre-[●] share award scheme

The Company’s Pre-[●] share award scheme (the “Share Award Scheme”) was adopted pursuant to a resolution passed on November 30, 2007. Under the Share Award Scheme, the Company has awarded the Company’s shares (the “Awarded Shares”) to directors of the Company and certain employees of the Group. The objective of the Share Award Scheme is to align the interests of the employees with those of the Company, to share the pride of ownership among employees and to reward their performance and contribution to the Group.

Under the Share Award Scheme, the total number of shares in respect of which Awarded Shares had been granted on November 30, 2007 and remained outstanding was 64,014,000 as at December 31, 2007, 2008 and June 30, 2009, representing 1.6% of the shares of the Company following the completion of the Reorganisation of the Group. The Awarded Shares, subject to a vesting period, are being held by the [trust of the ultimate shareholders]. The vesting period is either four or five years during which the award shares granted to employee will vest on each anniversary of the first vesting date in equal portions. The first vesting date is January 1, 2009.

The weighted average fair value of the shares granted under the Share Award Scheme during the year ended December 31, 2007 was RMB116,050,000, which was granted on November 30, 2007 and was determined using a mix of asset-based and market approach with option-based pricing model is adopted to account for the vesting condition. The significant inputs into the model were estimated fair value of shares at the grant date, expected dividend pay out rate, annual risk-free rate and volatility rate. The volatility is measured based on past years historical price volatility of similar companies listed on the Stock Exchange of Hong Kong Limited.

The Group recognised an expense of RMB4,000,000 and RMB47,626,000, RMB23,813,000 and RMB12,162,000 for the year ended December 31, 2007, 2008 and the six months ended June 30, 2008 and 2009 respectively in relation to shares awarded by the Company. [The shares awarded by the Company will be settled with the existing shares held by the trust of the ultimate shareholders. Accordingly, the respective amounts were credited to capital contribution reserve.]

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b. Pre-[●] share option scheme

The Company’s Pre-[●] share option scheme (the “Scheme”) was adopted pursuant to a resolution passed on November 30, 2007 for the primary purpose of providing incentives to directors and eligible employees of the Group, and options can only be offered and granted from November 30, 2007 until the business date before the date on which dealings in the Company’s share first commence on the Stock Exchange of Hong Kong Limited (“[●]”). Under the Scheme, the directors of the Company and its subsidiaries were granted options to subscribe for shares in the Company. The term of the Scheme is 10 years from the date of adoption.

[On November 30, 2007, 37,940,000 shares of option was granted.] The number of shares in respect of which options had been granted and remained outstanding under the Scheme as at December 31, 2007, 2008 and June 30, 2009 was 37,940,000, representing 0.95% of the shares of the Company following completion of the Reorganisation of the Group.

The total number of the Company’s shares which may be issued upon exercise of all options to be granted under the Scheme and other share option schemes of the Company shall not exceed 10% of the aggregate of the shares of the Company in issue at the [●].

The overall limit on the number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme and other share option scheme of the Company must not exceed 30% of the shares in issue from time to time.

The vesting period of the share options is as follows:

- 25%: from the date of grant to January 1, 2009
- 25%: from the date of grant to January 1, 2010
- 25%: from the date of grant to January 1, 2011
- 25%: from the date of grant to January 1, 2012

The fair values of the share options were calculated using the binominal model. The inputs into the model were as follows:

Date of grant	November 30, 2007
Estimated share price at the date of grant	RMB1.97
Exercise price (amended to HK\$2.94 effective from January 1, 2009)	HK\$2.94
Expected volatility	55%
Expected life (year)	10 year with different vesting periods

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Risk-free rate	3.2%
Expected dividend yield	Nil
Range of fair value	Range of RMB0.817 to RMB0.83 at initial Recognition (amended to range of RMB1.074 to RMB1.120 as a result of amendment of exercise price of January 1, 2009)

Expected volatility was determined by using the historical volatility of the similar listed companies’ share prices over the previous one year.

The Group recognised the total expense of RMB1,000,000, RMB12,513,000, RMB6,257,000 and RMB3,338,000 for the year ended December 31, 2007, 2008 and the six months ended June 30, 2008, 2009 respectively in relation to share options granted by the Company.

43. RELATED PARTY TRANSACTIONS

Apart from the balances with related parties set out in the statement of financial position, notes 25, 28 and 31, during the Relevant Periods, the Group entered into the following significant transactions with its related parties:

(a) Jointly controlled entity

	Year ended December 31,			Six months ended June 30,	
	2006	2007	2008	2008	2009
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
				(unaudited)	
Longhu Land					
Consultancy fee income	542	6,800	5,370	—	—
Property management income	—	—	3,077	2,209	922
Sales	—	—	1,889	—	—
Interest income	—	9,642	—	—	—
Chengdu Xixi					
Sales	—	—	2	—	—
Chengdu Xixiang					
Sales	—	—	4,815	—	—
Property management income . .	—	—	128	—	—
Chengdu Huixin					
Property management income . .	—	—	—	—	119
Shanghai Hengrui					
Sales	—	—	—	—	5,670
Property management income . .	—	—	21	—	986

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(b) Associate

	Year ended December 31,			Six months ended June 30,	
	2006	2007	2008	2008	2009
	RMB’000	RMB’000	RMB’000	RMB’000 (unaudited)	RMB’000
Ar Ke Er					
Purchases of property, plant and equipment	—	26	101	—	—

(c) Minority shareholder of a subsidiary

	Year ended December 31,			Six months ended June 30,	
	2006	2007	2008	2008	2009
	RMB’000	RMB’000	RMB’000	RMB’000 (unaudited)	RMB’000
[Beijing Eastern Garden]					
Purchases of inventories	—	2,087	—	—	—
Xi’an Li Feng Property Service Company Limited 西安立豐物業管理有限公司					
Consultancy fee expense	—	—	2,000	—	—
Fantastic					
Shareholder’s loan interest	—	—	539	—	—

- (d) During the year ended December 31, 2007, the Group acquired additional interest and made additional capital injection in a subsidiary which the minority shareholder is the close family member of a director of the Company. Details of which are disclosed in note 6. Discount on the acquisition of additional interest in a subsidiary amounted to approximately RMB41,017,000.
- (e) Amount due from a minority shareholder of a subsidiary of Chongqing Longhu Yiheng as at December 31, 2008 is unsecured, interest-free and repayable based on the progress of development and sale of a property project.
- (f) The remuneration paid and payable to the key management of the Company who are also the directors of the Company for the Relevant Periods is set out in note 10.
- (g) On June 30, 2009, the Group issued a financial guarantee of HK\$100,000,000 to a bank in respect of loans granted to a related party, Dujiangyan Qingcheng Co., of which two directors are common to the Company and have beneficial interest. The directors of the Company represented that the guarantee will be fully released upon the [●].

The directors of the Company confirmed that the above transactions with related parties except for (d) and (g) were expected to continue after the [●].

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44. CAPITAL RISK MANAGEMENT

The Group and the Company manage its capital to ensure that entities in the Group and the Company will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance.

The capital structure of the Group and the Company consists of net debt, which includes, where appropriate, the borrowings disclosed in note 29, net of cash and cash equivalents and equity attributable to owners of the Company, comprising issued share capital, reserves and retained profits.

The directors of the Company review the capital structure on a regular basis. As part of this review, the directors of the Company consider the cost of capital and the risks associated with each class of capital, and take appropriate actions to balance its overall capital structure.

45. FINANCIAL INSTRUMENTS

a. Significant accounting policies

Details of the significant accounting policies adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial assets, financial liabilities and equity instruments are disclosed in note 3.

b. Categories of financial instruments

	At December 31,			At June 30,
	2006	2007	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000
Financial assets				
Held for trading	1,148	—	—	—
Available-for-sale investments	8,820	8,600	8,600	8,600
Loans and receivables (including cash and cash equivalents)	1,308,863	2,921,611	4,710,648	6,700,783
Financial liabilities				
Amortised cost	<u>4,247,778</u>	<u>10,017,149</u>	<u>15,825,357</u>	<u>15,476,716</u>

c. Financial risk management objectives and policies

The Group’s major financial instruments include trade and other receivables, amounts due from (to) related parties, pledged bank deposits, bank balances and cash, trade, bills and other payables, and bank and other borrowings. Details of these financial instruments are set out in respective notes. The Company did not have material financial assets and financial liabilities as at December 31, 2008 and June 30, 2009. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

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d. Market risk

The Group’s activities expose primarily to the market risks of changes in interest rates, foreign currency exchange rates and other prices (see below).

There has been no significant change to the Group’s exposure to market risks or the manner in which it manages and measures the risk over the Relevant Periods.

Interest rate risk management

The Group is exposed to cash flow interest rate risk due to the fluctuation of the prevailing market interest rate on bank deposits and bank and other borrowings which carry at prevailing deposit interest rates and variable rate based on the interest rates quoted by the People’s Bank of China or Hong Kong Interbank Offer Rate plus a premium, respectively.

The Group’s fair value interest rate risk relates primarily to its fixed rate investment in a trust fund, amounts due from one of the jointly controlled entities, pledged bank deposits and bank and other borrowings. The Group currently does not use any derivative contracts to hedge its exposure to interest rate risk. However, the management will consider hedging significant interest rate exposure should the need arise.

The Group’s exposures to interest rates on financial liabilities are detailed in the liquidity risk management section of this note.

Interest rate sensitivity

The sensitivity analyses below have been prepared based on the exposure to interest rates for non-derivative instruments (bank balances and bank and other borrowings) at the dates of each reporting period end and the stipulated change taking place at the beginning of the financial year/period and held constant throughout the year/period in the case of instruments that have floating rates. A 200 basis point increase or decrease for bank and other borrowings and a 100 basis point increase or decrease for bank deposits are used when reporting interest rate risk internally to key management personnel and represent management’s assessment of the possible change in interest rate in respect of bank and other borrowings and bank deposits respectively.

At the end of the reporting period, if interest rates had been increased/decreased by 200 basis points in respect of bank and other borrowings and all other variables were held constant, the Group’s profit would decrease/increase by approximately nil, RMB6,524,000, RMB14,225,000 and RMB18,734,000 for the years ended December 31, 2006, 2007, 2008 and the six months ended June 30, 2009, respectively.

In addition, if interest rate had been increase/decrease of 100 basis points in respect of bank deposits, with all other variables held constant, the Group’s profit would increase/decrease by approximately RMB5,468,000, RMB17,532,000, RMB24,216,000 and RMB44,396,000 for the years ended December 31, 2006, 2007, 2008 and the six months ended June 30, 2009, respectively.

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Foreign currency risk management

The Group collects all of its revenue in RMB and most of the expenditures including expenditures incurred in property sales as well as capital expenditures are also denominated in RMB.

The Group undertakes certain transactions denominated in foreign currencies, hence exposures to exchange rate fluctuations arises. The Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

The carrying amount of the Group’s foreign currency denominated monetary assets and monetary liabilities at the respective date of the reporting period end are as follows:

	At December 31,			At June 30,
	2006	2007	2008	2009
	RMB’000	RMB’000	RMB’000	RMB’000
Assets				
USD	173	42,687	98,719	66,194
HKD	<u>16,026</u>	<u>467,239</u>	<u>245,900</u>	<u>111,653</u>
	At December 31,			At June 30,
	2006	2007	2008	2009
	RMB’000	RMB’000	RMB’000	RMB’000
Liabilities				
USD	—	19,306	—	—
HKD	<u>21,804</u>	<u>853,647</u>	<u>2,036,791</u>	<u>1,169,990</u>

Foreign currency sensitivity analysis

The Group mainly exposes to foreign exchange fluctuation of the currency of United States (“USD”) and the currency of Hong Kong (“HKD”) against RMB.

The following table details of the Group’s sensitivity to a 5% increase and decrease in RMB against the relevant foreign currencies. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the year/period end for a 5% change in foreign currency rates. 5% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management’s assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes bank borrowings as well as bank balances denominated in foreign currencies. A positive/(negative) number indicates an increase/(decrease) in profit for the year/period where the RMB strengthens

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against the relevant currencies. For a 5% weakening of RMB against the relevant currency, there would be an equal and opposite impact on the profit for the year/period.

	At December 31,			At June 30,
	2006	2007	2008	2009
	RMB’000	RMB’000	RMB’000	RMB’000
USD				
Profit for the year/period	(9)	(1,169)	(4,936)	(3,310)
HKD				
Profit for the year/period	289	19,320	89,545	52,917

Other price risks

The Group is exposed to equity price risks through its investments held for trading and available-for-sale investments. The management considers that the Group’s exposure to fluctuation in equity price is minimal. Accordingly, no sensitivity analysis is presented.

e. Credit risk management

At each of the end of the reporting period, the Group’s maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties and financial guarantees issued by the Group is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position and the amount of contingent liabilities disclosed in note 41. In order to minimise the credit risk, monitoring procedures are carried out 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 and other receivables and amounts due from related parties at each of the end of the reporting period. The amounts presented in the consolidated statement of financial positions are net of allowances for bad and doubtful debts, estimated by the Group’s management based on prior experience and their assessment of the current economic environment.

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit rating agencies or state-owned banks in the PRC.

Other than concentration of credit risk on liquid funds which are deposited with several banks with high credit ratings, amount due from a minority shareholder, amount due from related parties and amounts due from certain jointly controlled entities, the Group has no significant concentration of credit risk, in which exposure is spread over a number of counterparties and customers.

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For properties that are presold but development has not been completed, 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 purchase price of the individual property. If a purchaser defaults on the payment of its mortgage during the period of guarantee, the bank holding the mortgage may demand the Group to repay the outstanding loan and any interest accrued thereon. Under such circumstances, the Group is able to forfeit the sales deposit received and resales the reprocessed properties. Therefore, the management considers it would likely recover any loss incurred arising from the guarantee by the Group. The management considers the credit risk exposure to financial guarantees provided to property purchasers is limited because the facilities are secured by the properties and the market price of the properties is higher than the guaranteed amounts. In this regard, the directors of the Company consider that the Group’s credit risk is significantly reduced.

f. Liquidity risk

The Group’s objective is to maintain a balance between continuity of funding and the flexibility through the use of borrowings. The directors of the Company closely monitor the liquidity position and expect to have adequate sources of funding to finance the Group’s projects and operations.

The following table details the Group’s remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

	Weighted average interest rate	Carrying amount at December 31, 2006	0-60 days	61 to 180 days	181 to 365 days	1-2 years	2-3 years	Over 3 years	Total undiscounted cash flows
		RMB’000	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
Non-interest bearing		1,148,418	977,675	92,738	39,766	20,224	17,835	180	1,148,418
Fixed interest rate									
instruments	6.10%	1,472,260	—	255,019	262,112	1,178,101	—	—	1,695,232
Variable interest rate									
instruments	6.18%	<u>1,627,100</u>	<u>—</u>	<u>—</u>	<u>154,032</u>	<u>1,632,115</u>	<u>—</u>	<u>—</u>	<u>1,786,147</u>
	Weighted average interest rate	Carrying amount at December 31, 2007	0-60 days	61 to 180 days	181 to 365 days	1-2 years	2-3 years	Over 3 years	Total undiscounted cash flows
		RMB’000	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
Non-interest bearing		2,088,699	1,718,716	320,206	37,468	10,372	1,876	62	2,088,700
Fixed interest rate									
instruments	6.57%	797,760	—	93,176	548,907	12,340	212,340	—	866,763
Variable interest rate									
instruments	5.82%	<u>7,130,690</u>	<u>106,806</u>	<u>344,829</u>	<u>2,420,761</u>	<u>4,009,303</u>	<u>1,190,254</u>	<u>—</u>	<u>8,071,953</u>

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	Weighted average interest rate	Carrying amount at December 31, 2008	0-60 days	61 to 180 days	181 to 365 days	1-2 years	2-3 years	Over 3 years	Total undiscounted cash flows
		RMB’000	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
Non-interest bearing		2,985,606	1,755,460	458,120	470,500	301,526	—	—	2,985,606
Fixed interest rate									
instruments	6.95%	279,000	—	285,379	—	—	—	—	285,379
Variable interest rate									
instruments	6.87%	<u>12,560,751</u>	<u>2,258,013</u>	<u>1,188,287</u>	<u>2,935,725</u>	<u>5,647,085</u>	<u>1,452,890</u>	<u>—</u>	<u>13,482,000</u>
	Weighted average interest rate	Carrying amount at June 30, 2009	0-60 days	61 to 180 days	181 to 365 days	1-2 years	2-3 years	Over 3 years	Total undiscounted cash flows
		RMB’000	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
Non-interest bearing		2,998,716	1,085,979	625,026	1,050,061	237,521	129	—	2,998,716
Fixed interest rate									
instruments	6.54%	1,484,194	699	1,398	80,088	20,000	—	2,041,194	2,143,379
Variable interest rate									
instruments	6.15%	<u>10,993,806</u>	<u>1,528,442</u>	<u>2,866,750</u>	<u>3,530,340</u>	<u>2,177,102</u>	<u>1,541,934</u>	<u>—</u>	<u>11,644,568</u>

The amounts due to subsidiaries are repayable on demand at each reporting end date.

g. **Fair value**

The fair value of financial assets and financial liabilities are determined as follows:

- the fair value of financial assets with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market bid prices;
- the fair value of other financial assets and financial liabilities is determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices or rates from observable current market transactions as input; and
- the fair value of financial guarantee contracts on initial recognition is determined using option pricing models where the main assumptions are the probability of default by the specified counterparty extrapolated from market-based credit information and the amount of loss, given the default.

Except for the bond with fair value disclosed in note 29, the directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the statement of financial positions approximate their respective fair values at the end of each reporting period.

APPENDIX I

ACCOUNTANTS’ REPORT

B. DIRECTORS’ REMUNERATION

Save as disclosed herein, no remuneration has been paid or is payable to the Company’s directors by the Company or any of its subsidiaries during the Relevant Periods. Under the arrangements presently in force, the aggregate remuneration excluding bonus payable, if any, of the Company’s directors for the year ending December 31, 2009 will be approximately RMB20.4 million.

C. SUBSEQUENT EVENTS

The following events took place subsequent to June 30, 2009:

1. Pursuant to a resolution passed on July 31, 2009, the Company has adopted an additional Pre-IPO share award scheme (the “New Share Award Scheme”). Under the New Share Award Scheme, the Company has awarded the Company’s shares (the “Awarded Shares”) to directors of the Company and certain employees of the Group. The objective of the New Share Award Scheme is to align the interests of the employees with those of the Company, to share the pride of ownership among employees and to reward their performance and contribution to the Group.
2. On September 18, 2009, the Group has entered into a sale and purchase agreement with 金融街 (北京) 置業有限公司, an independent third party, in connection with the acquisition of the entire interest in Beijing Mengke Properties Co., Ltd. at a consideration of [RMB460,000,000].

The consideration was negotiated among the parties with reference to the market price of the properties nearby. The major asset of Beijing Mengke Properties Co., Ltd. is a piece of land named 北京市順義區後沙峪西白辛莊榆陽路5號. Up to October 20, 2009, the Group has settled 90% of the consideration. As of the date of this report, the acquisition has not been completed.

3. On October 15, 2009, the Group entered into a supplemental agreement with the two joint venture partners of four jointly controlled entities of the Group. Pursuant to such supplemental agreement, condition upon [●] and [●], the Group will acquire from the two joint venture partners a total of 44.4444% interest in the jointly controlled entities a consideration to be determined based on the pre-determined formula. [The consideration was determined according to an agreed internal rate of return based on their proportionate actual capital contributions from the time of their investments in the joint venture to the date of completion of the acquisition.]
4. On October 2, 2009, the Company declared dividend of HK\$100,000,000, which are conditional upon the Listing, to the existing shareholders of the Company.

D. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements of the Group, the Company or any of the companies now comprising the Group have been prepared in respect of any period subsequent to June 30, 2009.

Yours faithfully,
Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

APPENDIX IV

PROPERTY VALUATION

The following is the text of a letter, summary of values and valuation certificate, prepared for inclusion in this document received from Savills Valuation and Professional Services Limited, an independent valuer, in connection with their valuations as at 31 August 2009 of the property interests of the Group.



Savills Valuation and
Professional Services Limited
23/F Two Exchange Square
Central, Hong Kong

T: (852) 2801 6100
F: (852) 2530 0756

EA Licence: C-023750
savills.com

The Directors
Longfor Properties Co. Ltd.
15/F,
1 Duddell Street,
Central,
Hong Kong

[6 November] 2009

Dear Sirs,

In accordance with your instructions for us to value the properties situated in the People’s Republic of China (the “PRC”) and Hong Kong in which Longfor Properties Co. Ltd. (the “Company”) and its subsidiaries (hereinafter referred to as the “Group”) have interests, we confirm that we have carried out inspections, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of values of such property interests as at 31 August 2009 (“date of valuation”) for inclusion in an [●] Document.

Our valuation of each of the property interests represent our opinion of its market value which we would define as intended to mean “the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm’s-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently, and without compulsion”.

The market value is the best price reasonably obtainable in the market by the seller and the most advantageous price reasonably obtainable in the market by the buyer. This estimate specifically excludes an estimated price inflated or deflated by special terms or circumstances such as atypical financing, sale and

APPENDIX IV

PROPERTY VALUATION

leaseback arrangements, joint ventures, management agreements, special considerations or concessions granted by anyone associated with the sale, or any element of special value. The market value of a property is also estimated without regard to costs of sale and purchase, and without offset for any associated taxes.

In valuing the properties in the PRC, unless otherwise stated, we have assumed that transferable land use rights in respect 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 also 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 valuing the property interests in Groups I and II, which are held by the Group for occupation or sale in the PRC, we have valued the properties by direct comparison approach by making reference to comparable sales transactions as available in the market and where appropriate, on the basis of capitalisation of the net income shown on the documents handed to us. We have allowed for outgoings and, in appropriate cases, made provisions for reversionary income potential.

In valuing the property interests in Group III, which are held by the Group under development in the PRC, we have valued such properties on the basis that they will be developed and completed in accordance with the latest development proposals provided to us. We have assumed that all consents, approvals and licences from relevant government authorities for the development proposals have been obtained without onerous conditions or delays. In arriving at our opinion of values, we have adopted the direct comparison approach by making reference to comparable sales transactions as available in the relevant markets 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.

In valuing the property interests in Group IV, which are held by the Group for future development in the PRC, we have valued the properties by direct comparison approach by making reference to comparable sales transactions as available in the market assuming sale with the benefit of vacant possession.

In valuing the property interests in Group V, which are held by the Group for investment in the PRC, we have valued the properties by capitalizing the net rental income derived from the existing tenancies with due allowance for reversionary incoming potential of the respective properties.

In valuing the property interests in Groups VI, VII and VIII, which are rented by the Group in the PRC and Hong Kong respectively or other property interest held by the Group, we have attributed no commercial value to these properties mainly due to the prohibitions against subletting and assignment or otherwise due to the lack of substantial profit rents or the lack of proper legal titles to the properties in Group VIII.

We have been provided with copies of title documents relating to the properties. We have not, however, inspected the original documents to verify ownership or to ascertain the existence of any amendments which do not appear on the copies handed to us. We have relied to a considerable extent on information given by the Group and its legal adviser, Commerce & Finance Law Firm, on PRC laws, regarding the titles to the properties. We have also accepted advice given to us on such matters as planning approvals or statutory notices, easements, tenure, particulars of occupancy, development proposals, expended and outstanding

APPENDIX IV

PROPERTY VALUATION

construction costs, estimated completion dates, site and floor areas and all other relevant matters. Dimensions, measurements and areas included in the valuation certificate are based on information contained in the documents provided to us by the Group and are therefore only approximations. No on-site measurements have been taken. We have no reason to doubt the truth and accuracy of the information provided to us by the Group which is material to our valuation. We were also advised by the Group that no material facts have been omitted from the information provided.

We have inspected the exterior and, wherever possible, the interior of the properties. During the course of our inspection, we did not note any serious defects. However, no structural survey has been made, we are therefore unable to report that the properties are free from rot, infestation or any other structural defects. No tests were carried out on any of the services. We have not carried out investigations on site to determine the suitability of the ground conditions and the service etc. for any future development. Our valuation is prepared on the assumption that these aspects are satisfactory and that no extraordinary expenses or delays will be incurred during the construction period.

No allowance has been made in our valuation for any charges, mortgages or amounts owing on any property nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the properties are free from encumbrances, restrictions and outgoings of an onerous nature which could affect their values.

In valuing the property interests, 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) published by the Hong Kong Institute of Surveyors.

Unless otherwise stated, all money amounts are stated in Renminbi.

We enclose herewith our summary of values and valuation certificate.

Yours faithfully
For and on behalf of
Savills Valuation and Professional Services Limited
Charles C K Chan
MSc FRICS FHKIS MCIArb RPS(GP)
Managing Director

Enc

Note: Charles C K Chan, Chartered Estate Surveyor, MSc, FRICS, FHKIS, MCIArb, RPS(GP), has about 25 years' experience in the valuation of properties in Hong Kong and has about 20 years' experience in the valuation of properties in the PRC.

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PROPERTY VALUATION

SUMMARY OF VALUES

Group I — Property interest held by the Group in the PRC

No.	Property	Market value in existing state as at 31 August 2009	Interest attributable to the Group	Market value attributable to the Group as at 31 August 2009
1.	Portion of Longfor Garden Nanyuan (龍湖花園南苑), No. 6 Xinnan Road, Longxi Town, Yubei District, Chongqing, PRC	RMB16,900,000	91.30%	RMB15,429,700
2.	Portion of Longfor Garden Xiyuan (龍湖花園西苑), Nos. 49, 83 and 135 of Longhu West Road, Renhe Town, Yubei District, Chongqing, PRC	RMB31,800,000	91.30%	RMB29,033,400
3.	Club House of Fragrant Forest (香樟林), No. 6 Longhu West Road, Renhe Town, Yubei District, Chongqing, PRC	RMB8,300,000	91.30%	RMB7,577,900
4.	Kindergarten of Waft Yard (楓香庭), Longhu North Paradise Walk, No. 60, Jianxin North Road, Jiangbei District, Chongqing, PRC	RMB1,500,000	91.30%	RMB1,369,500
5.	Kindergarten of Phases I & II of Crystal Town (水晶郛城), Nos. 22-32 of Jincheng Road, Renhe Street, Yubei District, Chongqing, PRC	RMB9,300,000	91.30%	RMB8,490,900

APPENDIX IV		PROPERTY VALUATION		
No.	Property	Market value in existing state as at 31 August 2009	Interest attributable to the Group	Market value attributable to the Group as at 31 August 2009
6.	Portion of Phase I of Blue Lake County (藍湖郡), No. 1111 Jinkai Avenue, Jingkaiyuan, Beibu New District, Chongqing, PRC	RMB36,400,000	91.30%	RMB33,233,200
7.	Kindergarten of Phases I and II of Chongqing Fairy Castle (重慶紫都城), No. 111 Longshan Avenue, Longxi Road, Yubei District, Chongqing, PRC	RMB3,800,000	91.30%	RMB3,469,400
8.	Club House and Service Centre of Hill of Good Hope (好望山), No. 1018 Jinkai Avenue, Beibu New District, Chongqing, PRC	RMB2,700,000	93.48%	RMB2,523,960
9.	Unsold portion of Crystal Cosmo (水晶國際) of Phase III of Crystal Town (水晶酈城), K27 Building, No. 162, Xinnan Road, Renhe Town, Beibu New District, Chongqing, PRC	RMB9,100,000	91.30%	RMB8,308,300
10.	Unsold commercial area and a kindergarten of King Land (晶藍半島), No. 38 Hongji Middle Road, Jinjiang District, Chengdu, Sichuan Province, PRC	RMB21,800,000	86.17%	RMB18,785,060
Sub-total:		RMB141,600,000		RMB128,221,320

APPENDIX IV

PROPERTY VALUATION

Group II — Property interests held by the Group for sale in the PRC

No.	Property	Market value in existing state as at 31 August 2009	Interest attributable to the Group	Market value attributable to the Group as at 31 August 2009
11.	Unsold Commercial Units and Car Parks of Longfor Garden Nanyuan) (龍湖花園南苑), No. 6 Xinnan Road, Longxi Town, Yubei District, Chongqing, PRC	RMB46,100,000	91.30%	RMB42,089,300
12.	Unsold Car Park of Longfor Garden Xiyuan (龍湖花園西苑), Nos. 83 and 151 and West A of Longhu West Road, Renhe Town, Yubei District, Chongqing, PRC	RMB34,700,000	91.30%	RMB31,681,100
13.	Unsold Car Park of Waft Yard (楓香庭), No. 60, Jianxin North Road, Jiangbei District, Chongqing, PRC	RMB14,300,000	91.30%	RMB13,055,900
14.	Unsold Portion of New Star (北岸星座), No. 4 Yanghe Road, Jiangbei District, Chongqing, PRC	RMB30,100,000	91.30%	RMB27,481,300
15.	Unsold Portion of Phase I & Phase II of Crystal Town (水晶郦城), Nos. 22-32 of Jincheng Road, Renhe Street, Yubei District, Chongqing, PRC	RMB88,600,000	91.30%	RMB80,891,800

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PROPERTY VALUATION

No.	Property	Market value in existing state as at 31 August 2009	Interest attributable to the Group	Market value attributable to the Group as at 31 August 2009
16.	Unsold Portion of Phase I, Phase III, Phase IV and Phase V of Blue Lake County (藍湖郡), No. 1111 Jinkai Avenue, Jingkaiyuan, Beibu New District, Chongqing, PRC	RMB92,000,000	91.30%	RMB83,996,000
17.	Car Park of Phases I & II of Chongqing Fairy Castle (重慶紫都城), Longshan Avenue, Longxi Road, Yubei District, Chongqing, PRC	RMB36,100,000	91.30%	RMB32,959,300
18.	Unsold Portion of Fairy Paradise Walk (紫都天街), Phase III of Chongqing Fairy Castle (重慶紫都城), No.13 Longshan Road, Yubei District, Chongqing, PRC	RMB17,900,000	91.30%	RMB16,342,700
19.	Unsold Portion of Phase I, Phase II and Phase IV of River View (觀山水), North of Haixia Road, Jingkai District, Chongqing, PRC	RMB40,600,000	91.30%	RMB37,067,800
20.	Unsold Portion of Phase II of West Paradise Walk (西城天街), No. 48 Zhujiang Road, Yangjiaping, Jiulongpo District, Chongqing, PRC	RMB5,100,000	91.30%	RMB4,656,300

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PROPERTY VALUATION

No.	Property	Market value in existing state as at 31 August 2009	Interest attributable to the Group	Market value attributable to the Group as at 31 August 2009
21.	Car park of Hill of Good Hope (好望山), No. 1018 Jinkai Avenue, Beibu New District, Chongqing, PRC	RMB18,800,000	93.48%	RMB17,574,240
22.	Unsold Portion of Urban Courtyard (大城小院), No. 110 Land of Ranjiaba Area, Longxi Street, Yubei District, Chongqing, PRC	RMB15,200,000	91.30%	RMB13,877,600
23.	Portion of Jiulong Tower (九龍大廈), No. 66, Shipingqiao Heng Street, Jiulongpo District, Chongqing, PRC	RMB12,400,000	91.30%	RMB11,321,200
24.	Unsold Portion of King Land (晶藍半島) No. 38 Hongji Middle Road, Jinjiang District, Chengdu, Sichuan Province, PRC	RMB27,900,000	86.17%	RMB24,041,430

APPENDIX IV

PROPERTY VALUATION

No.	Property	Market value in existing state as at 31 August 2009	Interest attributable to the Group	Market value attributable to the Group as at 31 August 2009
25.	Unsold Portion of Phase I and Phase II of Bamboo Grove (江與城), Dazhulin Zutuan, Gaoxinyuan, Beibu New District, Chongqing, PRC	RMB54,400,000	49.57%	RMB26,966,080
26.	Portion of Phase I of Peace Hill County (悠山郡), Li Jia Central Zone Economic-Tech Park, Beibu New District, Chongqing, PRC	RMB132,600,000	91.30%	RMB121,063,800
27.	Portion of Phase I of Sunshine Riverside (麗江), Qiuxin Village, Danzishi Road, Nan'an District, Chongqing, PRC	RMB20,600,000	46.56%	RMB9,591,360
28.	Unsold Portion of Charming Port (翠微清波), Group Nos, 1, 6 and 7 of Qingbo Village, Qingyang District, Chengdu, Sichuan Province, PRC	RMB95,000,000	86.17%	RMB81,861,500
29.	Unsold Portion of Three Thousand Lane (三千里), No. 5 Dong Er Huan, Second Ring Road, Chengdu, Sichuan Province, PRC	RMB76,000,000	86.17%	RMB65,489,200

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PROPERTY VALUATION

No.	Property	Market value in existing state as at 31 August 2009	Interest attributable to the Group	Market value attributable to the Group as at 31 August 2009
30.	Unsold Portion of Phase I of Beijing Rose and Ginkgo Villa (北京麗瀾山), South of Huosha Road, Gucheng Village, Houshayu Town, Shunyi District, Beijing, PRC	RMB18,000,000	89.93%	RMB16,187,400
31.	Unsold Portion of Beijing Chianti (北京香醍漫步), South of Zhangzhuang Village, Niulanshan Town, Shunyi District, Beijing, PRC	RMB110,000,000	91.27%	RMB100,397,000
Sub-total:		RMB986,400,000		RMB858,592,310

APPENDIX IV

PROPERTY VALUATION

Group III — Property interests held by the Group under development in the PRC

No.	Property	Market value in existing state as at 31 August 2009	Interest attributable to the Group	Market value attributable to the Group as at 31 August 2009
32.	Portion of Phase II and Phase III of Bamboo Grove (江與城), Dazhulin Zutuan, Gaoxinyuan, Beibu New District, Chongqing, PRC	RMB1,372,000,000	49.57%	RMB680,100,400
33.	Phase I and Phase II of Chunsen Land (春森彼岸), Chenjiaguan, Jiangbei District, Chongqing, PRC	RMB1,195,000,000	91.30%	RMB1,091,035,000
34.	Wisdom Town (睿城), Xi Yong Zu Tuan, Shapingba District, Chongqing, PRC	RMB470,000,000	95.56%	RMB449,132,000
35.	Phases I and II of East Bridge County (東橋郡), Xi Yong Zu Tuan, Shapingba District, Chongqing, PRC	RMB381,000,000	95.56%	RMB364,083,600
36.	Portion of Phase I, Phase II and Portion of Phase III of Peace Hill County (悠山郡), Li Jia Central Zone Economic-Tech Park, Beibu New District, Chongqing, PRC	RMB506,000,000	91.30%	RMB461,978,000

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PROPERTY VALUATION

No.	Property	Market value in existing state as at 31 August 2009	Interest attributable to the Group	Market value attributable to the Group as at 31 August 2009
37.	Portion of Phase I and Phase II to Phase III of Sunshine Riverside (鄞江), Qiuxin Village, Danzishi Road, Nan'an District, Chongqing, PRC	RMB914,000,000	46.56%	RMB425,558,400
38.	Three Thousand Castles (三千城), No. 1 Er Section, Erhuan Dong Road, No. 2 San Section, Jianshe North Road, Chenghua District, Chengdu, Sichuan Province, PRC	RMB2,272,200,000	46.56%	RMB1,057,936,320
39.	Phases I to IV of Bridge County (長橋郡), Zhaofu Village, Zhangxiang Village and Xinshuang Village of Huayuan Town, Chengdu, Sichuan Province, PRC	RMB1,408,600,000	91.07%	RMB1,282,812,020
40.	Phase II of Beijing Rose and Ginkgo Villa (北京麗瀾山), South of Huosha Road, Gucheng Village, Houshayu Town, Shunyi District, Beijing, PRC	RMB824,000,000	89.93%	RMB741,023,200

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PROPERTY VALUATION

No.	Property	Market value in existing state as at 31 August 2009	Interest attributable to the Group	Market value attributable to the Group as at 31 August 2009
41.	Summer Palace Splendor (頤和原著), Xiyuan, Haidian District, Beijing, PRC	RMB3,586,000,000	89.93%	RMB3,224,889,800
42.	Blossom Chianti (花盛香醍), No. 25 of Banbidian Street, Tongzhou District, Beijing, PRC	RMB1,232,000,000	91.30%	RMB1,124,816,000
43.	Elegance Loft (大方居), No. 25 of Banbidian Street, Tongzhou District, Beijing, PRC	RMB1,335,000,000	91.30%	RMB1,218,855,000
44.	MOCO Center (MOCO中心), High and New Technology Park, Beibu New District, Chongqing, PRC	RMB488,000,000	91.30%	RMB445,544,000
45.	Phase I of Century Peak View (世紀峰景), No. 1 Middle Section of Tianfu Avenue, Hi-Tech Zone, Chengdu, Sichuan Province, PRC	RMB674,300,000	9.13%	RMB61,563,590
46.	Phases I and II of Chengdu Flamenco Spain (成都弗萊明戈), No. 6 She of Yili Village, Nos. 1 and 3 She of Shuangbo Village and No. 4 She of Shuyuan Village, Pitong Town, Pi County, Sichuan Province, PRC	RMB247,700,000	91.30%	RMB226,150,100

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PROPERTY VALUATION

No.	Property	Market value in existing state as at 31 August 2009	Interest attributable to the Group	Market value attributable to the Group as at 31 August 2009
47.	Towning One (唐寧One), Land No. Jia 3, Zhongguancun, Haidian District, Beijing, PRC	RMB3,048,000,000	91.30%	RMB2,782,824,000
48.	Qujiang Glory (曲江盛景) North of Yannan Second Road, Xi'an, Shanxi Province, PRC	RMB529,000,000	82.17%	RMB434,679,300
49.	Shanghai Rose and Ginkgo Villa (上海灩澦山), Between Fang Song Highway, Songtang River, Dianpu River, Qingpu District, Shanghai, PRC	RMB2,021,100,000	45.65%	RMB922,632,150
50.	Phase I of Sunshine City (鄞城), Yumin Road, Jiading New Town, Shanghai, PRC	RMB425,300,000	93.48%	RMB397,570,440
51.	Phase I of Xi'an Fairy Castle (西安紫都城), North of Qujiang Road and East of Qujiang Third Road, Xi'an, Shanxi Province, PRC	RMB35,000,000	82.17%	RMB28,759,500
Sub-total:		RMB22,964,200,000		RMB17,421,942,820

APPENDIX IV

PROPERTY VALUATION

Group IV — Property interests held by the Group for future development in the PRC

No.	Property	Market value in existing state as at 31 August 2009	Interest attributable to the Group	Market value attributable to the Group as at 31 August 2009
52.	Portion of Phase III and Phases IV to VIII of Bamboo Grove (江與城), Dazhulin Zutuan, Gaoxinyuan, Beibu New District, Chongqing, PRC	RMB2,598,000,000	49.57%	RMB1,287,828,600
53.	Phases III to V of Chunsen Land (春森彼岸), Chenjiaguan, Jiangbei District, Chongqing, PRC	RMB985,000,000	91.30%	RMB899,305,000
54.	Phases III to X of East Bridge County (東橋郡), Xi Yong Zu Tuan, Shapingba District, Chongqing, PRC	RMB1,089,000,000	95.56%	RMB1,040,648,400
55.	Crystal Magic (紫晶城), No. 174 Changjiang Er Road, Yuzhong District, Chongqing, PRC	RMB4,756,000,000	91.30%	RMB4,342,228,000
56.	Phase V of Bridge County (長橋郡), Zhaofu Village, Zhangxiang Village and Xinshuang Village of Huayuan Town, Chengdu, Sichuan Province, PRC	RMB255,500,000	91.07%	RMB232,683,850

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No.	Property	Market value in existing state as at 31 August 2009	Interest attributable to the Group	Market value attributable to the Group as at 31 August 2009
57.	Jade Town (小院青城), Wuli Village and Datian Village of Qingchengshan Town, Dujiangyan, Sichuan Province, PRC	RMB807,000,000	85.48%	RMB689,823,600
58.	Phases II and III of Century Peak View (世紀峰景), No. 1 Middle Section of Tianfu Avenue, Hi-Tech Zone, Chengdu, Sichuan Province, PRC	RMB2,024,000,000	9.13%	RMB184,791,200
59.	Phases III to V of Chengdu Flamenco Spain (成都弗萊明戈), No. 6 She of Yili Village, Nos. 1 and 3 She of Shuangbo Village and No. 4 She of Shuyuan Village, Pitong Town, Pi County, Sichuan Province, PRC	RMB751,700,000	91.30%	RMB686,302,100
60.	Azure Chianti (蔚瀾香醍), Liyuan Town, Tongzhou District, Beijing, PRC	RMB875,000,000	91.30%	RMB798,875,000
61.	Phases II to IV of Sunshine City (麗城), Yumin Road, Jiading New Town, Shanghai, PRC	RMB1,149,700,000	93.48%	RMB1,074,739,560

APPENDIX IV

PROPERTY VALUATION

No.	Property	Market value in existing state as at 31 August 2009	Interest attributable to the Group	Market value attributable to the Group as at 31 August 2009
62.	Chang'an Wonder (夜長安), West of Furong West Road, South of Party School of Xi'an, Xi'an, Shanxi Province, PRC	RMB145,000,000	82.17%	RMB119,146,500
63.	Xi'an Flamenco Spain (西安弗萊明戈), South of Changle Road, Baqiao District, Xi'an, Shanxi Province, PRC	RMB603,000,000	91.30%	RMB550,539,000
64.	Xi'an Chianti (西安香醍漫步), Changle Road, Baqiao District, Xi'an, Shanxi Province, PRC	RMB1,157,500,000	91.30%	RMB1,056,797,500
65.	Phase II of Xi'an Fairy Castle (西安紫都城), North of Qujiang Road and East of Qujiang Third Road Xi'an, Shanxi Province, PRC	RMB245,300,000	82.17%	RMB201,563,010

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PROPERTY VALUATION

No.	Property	Market value in existing state as at 31 August 2009	Interest attributable to the Group	Market value attributable to the Group as at 31 August 2009
66.	Chianti Riverside (香醍溪岸), Binhe Road, Zhangzhuang Village, Niulanshan Town, Shunyi District, Beijing, PRC	RMB975,000,000	91.27%	RMB889,882,500
67.	Portion of Phase III of Peace Hill County (悠山郡), Li Jia Central Zone Economic-Tech Park, Beibu New District, Chongqing PRC	RMB178,900,000	91.30%	RMB163,335,700
68.	Taike Yuan (太科園), South of Jinghui West Road and North of Hujing Road, Wuxi (Lake Tai) International Technology Park, Wuxi, Jiangsu Province, PRC	RMB665,000,000	91.30%	RMB607,145,000
69.	Qinglong Project II (青龍項目II), South of Beitang River, Changzhou, Jiangsu Province, PRC	RMB531,000,000	85.07%	RMB451,721,700
Sub-total:		RMB19,791,600,000		RMB15,277,356,220

APPENDIX IV

PROPERTY VALUATION

Group V — Property interests held for investment by the Group

No.	Property	Market value in existing state as at 31 August 2009	Interest attributable to the Group	Market value attributable to the Group as at 31 August 2009
70.	North Paradise Walk Mall (北城天街商區), Guanyinqiao commercial area, Jiangbei District, Chongqing, PRC	RMB2,859,000,000	91.30%	RMB2,610,267,000
71.	Crystal Constellation (晶麗館) of Crystal Town (水晶麗城), K27 Building, No. 162 Xinnan Road, Renhe Town, Beibu New District, Chongqing, PRC	RMB191,900,000	91.30%	RMB175,204,700
72.	Phase III - Commercial District (紫都商區) of Chongqing Fairy Castle (重慶紫都城), No. 13 Yusong One Ancillary Road, Longshan Jiedao, Yubei District, Chongqing, PRC	RMB376,300,000	91.30%	RMB343,561,900
73.	West Paradise Walk (西城天街) No. 48 Zhujiang Road, Yangjiaping, Jiulongpo District, Chongqing, PRC	RMB1,168,000,000	91.30%	RMB1,066,384,000
Sub-total:		RMB4,595,200,000		RMB4,195,417,600

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PROPERTY VALUATION

Group VI — Property interests rented by the Group in the PRC

No.	Property	Market value in existing state as at 31 August 2009
74.	The third floor of Fortune Tower Phase I (富盛大廈一期), No. 4 Huixin East Road, Chaoyang District, Beijing, PRC	No commercial value
75.	Level 6 of Fortune Tower Phase II (富盛大廈二期), No. 4 Huixin East Road, Chaoyang District, Beijing, PRC	No commercial value
76.	Rooms 2501-2512 on 23rd Floor of Shanghai Mart (上海世貿商城), No. 2299 Yan'an West Road, Shanghai, PRC	No commercial value
77.	Level 3, Block No. 8-1 Taike Garden, No. 77 Jinhui Dong Road, Wuxi, Jiangsu Province, PRC	No commercial value
78.	12 office units, Level 2, No. 3 Erhuan Road, Dong 2 Section, Chengdu, Sichuan Province, PRC	No commercial value
		Sub-total: Nil

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PROPERTY VALUATION

Group VII — Property interest rented by the Group in Hong Kong

No.	Property	Market value in existing state as at 31 August 2009
79.	15th Floor, No. 1 Duddell Street, Central, Hong Kong	No commercial value
		Sub-total: Nil

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PROPERTY VALUATION

Group VIII — Other property interests held by the Group

No.	Property	Market value in existing state as at 31 August 2009	Interest attributable to the Group	Market value attributable to the Group as at 31 August 2009
80.	Niushan III (牛山三期) Zhangzhuang Village, Niulanshan Town, Shunyi District, Beijing, PRC	No commercial value	89.93%	No commercial value
81.	Huishan Project (輝山項目), Huishan Development Zone, Shenbei New District, Shenyang, Liaoning Province, PRC	No commercial value	93.48%	No commercial value
82.	Daoyi Project (道義項目), Daoyi Development Zone, Shenbei New District, Shenyang, Liaoning Province, PRC	No commercial value	91.30%	No commercial value
83.	Mopan Shan (磨盤山), Shizishan Village, Shimahe Road, Jiangbei District, Chongqing, PRC	No commercial value	93.48%	No commercial value
84.	University Town (大學城), Xi Yong Zu Tuan, Shapingba District, Chongqing, PRC	No commercial value	95.56%	No commercial value
85.	Wukuai Shi Project (五塊石項目), Junction of Wangjie Avenue and Rongbei Shangmao Avenue, Jingniu District, Chengdu, Sichuan Province, PRC	No commercial value	91.30%	No commercial value

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PROPERTY VALUATION

No.	Property	Market value in existing state as at 31 August 2009	Interest attributable to the Group	Market value attributable to the Group as at 31 August 2009
86.	Qinglong Project (青龍項目) Qinglong Living Zone, Changzhou, Jiangsu Province, PRC	No commercial value	91.30%	No commercial value
	Sub-total:	Nil		Nil
	TOTAL	RMB48,479,000,000		RMB37,881,530,270

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PROPERTY VALUATION

VALUATION CERTIFICATE

Group I — Property interests held by the Group in the PRC

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 August 2009																
1.	Portion of Longfor Garden Nanyuan, (龍湖花園南苑), No. 6 Xinnan Road, Longxi Town, Yubei District, Chongqing, PRC	Longfor Garden Nanyuan is a large-scale residential development completed in phases between 1997 and 2001. The property comprises a clubhouse, a market, a school, a kindergarten, warehouses and ancillary facilities of the development with a total gross floor area of approximately 9,648.98 sq m (103,862 sq ft). The breakdown of the gross floor area of the property is summarized as below: <table><thead><tr><th>Portion</th><th>Approximate gross floor area (sq m)</th></tr></thead><tbody><tr><td>Kindergarten</td><td>2,001.65</td></tr><tr><td>Clubhouse</td><td>1,450.02</td></tr><tr><td>School</td><td>4,397.40</td></tr><tr><td>Market</td><td>1,041.35</td></tr><tr><td>Ancillary facilities</td><td>641.64</td></tr><tr><td>Warehouses</td><td>116.92</td></tr><tr><td>Total:</td><td><u>9,648.98</u></td></tr></tbody></table> The land use rights of the property have been granted for various terms for commercial, warehouse, kindergarten and school uses. Please refer to note (1) below for details.	Portion	Approximate gross floor area (sq m)	Kindergarten	2,001.65	Clubhouse	1,450.02	School	4,397.40	Market	1,041.35	Ancillary facilities	641.64	Warehouses	116.92	Total:	<u>9,648.98</u>	Portion of the property with a total floor area of approximately 8,540.40 sq m are currently subject to various tenancies at a total monthly rental of about RMB40,000. The remaining portion of the property is vacant.	RMB16,900,000 (91.30% interests attributable to the Group: RMB15,429,700)
Portion	Approximate gross floor area (sq m)																			
Kindergarten	2,001.65																			
Clubhouse	1,450.02																			
School	4,397.40																			
Market	1,041.35																			
Ancillary facilities	641.64																			
Warehouses	116.92																			
Total:	<u>9,648.98</u>																			

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Notes:

- Pursuant to six State-owned Land Use Rights Certificates, the land use rights of the property have been granted to Chongqing Zhongjian Ke Real Estate Limited (重慶中建科置業有限公司) (“Chongqing Zhongjian Ke”) and Chongqing Longhu Property Development Co., Ltd. (重慶龍湖置業發展有限公司) (“Chongqing Longhu Property Development”) (now known as Chongqing Longhu Properties Co., Ltd. (重慶龍湖地產發展有限公司) (“Chongqing Longhu Properties”). Details of the said certificates are, inter alia, summarized as below:

Certificate no.	Land owner	Site area (sq m)	Use	Land use term expiry date
Yu Bei Guo Yong 2001 Zi Di No. 01611 (渝北國用2001字第01611號)	Chongqing Zhongjian Ke	1,805.80	Kindergarten	30 May 2067
Yu Bei Guo Yong 2001 Zi Di No.01618 (渝北國用2001字第01618號)	Chongqing Zhongjian Ke	2,124.10	Commercial	20 August 2046
Yu Bei Guo Yong 2001 Zi Di No. 01610 (渝北國用2001字第01610號)	Chongqing Zhongjian Ke	9,609.50	School	30 May 2067
Yu Bei Guo Yong (2001) Zi Di No. 01617 (渝北國用(2001)字第01617號)	Chongqing Zhongjian Ke	1,413.50	Commercial	20 August 2046
Yu Bei Guo Yong (2003) Zi Di No. 04679 (渝北國用(2003)字第04679號)	Chongqing Longhu Property Development	2.50	Warehouse	20 August 2066
Yu Bei Guo Yong (2003) Zi Di No. 04680 (渝北國用(2003)字第04680號)	Chongqing Longhu Property Development	2.53	Warehouse	20 August 2066
	Total:	14,957.93		

- Pursuant to six Building Ownership Certificates, the building ownership rights of the property with a total floor area of 8,198.96 sq m are held by Chongqing Zhongjian Ke or Chongqing Longhu Properties. Details of the said certificates are, inter alia, summarized as below:

Certificate no.	Owner	Gross floor area (sq m)	Use
Chong Qing Shi Fang Quan Zheng 201 Zi Di No. 055465 (重慶市房權證201字第055465號)	Chongqing Zhongjian Ke	2,001.65	Kindergarten
Chong Qing Shi Fang Quan Zheng 201 Zi Di No. 055466 (重慶市房權證201字第055466號)	Chongqing Zhongjian Ke	4,397.40	Non-residential
Chong Qing Shi Fang Quan Zheng 201 Zi Di No. 059579 (重慶市房權證201字第059579號)	Chongqing Zhongjian Ke	1,041.35	Non-residential
Chong Qing Shi Fang Quan Zheng 201 Zi Di No. 059578 (重慶市房權證201字第059578號)	Chongqing Zhongjian Ke	641.64	Non-residential
Chong Qing Fang Quan Zheng 201 Zi Di No. 059572 (重慶市房權證201字第059572號)	Chongqing Zhongjian Ke	58.46	Warehouse
Chong Qing Fang Quan Zheng 201 Zi Di No. 059573 (重慶市房權證201字第059573號)	Chongqing Zhongjian Ke	58.46	Warehouse
	Total:	8,198.96	

- Pursuant to the Realty Title Certificate 201 Fang Di Zheng 2006 Zi Di No. 56212 (201房地證2006字第56212號), the land use rights of a parcel of land with a site area of 1,146.00 sq m and the building ownership rights of the property with a total floor area of 1,450.02 sq m are held by Chongqing Longhu Properties for a term expiring on 1 December 2047 for commercial services/residential uses.

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4. As advised by the Group, Chongqing Longhu Properties has to provide the school and kindergarten in Longhu Garden Nanyuan as required by the development conditions of the development but Chongqing Longhu Properties is not responsible for running the school and kindergarten.
5. We have been provided with a legal opinion on the title to the property issued by the Group’s PRC legal advisers, which contains, inter alia, the following information:-
 - (i) the legal owner as stated in some of the aforesaid State-owned Land Use Rights Certificates and Building Ownership Certificates is Chongqing Zhongjian Ke or Chongqing Longhu Property Development. There is no substantial legal impediment for Chongqing Longhu Properties to change the owner’s name of the said certificates. The fact that the owner’s name of the said certificates has not been changed will not affect Chongqing Longhu Properties’ legal ownership of the relevant land use rights and building ownership rights;
 - (ii) Chongqing Longhu Properties legally owns the land use rights of the property and is entitled to transfer, lease and mortgage the land use rights of the property during the term of the land use rights without additional payment of any land grant fee or premium;
 - (iii) Chongqing Longhu Properties legally owns the building ownership rights of the property and is entitled to transfer, lease or mortgage the property during the term of the land use rights without additional payment of any land grant fee or premium; and
 - (iv) Chongqing Longhu Properties is a limited liability company established in accordance with the laws of the PRC and wholly owned by Chongqing Longhu Development Co. Ltd.

APPENDIX IV

PROPERTY VALUATION

VALUATION CERTIFICATE

Group I — Property interests held by the Group in the PRC

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 August 2009										
2.	Portion of Longfor Garden Xiyuan, (龍湖花園西苑), Nos. 49, 83 and 135 of Longhu West Road, Renhe Town, Yubei District, Chongqing, PRC	Longfor Garden Xiyuan is a large-scale residential development completed in phases between 2000 and 2004. The property comprises a clubhouse, a school and a kindergarten of the development with a total gross floor area of approximately 19,695.22 sq m (211,999 sq ft). The breakdown of the gross floor area of the property is summarized as below: <table><thead><tr><th>Portion</th><th>Approximate gross floor area (sq m)</th></tr></thead><tbody><tr><td>Clubhouse</td><td>4,648.63</td></tr><tr><td>School</td><td>13,122.88</td></tr><tr><td>Kindergarten</td><td>1,923.71</td></tr><tr><td>Total:</td><td><u>19,695.22</u></td></tr></tbody></table> The land use rights of the property have been granted for a term expiring on 23 September 2042 for commercial service, kindergarten and school uses.	Portion	Approximate gross floor area (sq m)	Clubhouse	4,648.63	School	13,122.88	Kindergarten	1,923.71	Total:	<u>19,695.22</u>	Portion of the property with a total floor area of approximately 1,923.71 sq m are currently subject to various tenancies at a total current monthly rental of about RMB8,300. The remaining portion is vacant.	RMB31,800,000 (91.30% interests attributable to the Group: RMB29,033,400)
Portion	Approximate gross floor area (sq m)													
Clubhouse	4,648.63													
School	13,122.88													
Kindergarten	1,923.71													
Total:	<u>19,695.22</u>													

Notes:

- Pursuant to three Realty Title Certificates, the land use rights and the building ownership rights of the property have been granted to Chongqing Longhu Properties Co., Ltd. (重慶龍湖地產發展有限公司) (“Chongqing Longhu Properties”). Details of the said certificates are, inter alia, summarized as below:

Certificate no.	Owner	Site area (sq m)	Gross floor area (sq m)	Use	Land use term expiry date
Bei Xin Gao 112 Fang Di Zheng 2005 Zi Di No. 03157 (北新高112房地證2005字第03157號)	Chongqing Longhu Properties	1,248.90	1,923.71	Kindergarten	23 September 2042
Bei Xin Gao 112 Fang Di Zheng 2005 Zi Di No. 03295 (北新高112房地證2005字第03295號)	Chongqing Longhu Properties	5,179.00	4,648.63	Commercial service	23 September 2042
Bei Xin Gao 112 Fang Di Zheng 2005 Zi Di No. 03726 (北新高112房地證2005字第03726號)	Chongqing Longhu Properties	15,365.90	13,122.88	School	23 September 2042

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Certificate no.	Owner	Site area	Gross floor area	Use	Land use term expiry date
		(sq m)	(sq m)		
	Total:	21,793.80	19,695.22		

2. As advised by the Group, Chongqing Longhu Properties has to provide the school and kindergarten in Longhu Garden Xiyuan as required by the development conditions of the development but Chongqing Longhu Properties is not responsible for running the school and kindergarten.
3. We have been provided with a legal opinion on the title to the property issued by the Group’s PRC legal advisers, which contains, inter alia, the following information:-
 - (i) Chongqing Longhu Properties legally owns the land use rights and the building ownership rights of the property;
 - (ii) Chongqing Longhu Properties is entitled to transfer, lease and mortgage the property during the term of the land use rights without additional payment of any land grant fee or premium; and
 - (iii) Chongqing Longhu Properties is a limited liability company established in accordance with the laws of the PRC and wholly owned by Chongqing Longhu Development Co. Ltd.

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PROPERTY VALUATION

VALUATION CERTIFICATE

Group I — Property interests held by the Group in the PRC

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 August 2009
3.	Club House of Fragrant Forest (香樟林), No. 6 Longhu West Road, Renhe Town, Yubei District, Chongqing, PRC	Fragrant Forest is a large-scale residential development completed in phases between 2001 and 2003. The property comprises a clubhouse of the development with a gross floor area of approximately 3,628.36 sq m (39,056 sq ft). The land use rights of the property have been granted for a term expiring on 7 November 2040 for commercial services uses.	The property is currently occupied by the company as club house.	RMB8,300,000 (91.30% interests attributable to the Group: RMB7,577,900)

Notes:

- Pursuant to the Realty Title Certificate Bei Xin Gao 112 Fang Di Zheng 2005 Zi Di No. 03296 (北新高112房地證2005字第03296號) issued by Chongqing State Land Resources and Housing Administrative Bureau, the land use rights of a parcel of land with a site area of 3,367.20 sq m and the building ownership rights of the property with a gross floor area of 3,628.36 sq m have been granted to Chongqing Longhu Properties Co., Ltd. (重慶龍湖地產發展有限公司) (“Chongqing Longhu Properties”) for a term expiring on 7 November 2040 for commercial services uses.
- We have been provided with a legal opinion on the title to the property issued by the Group’s PRC legal advisers, which contains, inter alia, the following information:-
 - Chongqing Longhu Properties legally owns the land use rights and building ownership rights of the property;
 - Chongqing Longhu Properties is entitled to transfer, lease and mortgage the property during the term of the land use rights without additional payment of any land grant fee or premium; and
 - Chongqing Longhu Properties is a limited liability company established in accordance with the laws of the PRC and wholly owned by Chongqing Longhu Development Co. Ltd.

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PROPERTY VALUATION

VALUATION CERTIFICATE

Group I — Property interests held by the Group in the PRC

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 August 2009
4.	Kindergarten of Waft Yard (楓香庭), Longhu North Paradise Walk, No. 60 Jianxin North Road, Jiangbei District, Chongqing, PRC	Waft Yard is a large-scale residential development completed in 2003. The property comprises a kindergarten of the development with a gross floor area of approximately 718.77 sq m (7,737 sq ft). The land use rights of the property have been granted for a term expiring in December 2041 and December 2051 for commercial and residential uses respectively.	The property is currently subject to a tenancy at a total annual rental of about RMB10,500.	RMB1,500,000 (91.30% interests attributable to the Group: RMB1,369,500)

Notes:

- Pursuant to the State-owned Land Use Rights Certificate Yu Guo Yong (2002) Zi Di No. 117 (渝國用(2002)字第117號) issued by Chongqing State Land Resources and Housing Administrative Bureau, the land use rights of a parcel of land with a site area of 20,549.00 sq m have been granted to Chongqing Jiachen Economic Development Limited (重慶佳辰經濟發展有限公司) (now known as Chongqing Longhu Development Co. Ltd. (重慶龍湖企業拓展有限公司) (“Chongqing Longhu Development”), for a term expiring in December 2041 and December 2051 for commercial uses and residential uses respectively.
- Pursuant to the Building Ownership Certificate Fang Quan Zheng 100 Zi Di No. 100898 (房權證100字第100898號) issued by Chongqing State Land Resources and Housing Administrative Bureau, the building ownership rights of various buildings with a total gross floor area of 37,220.70 sq m are held by Chongqing Jiachen Economic Development Limited (重慶佳辰經濟發展有限公司) (now known as Chongqing Longhu Development) for composite uses, of which the part with a gross floor area of 718.77 sq m is for kindergarten uses. As advised by the Group, the property comprises portion of buildings with a gross floor area of approximately 718.77 sq m as stated in the aforesaid Building Ownership Certificate.
- We have been provided with a legal opinion on the title to the property issued by the Group’s PRC legal advisers, which contains, inter alia, the following information:-
 - there is no substantial legal impediment for Chongqing Longhu Development to change the owner’s name of the relevant Building Ownership Certificate. The fact that the owner’s name of the said certificates has not been changed will not affect Chongqing Longhu Development’s legal ownership of the relevant land use rights and building ownership rights;

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- (ii) Chongqing Longhu Development legally owns the land use rights and the building ownership rights of the property;
- (iii) Chongqing Longhu Development is entitled to transfer, lease and mortgage the property during the term of the land use rights without additional payment of any land grant fee or premium; and
- (iv) Chongqing Longhu Development is a Sino-foreign joint equity enterprise established in accordance with the laws of the PRC, owned as to 91.3% by Juntion Development Hong Kong (Holding) Limited and 8.7% by Chongqing Xuke Investment Co. Ltd. The profit sharing is in accordance to the percentage of share of the shareholders.

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PROPERTY VALUATION

VALUATION CERTIFICATE

Group I — Property interests held by the Group in the PRC

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 August 2009
5.	Kindergarten of Phases I & II of Crystal Town (水晶郦城), Nos. 22-32 of Jincheng Road, Renhe Road, Yubei District, Chongqing, PRC	Crystal Town is a large-scale residential development completed in November 2005. The property comprises a kindergarten in Phase I and Phase II of the development with a gross floor area of approximately 3,231.66 sq m (34,786 sq ft). The land use rights of the property have been granted for a term expiring on 8 April 2043 for public facilities uses.	The property is currently subject to a tenancy at a total rental of about RMB1,200,000.	RMB9,300,000 (91.30% interests attributable to the Group: RMB8,490,900)

Notes:

- Pursuant to the Realty Title Certificate Bei Xin Gao 112 Fang Di Zheng 2006 Zi Di No. 00583 (北新高112房地證2006字第00583號) issued by Chongqing State Land Resources and Housing Administrative Bureau, the land use rights of a parcel of land with a site area of 3,912.60 sq m and the building ownership rights of a building of public facilities with a gross floor area of 3,231.66 sq m have been granted to Chongqing Longhu Development Co. Ltd. (重慶龍湖企業拓展有限公司) (“Chongqing Longhu Development”) for a term expiring on 8 April 2043 for public facilities uses.
- We have been provided with a legal opinion on the title to the property issued by the Group’s PRC legal advisers, which contains, inter alia, the following information:-
 - Chongqing Longhu Development legally owns the land use rights and the building ownership rights of the property;
 - Chongqing Longhu Development is entitled to transfer, lease and mortgage the property during the term of the land use rights without additional payment of any land grant fee or premium; and
 - Chongqing Longhu Development is a Sino-foreign joint equity enterprise established in accordance with the laws of the PRC, owned as to 91.3% by Juntion Development Hong Kong (Holding) Limited and 8.7% by Chongqing Xuke Investment Co., Ltd. The profit sharing is in accordance to the percentage of share of the shareholders.

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PROPERTY VALUATION

VALUATION CERTIFICATE

Group I — Property interests held by the Group in the PRC

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 August 2009								
6.	Portion of Phase I of Blue Lake County (藍湖郡), No. 1111 Jinkai Avenue, Jingkaiyuan, Beibu New District, Chongqing, PRC	Phase I of Blue Lake County is a large-scale residential development completed in phases between 2006 and 2007. The property comprises a school and a kindergarten in Phase I of the development with a total gross floor area of approximately 17,017.97 sq m (183,181 sq ft). The breakdown of the gross floor area of the property is summarized as below: <table><thead><tr><th>Portion</th><th>Approximate gross floor area (sq m)</th></tr></thead><tbody><tr><td>School</td><td>13,955.56</td></tr><tr><td>Kindergarten</td><td>3,062.41</td></tr><tr><td>Total:</td><td><u>17,017.97</u></td></tr></tbody></table> The land use rights of the property have been granted for two concurrent terms expiring on 6 July 2043 and 6 July 2053 for residential mix and educational uses respectively.	Portion	Approximate gross floor area (sq m)	School	13,955.56	Kindergarten	3,062.41	Total:	<u>17,017.97</u>	The property is currently subject to two tenancies at a rental based on various conditions.	RMB36,400,000 (91.30% interests attributable to the Group: RMB33,233,200)
Portion	Approximate gross floor area (sq m)											
School	13,955.56											
Kindergarten	3,062.41											
Total:	<u>17,017.97</u>											

Notes:

- Pursuant to two Realty Title Certificates, the land use rights and the building ownership rights of the property have been granted to Chongqing Longhu Properties Co. Ltd. (重慶龍湖地產發展有限公司) (“Chongqing Longhu Properties”). Details of the said certificates are, inter alia, summarized as below:

Certificate no.	Owner	Site area (sq m)	Gross floor area (sq m)	Use	Land use term expiry date
113 Fang Di Zheng 2006 Zi Di No. 04159 (113房地證2006 字第04159)	Chongqing Longhu Properties	3,407.20	3,062.41	Residential mix	6 July 2043
113 Fang Di Zheng 2008 Zi Di No. 02244 (113房地證2008字第02244)	Chongqing Longhu Properties	12,205.60	13,955.56	Educational	6 July 2053
	Total:	<u>15,612.80</u>	<u>17,017.97</u>		

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PROPERTY VALUATION

2. We have been provided with a legal opinion on the title to the property issued by the Group’s PRC legal advisers, which contains, inter alia, the following information:-
- (i) Chongqing Longhu Properties legally owns the land use rights and building ownership rights of the property;
 - (ii) Chongqing Longhu Properties is entitled to transfer, lease and mortgage the property during the term of the land use rights without additional payment of any land grant fee or premium; and
 - (iii) Chongqing Longhu Properties is a limited liability company established in accordance with the laws of the PRC and wholly owned by Chongqing Longhu Development Co. Ltd.

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Group I — Property interests held by the Group in the PRC

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 August 2009
7.	Kindergarten of Phases I and II of Chongqing Fairy Castle (重慶紫都城), No. 111 Longshan Avenue, Longxi Road, Yubei District, Chongqing, PRC	Chongqing Fairy Castle is a large-scale residential development completed in 2007. The property comprises a kindergarten in Phases I and II of the development with a gross floor area of approximately 2,915.00 sq m (31,377 sq ft). The land use rights of the property have been granted for two concurrent terms expiring on 8 July 2044 and 8 July 2054 for commercial and residential uses respectively.	The property is currently subject to a tenancy at an annual rental of about RMB70,000.	RMB3,800,000 (91.30% interests attributable to the Group: RMB3,469,400)

Notes:

- Pursuant to two Realty Title Certificates, the land use rights and the building ownership rights of the property have been granted to Chongqing Longhu Properties Co., Ltd. (重慶龍湖地產發展有限公司) (“Chongqing Longhu Properties”). Details of the said certificates are, inter alia, summarized as below:

Certificate no.	Owner	Site area (sq m)	Gross floor area (sq m)	Use	Land use term expiry date
100 Fang Di Zheng 2006 Zi Di No. 11 (100房地證2006字第11號)	Chongqing Longhu Properties	15,528.19	N/A	Commercial Residential	8 July 2044 8 July 2054
201 Fang Di Zheng 2007 Zi Di No. 03699 (201房地證2007字第03699號)	Chongqing Longhu Properties	2,816.50	5,065.35	Commercial services	8 July 2044
	Total:	18,344.69	5,065.35		

As advised by the Group, the property comprises portion of the buildings with a gross floor area of approximately 2,915.00 sq m as stated in the aforesaid Realty Title Certificates.

- We have been provided with a legal opinion on the title to the property issued by the Group’s PRC legal advisers, which contains, inter alia, the following information:-
 - Chongqing Longhu Properties legally owns the land use rights and the building ownership rights of the property;
 - Chongqing Longhu Properties is entitled to transfer, lease and mortgage the property during the term of the land use rights without additional payment of any land grant fee or premium; and
 - Chongqing Longhu Properties is a limited liability company established in accordance with the laws of the PRC and wholly owned by Chongqing Longhu Development Co. Ltd.

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Group I — Property interests held by the Group in the PRC

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 August 2009
8.	Club House and Service Centre of Hill of Good Hope (好望山), No. 1018 Jinkai Avenue, Beibu New District, Chongqing, PRC	Hill of Good Hope is a large-scale residential development completed in 2007. The property comprises a clubhouse and a service centre of the development with a total gross floor area of approximately 973.58 sq m (10,480 sq ft). The land use rights of the property have been granted for a term expiring on 23 March 2044 for commercial uses.	The property is currently occupied by the Group as club house and service centre.	RMB2,700,000 (93.48% interests attributable to the Group: RMB2,523,960)

Notes:

- Pursuant to three Realty Title Certificates, the land use rights and the building ownership rights of the property have been granted to Chongqing Juntion Real Estate Development Inc. (重慶嘉遜地產開發有限公司) (“Chongqing Juntion”). Details of the said certificates are, inter alia, summarized as below:

Certificate no.	Owner	Site area (sq m)	Gross floor area (sq m)	Use	Land use term expiry date
113 Fang Di Zheng 2006 Zi Di No. 01869 (113房地證2006字第01869號)	Chongqing Juntion	120,168.70	N/A	Commercial	23 March 2044
113 Fang Di Zheng 2008 Zi Di No. 01159 (113房地證2008字第01159號)	Chongqing Juntion	655.80	1,578.17	Residential	23 March 2054
113 Fang Di Zheng 2008 Zi Di No. 01159 (113房地證2008字第01159號)	Chongqing Juntion	655.80	1,578.17	Other commercial services	23 March 2044
113 Fang Di Zheng 2008 Zi Di No. 01218 (113房地證2008字第01218號)	Chongqing Juntion	263.00	868.91	Commercial	23 March 2044
	Total:	121,087.50	2,447.08		

As advised by the Group, the property comprises portion of the buildings with a total gross floor area of approximately 973.58 sq m as stated in the aforesaid Realty Title Certificates.

- We have been provided with a legal opinion on the title to the property issued by the Group’s PRC legal advisers, which contains, inter alia, the following information:-
 - Chongqing Juntion legally owns the land use rights and the building ownership rights of the property;
 - Chongqing Juntion is entitled to transfer, lease and mortgage the property during the term of the land use rights without additional payment of any land grant fee or premium; and
 - Chongqing Juntion is a limited liability company established in accordance with the laws of the PRC and owned as to 74.92% by Chongqing Longhu Properties Co. Ltd. and 25.08% by Juntion Development Hong Kong (Holding) Limited.

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Group I — Property interests held by the Group in the PRC

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 August 2009
9.	Unsold portion of Crystal Cosmo (水晶國際) of Phase III of Crystal Town (水晶郛城), K27 Building, No. 162 Xinnan Road, Renhe Town, Beibu New District, Chongqing, PRC	Phase III of Crystal Town is a 18-storey office tower with a 3-level commercial podium completed in 2008. The property comprises the unsold office portion of Phase III of the development with a total gross floor area of approximately 2,073.00 sq m (22,314 sq ft). The land use rights of the property have been granted for two concurrent terms expiring on 28 February 2043 and 28 February 2073 for commercial and residential uses respectively.	The property is currently occupied by the Group as office.	RMB9,100,000 (91.30% interests attributable to the Group: RMB8,308,300)

Notes:

- Pursuant to the State-owned Land Use Rights Certificate Yu Guo Yong (2004) Zi Di No. 308 (渝國用(2004)字第308號) issued by Chongqing State Land Resources and Housing Administrative Bureau, the land use rights of a parcel of land with a site area of 18,230.90 sq m have been granted to Chongqing Jiachen Economic Development Limited (重慶佳辰經濟發展有限公司) (now known as Chongqing Longhu Development Co. Ltd. (重慶龍湖企業拓展有限公司) (“Chongqing Longhu Development”) for two concurrent terms expiring on 28 February 2043 and 28 February 2073 for commercial and residential uses respectively.
- Pursuant to the Realty Title Certificate Bei Xin Gao 112 Fang Di Zheng 2008 Zi Di No. 07374 (北新高112房地證2008字第07374號), the land use rights of portion of the parcel of land mentioned in note 1 with a site area of 2,737.40 sq m and the building ownership rights of various buildings with a total gross floor area of 23,139.46 sq m are held by Chongqing Longhu Development for a term expiring on 28 February 2043 for commercial uses.

As advised by the Group, the property comprises portion of the buildings with a total gross floor area of approximately 2,073.00 sq m as stated in the said Realty Title Certificate.

- We have been provided with a legal opinion on the title to the property issued by the Group’s PRC legal advisers, which contains, inter alia, the following information:-
 - There is no substantial legal impediment for Chongqing Longhu Development to change the owner’s name of the relevant State-owned Land Use Rights Certificate;
 - Chongqing Longhu Development legally owns the land use rights and building ownership rights of the property;
 - Chongqing Longhu Development is entitled to transfer, lease and mortgage the land use rights of the property during the term of the land use rights without additional payment of any land grant fee or premium; and
 - Chongqing Longhu Development is a Sino-foreign joint venture enterprise established in accordance with the laws of the PRC, owned as to 91.3% by Juntion Development Hong Kong (Holding) Limited and 8.7% by Chongqing Xuke investment. The profit sharing is in accordance to the percentage of share of the shareholders.

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Group I — Property interests held by the Group in the PRC

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 August 2009								
10.	Unsold commercial area and a kindergarten of King Land (晶藍半島), No. 38 Hongji Middle Road, Jinjiang District, Chengdu, Sichuan Province, PRC	King Land is a large-scale residential development completed in phases in 2007 and 2008. The property comprises the unsold commercial portion and a kindergarten of the development with a gross floor area as below: <table> <tr> <th>Portion</th> <th>Approximate gross floor area (sq m)</th> </tr> <tr> <td>Commercial</td> <td>2,482.69</td> </tr> <tr> <td>Kindergarten</td> <td>2,571.23</td> </tr> <tr> <td>Total:</td> <td><u>5,053.92</u></td> </tr> </table> The land use rights of the property have been granted for three concurrent terms expiring on 22 November 2045, 22 November 2055 and 22 November 2075 for commercial, education and residential uses respectively.	Portion	Approximate gross floor area (sq m)	Commercial	2,482.69	Kindergarten	2,571.23	Total:	<u>5,053.92</u>	The commercial area of the property is currently occupied by the Group as office whilst the kindergarten is vacant.	RMB21,800,000 (86.17% interests attributable to the Group: RMB18,785,060)
Portion	Approximate gross floor area (sq m)											
Commercial	2,482.69											
Kindergarten	2,571.23											
Total:	<u>5,053.92</u>											

Notes:

- Pursuant to two State-owned Land Use Rights Certificates, the land use rights of the property have been granted to Chengdu Longhu Jinhua Real Estate Co., Ltd. (成都龍湖錦華置業有限公司) (“Chengdu Longhu Jinhua”). Details of the said certificates are, inter alia, summarized as below:

Certificate no.	Land owner	Site area (sq m)	Use	Land use term expiry date
Cheng Guo Yong (2006) Di No. 54 (成國用(2006)第54號)	Chengdu Longhu Jinhua	22,428.77	Residential	22 November 2075
			Commercial	22 November 2045
			Education	22 November 2055
Cheng Guo Yong (2007) Di No. 114 (成國用(2007)第114號)	Chengdu Longhu Jinhua	37,046.87	Residential	22 November 2075
			Commercial	22 November 2045
			Education	22 November 2055
Total:		59,475.64		

- Pursuant to the Planning Permit for Construction Land Cheng Gui Yong Di (2005) No. 554 (成規用地 (2005) 554號) issued by Chengdu Planning and Administration Bureau on 18 December 2005, Chengdu Longhu Jinhua is permitted to use a parcel of land with a site area of 68,003.30 sq m for residential, kindergarten, commercial and underground car park development.

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3. Pursuant to four Planning Permits for Construction Works Cheng Gui Jian Zhu (2006) Nos. 75, 177 and 262 (成規建築(2006)75, 177和262號), and Cheng Gui Jian Zhu (2007) No. 273 (成規建築(2007)273號) issued by Chengdu Planning and Administration Bureau, the approved construction scale of the property of King Land is 283,081.23 sq m.
4. Pursuant to the Permit for Commencement of Construction Works No. 510100200708240101 issued by Chengdu Construction Commission, the construction of the property has been permitted to commence the approved construction scale is 2,571.23 sq m.
5. Pursuant to four Pre-sale Permits for Commodity Housing Cheng Fang Yu Shou Zi Di Nos. 4504, 4590, 4655 and 4880 (成房預售字第4504, 4590, 4655 and 4880號) all issued by Chengdu House Management Bureau, a total gross floor area of 277,615.84 sq m of King Land were permitted to be pre-sold.
6. We have provided with a legal opinion on the title to the property issued by the Group’s PRC legal advisers, which contains, inter alia, the following information:-
 - (i) Chengdu Longhu Jinhua legally owns the land use rights of the property and is entitled to transfer, lease and mortgage the land use rights of the property during the term of the land use rights without additional payment of any land grant fee or premium;
 - (ii) the property is subject to mortgages and Chongqing Longhu Jinhua has to obtain the mortgagee’s prior written consent before transferring, leasing or mortgaging such portion of the property during the mortgage term;
 - (iii) Chengdu Longhu Jinhua has obtained from the relevant government authorities the permits and approvals required by the law for the construction of the property;
 - (iv) Chengdu Longhu Jinhua is entitled to pre-sell the property in accordance with the pre-sale limits prescribed in the Pre-sale Permits for Commodity Housing mentioned in note (4) above;
 - (v) Chengdu Longhu Jinhua can use the relevant Realty Title Certificates, Planning Permit for Construction Land, Planning Permit for Construction Works, Permit for Commencement of Construction Works and information on Examination of Completion of Buildings to apply for the relevant Building Ownership Certificate for the property. Upon Chengdu Longhu Jinhua obtaining the construction completion examination documents, there is no substantial legal impediment for Chengdu Longhu Jinhua to obtain the relevant Building Ownership Certificate; and
 - (vi) Chengdu Longhu Jinhua is a limited liability company established in accordance with the laws of the PRC and owned as to 67% by Chongqing Longhu Development Co. Ltd., 25% by Juntion Development Hong Kong (Holding) Limited and 8% by Topper Industrial.

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Group II — Property interests held by the Group for sale in the PRC

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 August 2009								
11.	Unsold Commercial Units and Car Parks of Longfor Garden Nanyuan (龍湖花園南苑), No. 6 Xinnan Road, Longxi Town, Yubei District, Chongqing, PRC	Longfor Garden Nanyuan is a large-scale residential development completed in various phases between 1997 and 2001. The property comprises unsold commercial units and 187 underground car parking spaces with a total gross floor area of approximately 9,676.72 sq m (104,160 sq ft). The breakdown of the gross floor area of the property is summarized as below: <table> <tr> <th>Portion</th> <th>Approximate gross floor area (sq m)</th> </tr> <tr> <td>Commercial</td> <td>4,204.81</td> </tr> <tr> <td>Car park</td> <td>5,471.91</td> </tr> <tr> <td>Total:</td> <td><u>9,676.72</u></td> </tr> </table> The land use rights of the property have been granted for commercial and car park uses. Please refer to note (1) below for details.	Portion	Approximate gross floor area (sq m)	Commercial	4,204.81	Car park	5,471.91	Total:	<u>9,676.72</u>	Portion of the commercial units and all the car park spaces with a total floor area of approximately 9,571.91 sq m is currently subject to various tenancies at a total monthly rental of about RMB220,000. The remaining portion of the property is vacant.	RMB46,100,000 (91.30% interests attributable to the Group: RMB42,089,300)
Portion	Approximate gross floor area (sq m)											
Commercial	4,204.81											
Car park	5,471.91											
Total:	<u>9,676.72</u>											

Notes:

- Pursuant to eight State-owned Land Use Rights Certificates, the land use rights of the property have been granted to Chongqing Zhongjian Ke Real Estate Properties Co. Limited (重慶中建科置業有限公司) (“Chongqing Zhongjian Ke”) and Chongqing Longhu Property Development Co., Ltd. (重慶龍湖置業發展有限公司) (“Chongqing Longhu Property Development”) (now known as Chongqing Longhu Properties Co. Ltd. (重慶龍湖地產發展有限公司) (“Chongqing Longhu Properties”)). Details of the said certificates are, inter alia, summarized as below:

Certificate no.	Land owner	Site area (sq m)	Use	Land use term expiry date
Yu Bei Guo Yong 2001 Zi Di No. 01618 (渝北國用2001字第01618號)	Chongqing Zhongjian Ke	2,124.10	Commercial	20 August 2046
Yu Bei Guo Yong (2003) Zi Di No. 07459 (渝北國用(2003)字第07459號)	Chongqing Longhu Property Development	55.45	Commercial	20 August 2066
Yu Bei Guo Yong (2003) Zi Di No. 07460 (渝北國用(2003)字第07460號)	Chongqing Longhu Property Development	57.40	Commercial	20 August 2066
Yu Bei Guo Yong (2003) Zi Di No. 11298 (渝北國用(2003)字第11298號)	Chongqing Longhu Properties	88.69	Commercial	1 December 2067
Yu Bei Guo Yong (2002) Zi Di No. 03869 (渝北國用(2002)字第03869號)	Chongqing Longhu Property Development	6,276.80	Commercial	1 December 2067

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Certificate no.	Land owner	Site area (sq m)	Use	Land use term expiry date
Yu Bei Guo Yong (2002) Zi Di No. 03871 (渝北國用(2002)字第03871號)	Chongqing Longhu Property Development	17,614.00	Car park	20 June 2066
Yu Bei Guo Yong (2001) Zi Di No. 01619 (渝北國用(2001)字第01619號)	Chongqing Zhongjianke	2,972.00	Car park	20 August 2066
Yu Bei Guo Yong (2002) Zi Di No.03870 (渝北國用(2002)字第03870號)	Chongqing Longhu Property Development	6,276.80	Car park	1 December 2067
	Total:	<u>35,465.24</u>		

2. Pursuant to seven Building Ownership Certificates, the building ownership rights of the property are held by Chongqing Zhongjian Ke or Chongqing Longhu Properties. Details of the said certificates are, inter alia, summarized as below:

Certificate No.	Owner	Gross floor area (sq m)	Use
Chong Qing Shi Fang Quan Zheng 201 Zi Di No. 058668 (重慶市房權證201字第058668號)	Chongqing Zhongjian Ke	15,863.37	Non-residential
Chong Qing Shi Fang Quan Zheng 201 Zi Di No. 0103382 (重慶市房權證201字第0103382號)	Chongqing Longhu Property Development	1,323.10	Non-residential
Chong Qing Shi Fang Quan Zheng 201 Zi Di No. 0103383 (重慶市房權證201字第0103383號)	Chongqing Longhu Property Development	1,332.38	Non-residential
Chong Qing Shi Fang Quan Zheng 201 Zi Di No. 0104323 (重慶市房權證201字第0104323號)	Chongqing Longhu Property Development	614.40	Non-residential
Chong Qing Shi Fang Quan Zheng 201 Zi Di No. 037338 (重慶市房權證201字第037338號)	Chongqing Zhongjian Ke	3,691.49	Car park
Chong Qing Shi Fang Quan Zheng 201 Zi Di No. 020686 (重慶市房權證201字第020686號)	Chongqing Zhongjian Ke	3,681.00	Car park
Chong Qing Shi Fang Quan Zheng 201 Zi Di No. 0147888 (重慶市房權證201字第0147888號)	Chongqing Longhu Properties	306.89	Non-residential
	Total:	<u>26,812.63</u>	

As advised by the Group, the property comprises portion of the buildings with a total gross floor area of approximately 9,676.72 sq m as stated in the aforesaid Building Ownership Certificates.

3. We have been provided with a legal opinion on the title to the property issued by the Group’s PRC legal advisers, which contains, inter alia, the following information:-
- the legal owner as stated in some of the aforesaid State-owned Land Use Rights Certificates and Building Ownership Certificates is Chongqing Zhongjian Ke or Chongqing Longhu Property Development. There is no major legal impediment for Chongqing Longhu Properties to change the owner’s name of the said certificates. The fact that the owner’s name of the said certificates has not been changed will not affect Chongqing Longhu Properties’ legal ownership of the relevant land use rights and building ownership rights;
 - Chongqing Longhu Properties legally owns the land use rights of the property and is entitled to transfer, lease and mortgage the land use rights of the property during the term of the land use rights without additional payment of any land grant fee or premium;

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- (iii) Chongqing Longhu Properties legally owns the building ownership rights of the property and is entitled to transfer, lease or mortgage the property during the term of the land use rights without additional payment of any land grant fee or premium; and
- (iv) Chongqing Longhu Properties is a limited liability company established in accordance with the laws of the PRC and wholly owned by Chongqing Longhu Development Co. Ltd.

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Group II — Property interests held by the Group for sale in the PRC

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 August 2009
12.	Unsold Car Park of Longfor Garden Xiyuan (龍湖花園西苑), Nos. 83 and 151 and West A of Longhu West Road, Renhe Town, Yubei District, Chongqing, PRC	Longfor Garden Xiyuan is a large-scale residential development completed in phases between 2000 and 2004. The property comprises 386 unsold underground car parking spaces with a total gross floor area of approximately 15,792.63 sq m (169,992 sq ft). The land use rights of the property have been granted for a term expiring on 23 September 2042 for car park uses.	The property is vacant.	RMB34,700,000 (91.30% interests attributable to the Group: RMB31,681,100)

Notes:

- Pursuant to three Realty Title Certificates, the land use rights and building ownership rights of the property have been granted to Chongqing Longhu Properties Co. Ltd. (重慶龍湖地產發展有限公司) (“Chongqing Longhu Properties”). Details of the said certificates are, inter alia, summarized as below:

Certificate no.	Owner	Site area (sq m)	Gross floor area (sq m)	Use	Land use term expiry date
Bei Xin Gao 112 Fang Di Zheng 2005 Zi Di No. 00917 (北新高112房地證2005字第00917號)	Chongqing Longhu Properties	19,491.40	19,485.71	Non residential	23 September 2042
Bei Xin Gao 112 Fang Di Zheng 2005 Zi Di No. 00919 (北新高112房地證2005字第00919號)	Chongqing Longhu Properties	4,167.09	4,167.09	Non residential	23 September 2042
Bei Xin Gao 112 Fang Di Zheng 2005 Zi Di No. 00918 (北新高112房地證2005字第00918號)	Chongqing Longhu Properties	13,547.70	13,542.98	Non residential	23 September 2042
	Total:	<u>37,206.19</u>	<u>37,195.78</u>		

As advised by the Company, the property comprises portion of the building as stated in the aforesaid Realty Title Certificates with a total gross floor area of approximately 15,792.63 sq m.

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2. We have been provided with a legal opinion on the title to the property issued by the Group’s PRC legal advisers, which contains, inter alia, the following information:-
- (i) Chongqing Longhu Properties legally owns the land use rights and the building ownership rights of the property;
 - (ii) Chongqing Longhu Properties is entitled to transfer, lease and mortgage the property during the term of the land use rights without additional payment of any land grant fee or premium; and
 - (iii) Chongqing Longhu Properties is a limited liability company established in accordance with the laws of the PRC and wholly owned by Chongqing Longhu Development Co. Ltd.

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Group II — Property interests held by the Group for sale in the PRC

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 August 2009
13.	Unsold Car Park of Waft Yard (楓香庭), No. 60, Jianxin North Road, Jiangbei District, Chongqing, PRC	Waft Yard is a large-scale residential development completed in 2003. The property comprises 143 unsold underground car parking spaces with a total gross floor area of approximately 4,313.00 sq m (46,425 sq ft). The land use rights of the property have been granted for a term expiring in December 2041 for other commercial service uses.	The property is currently vacant.	RMB14,300,000 (91.30% interests attributable to the Group: RMB13,055,900)

Notes:

- Pursuant to the Realty Title Certificate 103 Fang Di Zheng 2006 Zi Di No. 01937 (103房地證2006字第01937號), the land use rights of the property with a site area of 3,992.20 sq m and the building ownership rights of various buildings with a gross floor area of 8,520.46 sq m have been granted to Chongqing Longhu Development Co. Ltd. (重慶龍湖企業拓展有限公司) (“Chongqing Longhu Development”) for a term expiring in December 2041 for other commercial service uses.

As advised by the Group, the property comprises portion of the buildings with a gross floor area of approximately 4,313.00 sq m as stated in the aforesaid Realty Title Certificate.

- We have been provided with a legal opinion on the title to the property issued by the Group’s PRC legal advisers, which contains, inter alia, the following information:-
 - Chongqing Longhu Development legally owns the land use rights and the building ownership rights of the property;
 - Chongqing Longhu Development is entitled to transfer, lease and mortgage the property during the term of the land use rights without additional payment of any land grant fee or premium; and
 - Chongqing Longhu Development is a Sino-foreign joint equity enterprise established in accordance with the laws of the PRC, owned as to 91.3% by Juntion Development Hong Kong (Holding) Limited and 8.7% by Chongqing Xuke Investment Co., Ltd. The profit sharing is in accordance to the percentage of share of the shareholders.

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Group II — Property interests held by the Group for sale in the PRC

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 August 2009								
14.	Unsold Portion of New Star (北岸星座), No. 4 Yanghe Road, Jiangbei District, Chongqing, PRC	New Star is a 32-storey office/ SOHO building plus a 2-level car parking basement completed in 2004. The property comprises Levels 6 to 8 of the building and 33 underground car parking spaces with a total gross floor area of approximately 10,184.29 sq m (109,624 sq ft). The breakdown of the gross floor area of the property is summarized as below: <table><thead><tr><th>Portion</th><th>Approximate gross floor area (sq m)</th></tr></thead><tbody><tr><td>Office</td><td>6,639.62</td></tr><tr><td>Car park</td><td>3,544.67</td></tr><tr><td>Total:</td><td><u>10,184.29</u></td></tr></tbody></table> The land use rights of the property have been granted for a term expiring on 31 December 2041 for commercial use.	Portion	Approximate gross floor area (sq m)	Office	6,639.62	Car park	3,544.67	Total:	<u>10,184.29</u>	Portion of the property with a total floor area of approximately 415.25 sq m were subject to various tenancies at a total monthly rental receivable of about RMB7,800. The remaining portion of the property is occupied by the company as office uses.	RMB30,100,000 (91.30% interests attributable to the Group: RMB27,481,300)
Portion	Approximate gross floor area (sq m)											
Office	6,639.62											
Car park	3,544.67											
Total:	<u>10,184.29</u>											

Notes:

- Pursuant to two Realty Title Certificates, the land use rights and the building ownership rights of the property have been granted to Chongqing Longhu Development Co., Ltd. (重慶龍湖企業拓展有限公司) (“Chongqing Longhu Development”). Details of the said certificates are, inter alia, summarized as below:

Certificate no.	Owner	Site area (sq m)	Gross floor area (sq m)	Use	Land use term expiry date
103 Fang Di Zheng 2006 Zi Di No. 01938 (103房地證2006字第01938號)	Chongqing Longhu Development	410.86	5,272.13	Commercial	31 December 2041
103 Fang Di Zheng 2006 Zi Di No. 15880 (103房地證2006字第15880號)	Chongqing Longhu Development	404.27	4,912.16	Commercial	31 December 2041
	Total:	<u>815.13</u>	<u>10,184.29</u>		

As advised by the Group, the building as stated in the aforesaid Realty Title Certificate 103 Fang Di Zheng 2006 Zi Di No. 15880 (103房地證2006字第15880號) comprises approximately 1,367.49 sq m for office uses and approximately 3,544.67 sq m for car park uses.

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PROPERTY VALUATION

2. We have been provided with a legal opinion on the title to the property issued by the Group’s PRC legal advisers, which contains, inter alia, the following information:-
- (i) Chongqing Longhu Development legally owns the land use rights and the building ownership rights of the property;
 - (ii) Chongqing Longhu Development is entitled to transfer, lease and mortgage the property during the term of the land use rights without additional payment of any land grant fee or premium; and
 - (iii) Chongqing Longhu Development is a Sino-foreign joint equity enterprise established in accordance with the laws of the PRC, owned as to 91.3% by Juntion Development Hong Kong (Holding) Limited and 8.7% by Chongqing Xuke Investment Co., Ltd. The profit sharing is in accordance to the percentage of share of the shareholders.

APPENDIX IV

PROPERTY VALUATION

VALUATION CERTIFICATE

Group II — Property interests held by the Group for sale in the PRC

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 August 2009								
15.	Unsold Portion of Phase I & Phase II of Crystal Town (水晶郦城), Nos. 22-32 of Jincheng Road Renhe Street, Yubei District, Chongqing, PRC	Phases I & II of Crystal Town is a large-scale residential development completed in 2005. The property comprises two unsold commercial units and 925 underground carparking spaces with a total gross floor area of approximately 39,277.14 sq m (422,779 sq ft). The breakdown of the gross floor area of the property is summarized as below: <table> <tr> <th>Portion</th> <th>Approximate gross floor area (sq m)</th> </tr> <tr> <td>Commercial</td> <td>701.00</td> </tr> <tr> <td>Car park</td> <td>38,576.14</td> </tr> <tr> <td>Total:</td> <td><u>39,277.14</u></td> </tr> </table> The land use rights of the property have been granted for various terms for commercial service use. Please refer to note (1) below for details.	Portion	Approximate gross floor area (sq m)	Commercial	701.00	Car park	38,576.14	Total:	<u>39,277.14</u>	The property is currently vacant.	RMB88,600,000 (91.30% interests attributable to the Group: RMB80,891,800)
Portion	Approximate gross floor area (sq m)											
Commercial	701.00											
Car park	38,576.14											
Total:	<u>39,277.14</u>											

Notes:

- Pursuant to Five Realty Title Certificates, the land use rights and the building ownership rights of the property have been granted to Chongqing Longhu Development Co. Ltd. (重慶龍湖企業拓展有限公司) (“Chongqing Longhu Development”). Details of the said certificates are, inter alia, summarized as below:

Certificate no.	Owner	Site area (sq m)	Gross floor area (sq m)	Uses	Land use term expiry date
Bei Xin Gao 112 Fang Di Zheng 2006 Zi Di No. 00102 (北新高112房地證2006字第00102號)	Chongqing Longhu Development	5,509.80	10,581.51	Commercial service	2 September 2042
Bei Xin Gao 112 Fang Di Zheng 2006 Zi Di No. 00104 (北新高112房地證2006字第00104號)	Chongqing Longhu Development	11,382.50	19,010.10	Commercial service	8 April 2043
Bei Xin Gao 112 Fang Di Zheng 2006 Zi Di No. 00103 (北新高112房地證2006字第00103號)	Chongqing Longhu Development	4,233.80	7,814.08	Commercial service	1 March 2044

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PROPERTY VALUATION

Certificate no.	Owner	Gross		Uses	Land use term expiry date
		Site area (sq m)	floor area (sq m)		
Bei Xin Gao 112 Fang Di Zheng 2006 Zi Di No. 00035 (北新高112房地 證2006字第00035號)	Chongqing Longhu Development	13,665.50	12,277.17	Commercial service	8 April 2043
Bei Xin Gao 112 Fang Di Zheng 2006 Zi Di No. 00036 (北新高112房地 證2006字第00036號)	Chongqing Longhu Development	21,997.30	22,071.17	Commercial service	27 February 2043
	Total:	<u>56,788.90</u>	<u>71,754.03</u>		

As advised by the Company, the property comprises portion of the buildings as stated in the aforesaid Realty Title Certificates with a total gross floor area of approximately 39,277.14 sq m.

2. We have been provided with a legal opinion on the title to the property issued by the Group’s PRC legal advisers, which contains, inter alia, the following information:-
 - (i) Chongqing Longhu Development legally owns the land use rights and the building ownership rights of the property;
 - (ii) Chongqing Longhu Development is entitled to transfer, lease or mortgage the property during the term of the land use rights without additional payment of any land grant fee or premium; and
 - (iii) Chongqing Longhu Development is a Sino-foreign joint equity enterprise established in accordance with the laws of the PRC, owned as to 91.3% by Juntion Development Hong Kong (Holding) Limited and 8.7% by Chongqing Xuke Investment Co., Ltd. The profit sharing is in accordance to the percentage of share of the shareholders.

APPENDIX IV

PROPERTY VALUATION

VALUATION CERTIFICATE

Group II — Property interests held by the Group for sale in the PRC

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 August 2009																				
16.	Unsold Portion of Phase I, Phase III, Phase IV and Phase V of Blue Lake County (藍湖郡), No. 1111 Jinkai Avenue, Jingkaiyuan, Beibu New District, Chongqing, PRC	Blue Lake County is a large-scale residential development developed in 5 phases and completed in phases between 2006 and 2008. Phases I, III, IV and V of the development are known as Blue Lake County East (藍湖郡・東岸), Chongqing Flamenco Spain (重慶弗萊明戈), Blue Lake Garden Villa (藍湖香頌) and Blue Lake Apartment (藍湖時光) respectively. The property comprises the unsold commercial portion of Phase I, 144 underground car parking spaces of Phases III & V and the club house of Phase IV with a total gross floor area of approximately 13,249.39 sq m (142,616 sq ft). The breakdown of the gross floor area of the property is summarized as below: <table><thead><tr><th>Portion</th><th>Approximate gross floor area (sq m)</th></tr></thead><tbody><tr><td colspan="2"><i>Phase I</i></td></tr><tr><td>Commercial</td><td>8,065.59</td></tr><tr><td colspan="2"><i>Phase III</i></td></tr><tr><td>Car park</td><td>4,392.43</td></tr><tr><td colspan="2"><i>Phase IV</i></td></tr><tr><td>Club house</td><td>755.80</td></tr><tr><td colspan="2"><i>Phase V</i></td></tr><tr><td>Car park</td><td>35.57</td></tr><tr><td>Total:</td><td><u>13,249.39</u></td></tr></tbody></table> The land use rights of the property have been granted for a term expiring on 6 July 2043 for commercial uses.	Portion	Approximate gross floor area (sq m)	<i>Phase I</i>		Commercial	8,065.59	<i>Phase III</i>		Car park	4,392.43	<i>Phase IV</i>		Club house	755.80	<i>Phase V</i>		Car park	35.57	Total:	<u>13,249.39</u>	The property is vacant.	RMB92,000,000 (91.30% interests attributable to the Group: RMB83,996,000)
Portion	Approximate gross floor area (sq m)																							
<i>Phase I</i>																								
Commercial	8,065.59																							
<i>Phase III</i>																								
Car park	4,392.43																							
<i>Phase IV</i>																								
Club house	755.80																							
<i>Phase V</i>																								
Car park	35.57																							
Total:	<u>13,249.39</u>																							

APPENDIX IV

PROPERTY VALUATION

Notes:

- Pursuant to the Realty Title Certificate 113 Fang Di Zheng 2007 Zi Di No. 03676 (113房地證2007字第03676號), the land use rights with a site area of 10,771.30 sq m and building ownership rights with a gross floor area of 11,953.83 sq m of the property in Phase I have been granted to Chongqing Longhu Properties Co. Ltd. (重慶龍湖地產發展有限公司) (“Chongqing Longhu Properties”) for a term expiring on 6 July 2043 for commercial uses.

As advised by the Group, the property comprises portion of the buildings with a total gross floor area of approximately 8,065.59 sq m as stated in the aforesaid Realty Title Certificate.

- Pursuant to nine Realty Title Certificates, the land use rights and building ownership rights of the property in Phase III have been granted to Chongqing Longhu Properties. Details of the said certificates are, inter alia, summarized as below:

Certificate no.	Owner	Site area (sq m)	Gross floor area		Land use term expiry date
			(sq m)	Uses	
113 Fang Di Zheng 2007 Zi Di No. 03678 (113房地證2007字第03678號)	Chongqing Longhu Properties	439.31	1,389.30	Other commercial services	6 July 2043
113 Fang Di Zheng 2007 Zi Di No. 03682 (113房地證2007字第03682號)	Chongqing Longhu Properties	493.88	1,334.58	Other commercial services	6 July 2043
113 Fang Di Zheng 2007 Zi Di No. 03683 (113房地證2007字第03683號)	Chongqing Longhu Properties	560.87	1,650.69	Other commercial services	6 July 2043
113 Fang Di Zheng 2007 Zi Di No. 03684 (113房地證2007字第03684號)	Chongqing Longhu Properties	479.41	1,501.91	Other commercial services	6 July 2043
113 Fang Di Zheng 2007 Zi Di No. 03685 (113房地證2007字第03685號)	Chongqing Longhu Properties	502.86	1,166.97	Other commercial services	6 July 2043
113 Fang Di Zheng 2007 Zi Di No. 03686 (113房地證2007字第03686號)	Chongqing Longhu Properties	1,307.62	3,650.96	Other commercial services	6 July 2043
113 Fang Di Zheng 2007 Zi Di No. 03687 (113房地證2007字第03687號)	Chongqing Longhu Properties	797.53	2,072.78	Other commercial services	6 July 2043
113 Fang Di Zheng 2007 Zi Di No. 03688 (113房地證2007字第03688號)	Chongqing Longhu Properties	630.12	1,832.95	Other commercial services	6 July 2043
113 Fang Di Zheng 2009 Zi Di No. 00675 (113房地證2009字第00675號)	Chongqing Longhu Properties	871.10	6,436.95	Other commercial services	6 July 2043
	Total:	<u>6,082.70</u>	<u>21,037.09</u>		

As advised by the Group, the property comprises portion of the buildings as stated in the aforesaid Realty Title Certificates with a total gross floor area of approximately 4,428.00 sq m.

- Pursuant to Realty Title Certificate 113 Fang Di Zheng 2008 Zi Di No. 06413 (113房地證2008字第06413號), the land use rights of a parcel of land with a site area of 755.80 sq m and building ownership rights of buildings with a gross floor area of 1,162.72 sq m have been granted to Chongqing Longhu Properties for a term expiring on 6 July 2043 for commercial services uses.

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PROPERTY VALUATION

As advised by the Group, the club house of Phase IV comprises portion of the building as stated in the aforesaid Realty Title Certificate with a gross floor area of approximately 755.80 sq m.

4. We have been provided with a legal opinion on the title to the property issued by the Group’s PRC legal advisers, which contains, inter alia, the following information:-
- (i) Chongqing Longhu Properties legally owns the land use rights and the building ownership rights of the property;
 - (ii) Chongqing Longhu Properties is entitled to transfer, lease and mortgage the property and its land use rights during the term of the land use rights without additional payment of any land grant fee or premium; and
 - (iii) Chongqing Longhu Properties is a limited liability company established in accordance with the laws of the PRC and wholly owned by Chongqing Longhu Development Co. Ltd.

APPENDIX IV

PROPERTY VALUATION

VALUATION CERTIFICATE

Group II — Property interests held by the Group for sale in the PRC

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 August 2009
17.	Car Park of Phases I & II of Chongqing Fairy Castle (重慶紫都城), Longshan Avenue, Longxi Road, Yubei District, Chongqing, PRC	Phases I & II of Chongqing Fairy Castle is a large-scale residential development completed in 2007. The property comprises 328 unsold underground carparking spaces with a total gross floor area of approximately 13,070.24 sq m (140,688 sq ft). The land use rights of the property have been granted for a term expiring on 8 July 2044 for commercial services uses.	The property is currently vacant.	RMB36,100,000 (91.30% interests attributable to the Group: RMB32,959,300)

Notes:

- Pursuant to two Realty Title Certificates, the land use rights and the building ownership rights of the property have been granted to Chongqing Longhu Properties Co. Ltd. (重慶龍湖地產發展有限公司) (“Chongqing Longhu Properties”). Details of the said certificates are, inter alia, summarized as below:

Certificate no.	Owner	Site area (sq m)	Gross floor area (sq m)	Use	Land use term expiry date
201 Fang Di Zheng 2007 Zi Di No. 03699 (201房地證2007字第03699號)	Chongqing Longhu Properties	2,816.50	5,065.35	Commercial services	8 July 2044
201 Fang Di Zheng 2007 Zi Di No. 04854 (201房地證2007字第04854號)	Chongqing Longhu Properties	3,724.79	14,898.95	Commercial services	8 July 2044
	Total:	<u>6,541.29</u>	<u>19,964.30</u>		

As advised by the Group, the property comprises portion of the buildings as stated in the aforesaid Realty Title Certificates with a total gross floor area of 13,070.24 sq m.

- We have been provided with a legal opinion on the title to the property issued by the Group’s PRC legal advisers, which contains, inter alia, the following information:-
 - Chongqing Longhu Properties legally owns the land use rights and the building ownership rights of the property;
 - Chongqing Longhu Properties is entitled to transfer, lease and mortgage the property during the term of the land use rights without additional payment of any land grant fee or premium; and
 - Chongqing Longhu Properties is a limited liability company established in accordance with the laws of the PRC and wholly owned by Chongqing Longhu Development Co. Ltd.

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PROPERTY VALUATION

VALUATION CERTIFICATE

Group II — Property interests held by the Group for sale in the PRC

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 August 2009								
18.	Unsold Portion of Fairy Paradise Walk (紫都天街), Phase III of Chongqing Fairy Castle (重慶紫都城), No.13 Longshan Road, Yubei District, Chongqing, PRC	Phase III of Chongqing Fairy Castle is a large-scale commercial development completed in 2007. The property comprises unsold commercial area and 140 underground car parking spaces with a total gross floor area of approximately 6,380.57 sq m (68,680 sq ft). The breakdown of the gross floor area of the property is summarized as below: <table> <tr> <th>Portion</th> <th>Approximate gross floor area (sq m)</th> </tr> <tr> <td>Commercial</td> <td>259.00</td> </tr> <tr> <td>Car park</td> <td>6,121.57</td> </tr> <tr> <td>Total:</td> <td>6,380.57</td> </tr> </table> The land use rights of the property have been granted for two concurrent terms of 40 years and 50 years expiring on 8 July 2044 and 8 July 2054 for commercial and residential uses respectively.	Portion	Approximate gross floor area (sq m)	Commercial	259.00	Car park	6,121.57	Total:	6,380.57	The property is currently vacant.	RMB17,900,000 (91.30% interests attributable to the Group: RMB16,342,700)
Portion	Approximate gross floor area (sq m)											
Commercial	259.00											
Car park	6,121.57											
Total:	6,380.57											

Notes:

- Pursuant to four Realty Title Certificates, the land use rights and building ownership rights of property have been granted to Chongqing Longhu Properties Co., Ltd. (重慶龍湖地產發展有限公司) (“Chongqing Longhu Properties”). Details of the said certificates are, inter alia, summarized as below:

Certificate no.	Owner	Site area (sq m)	Gross floor area (sq m)	Use	Land use term expiry date
100 Fang Di Zheng 2006 Zi Di No. 11 (100房地證2006字第11號)	Chongqing Longhu Properties	15,528.19	N/A	Commercial Residential	8 July 2044 8 July 2054
201 Fang Di Zheng 2007 Zi Di No. 04854 (201房地證2007字第04854號)	Chongqing Longhu Properties	3,724.79	14,898.95	Commercial service	8 July 2044
201 Fang Di Zheng 2008 Zi Di No. 06805 (201房地證2008字第06805號)	Chongqing Longhu Properties	10,256.10	6,111.65	Commercial service	8 July 2044

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PROPERTY VALUATION

Certificate no.	Owner	Site area (sq m)	Gross floor area (sq m)	Use	Land use term expiry date
201 Fang Di Zheng 2008 Zi Di No. 06807 (201房地證2008字第06807號)	Chongqing Longhu Properties	10,256.10	7,395.79	Commercial services	8 July 2044
		39,765.18	28,406.39		

As advised by the Group, the property comprises portion of the buildings as stated in the aforesaid Realty Title Certificates with a total gross floor area of approximately 6,380.57 sq m.

2. We have been provided with a legal opinion on the title to the property issued by the Group’s PRC legal advisers, which contains, inter alia, the following information:-
- (i) Chongqing Longhu Properties legally owns the land use rights and the building ownership rights of the property;

(ii) Chongqing Longhu Properties is entitled to transfer, lease and mortgage the property during the term of the land use rights without additional payment of any land grant fee or premium; and

(iii) Chongqing Longhu Properties is a limited liability company established in accordance with the laws of the PRC and wholly owned by Chongqing Longhu Development Co. Ltd.

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PROPERTY VALUATION

VALUATION CERTIFICATE

Group II — Property interests held by the Group for sale in the PRC

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 August 2009								
19.	Unsold Portion of Phase I, Phase II and Phase IV of River View (觀山水), North of Haixia Road, Jingkai District, Chongqing, PRC	River View is a large-scale residential development completed in phases between 2008 and 2009. The property comprises unsold commercial units in Phase IV and 267 underground car parking spaces in Phases I and II with a total gross floor area of approximately 12,237.98 sq m (131,730 sq ft). The breakdown of the gross floor area of the property is summarized as below: <table><tr><th>Portion</th><th>Approximate gross floor area (sq m)</th></tr><tr><td>Commercial</td><td>1,849.41</td></tr><tr><td>Car park</td><td>10,388.57</td></tr><tr><td>Total:</td><td><u>12,237.98</u></td></tr></table> The land use rights of the property have been granted for two concurrent terms expiring on 6 February 2044 and 6 February 2054 for commercial and residential uses.	Portion	Approximate gross floor area (sq m)	Commercial	1,849.41	Car park	10,388.57	Total:	<u>12,237.98</u>	The property is currently vacant.	RMB40,600,000 (91.30% interests attributable to the Group: RMB37,067,800)
Portion	Approximate gross floor area (sq m)											
Commercial	1,849.41											
Car park	10,388.57											
Total:	<u>12,237.98</u>											

Notes:

- Pursuant to four Realty Title Certificates, the land use rights and building ownership rights of property have been granted to Chongqing Longhu Properties Co., Ltd. (重慶龍湖地產發展有限公司) (“Chongqing Longhu Properties”). Details of the said certificates are, inter alia, summarized as below:

Certificate no.	Owner	Site area (sq m)	Gross floor area (sq m)	Use	Land use term expiry date
111 Fang Di Zheng 2007 Zi Di No. 08116 (111房地證2007字第08116號)	Chongqing Longhu Properties	1,066.17	25,304.88	Commercial Residential	6 February 2044
111 Fang Di Zheng 2008 Zi Di No. 08176 (111房地證2008字第08176號)	Chongqing Longhu Properties	107.79	4,053.76	Commercial Residential	6 February 2044
111 Fang Di Zheng 2008 Zi Di No. 14913 (111房地證2008字第14913號)	Chongqing Longhu Properties	132.66	3,148.55	Commercial Residential	6 February 2044

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PROPERTY VALUATION

Certificate no.	Owner	Site area	Gross floor area	Use	Land use term expiry date
		(sq m)	(sq m)		
111 Fang Di Zheng 2008 Zi Di No. 12743 (111房地證2008字第12743號)	Chongqing Longhu Properties	69.23	1,643.09	Commercial	6 February 2054
		1,375.85	34,150.28	Residential	

As advised by the Group, the property comprises portion of the buildings as stated in the aforesaid Realty Title Certificates with a total gross floor area of approximately 12,237.98 sq m.

2. We have been provided with a legal opinion on the title to the property issued by the Group’s PRC legal advisers, which contains, inter alia, the following information:
 - (i) Chongqing Longhu Properties legally owns the land use rights and the building ownership rights of the property;
 - (ii) Chongqing Longhu Properties is entitled to transfer, lease and mortgage the property during the term of the land use rights without additional payment of any land grant fee or premium;
 - (iii) Chongqing Longhu Properties is a limited liability company established in accordance with the laws of the PRC and wholly owned by Chongqing Longhu Development Co. Ltd.

APPENDIX IV

PROPERTY VALUATION

VALUATION CERTIFICATE

Group II — Property interests held by the Group for sale in the PRC

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 August 2009								
20.	Unsold portion of Phase II of West Paradise Walk (西城天街). No. 48 Zhujiang Road, Yangjiaping, Jiulongpo District, Chongqing, PRC	West Paradise Walk is a large-scale residential/commercial/office development completed in 2008. The property comprises the unsold office and SOHO portion of Phase II of Longhu West Paradise Walk with a total gross floor area of approximately 847.02 sq m (9,117 sq ft). Details of the approximate gross floor areas of the property are as follows: <table><thead><tr><th>Portion</th><th>Approximate gross floor area (sq m)</th></tr></thead><tbody><tr><td>Office</td><td>782.78</td></tr><tr><td>SOHO</td><td>64.24</td></tr><tr><td>Total:</td><td>847.02</td></tr></tbody></table> The land use rights of the property have been granted for two concurrent terms expiring in May 2044 and May 2054 for commercial and residential uses respectively.	Portion	Approximate gross floor area (sq m)	Office	782.78	SOHO	64.24	Total:	847.02	The property is currently vacant.	RMB5,100,000 (91.30% interests attributable to the Group: RMB4,656,300)
Portion	Approximate gross floor area (sq m)											
Office	782.78											
SOHO	64.24											
Total:	847.02											

Notes:

1. Pursuant to two Realty Title Certificates, the land use rights of two parcels of land and building ownership rights of various buildings have been granted to Chongqing Longhu Xijie Real Estate Co., Ltd. (重慶龍湖西街置業有限公司) (“Chongqing Longhu Xijie”). Details of the said certificates are, inter alia, summarized as below:

Certificate no.	Owner	Site area (sq m)	Gross floor area (sq m)	Use	Land use term expiry date
105 Fang Di Zheng 2008 Zi Di No. 19468 (105房地證2008字第19468號)	Chongqing Longhu Xijie	1,853.53	25,963.50	Residential	May 2054
105 Fang Di Zheng 2008 Zi Di No. 19469 (105房地證2008字第19469號)	Chongqing Longhu Xijie	2,210.81	30,967.86	Commercial service	May 2044
		4,064.34	56,931.36		

As advised by the Group, the property comprises portion of the buildings as stated in the said Realty Title Certificate with a gross floor area of approximately 847.02 sq m.

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PROPERTY VALUATION

2. We have been provided with a legal opinion on the title to the property issued by the Group’s PRC legal advisers, which contains, inter alia, the following information:-
- (i) Chongqing Longhu Xijie legally owns the land use rights and building ownership rights of the property;
 - (ii) Chongqing Longhu Xijie is entitled to transfer, lease and mortgage the property during the term of the land use rights without additional payment of any land grant fee or premium; and
 - (iii) Chongqing Longhu Xijie is a limited liability company established in accordance with the laws of the PRC and owned as to 97.79% by Chongqing Longhu Properties Co. Ltd. and 2.21% by Chongqing Longhu Development Co. Ltd.

APPENDIX IV

PROPERTY VALUATION

VALUATION CERTIFICATE

Group II — Property interests held by the Group for sale in the PRC

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 August 2009
21.	Car Park of Hill of Good Hope (好望山), No. 1018 Jinkai Avenue, Beibu New District, Chongqing, PRC	Hill of Good Hope is a large-scale residential development completed in 2007. The property comprises 269 underground carparking spaces of Hill of Good Hope with a total gross floor area of approximately 8,480.66 sq m (91,286 sq ft). The land use rights of the property have been granted for a term expiring on 23 March 2044 for commercial uses.	The property is currently vacant.	RMB18,800,000 (93.48% interests attributable to the Group: RMB17,574,240)

Notes:

- Pursuant to five Realty Title Certificates, the land use rights and the building ownership rights of the property have been granted to Chongqing Juntion Real Estate Development Inc. (重慶嘉遜地產開發有限公司) (“Chongqing Juntion”). Details of the said certificates are, inter alia, summarized as below:

Certificate no.	Owner	Site area (sq m)	Gross floor area (sq m)	Use	Land use term expiry date
113 Fang Di Zheng 2007 Zi Di No. 07674 (113房地證2007字第07674號)	Chongqing Juntion	2,058.40	5,142.32	Other commercial service	23 March 2044
113 Fang Di Zheng 2007 Zi Di No. 07675 (113房地證2007字第07675號)	Chongqing Juntion	3,610.30	7,206.14	Other commercial service	23 March 2044
113 Fang Di Zheng 2007 Zi Di No. 07676 (113房地證2007字第07676號)	Chongqing Juntion	342.00	1,066.98	Other commercial service	23 March 2044
113 Fang Di Zheng 2007 Zi Di No. 07677 (113房地證2007字第07677號)	Chongqing Juntion	893.60	2,599.91	Other commercial service	23 March 2044
113 Fang Di Zheng 2008 Zi Di No. 00288 (113房地證2008字第00288號)	Chongqing Juntion	1,051.60	3,178.13	Other commercial service	23 March 2044
	Total:	<u>7,955.90</u>	<u>19,193.48</u>		

As advised by the Group, the property comprises portion of the buildings as stated in the said Realty Title Certificates with a gross floor area of approximately 8,480.66 sq m.

APPENDIX IV

PROPERTY VALUATION

2. We have been provided with a legal opinion on the title to the property issued by the Group’s PRC legal advisers, which contains, inter alia, the following information:-
- (i) Chongqing Juntion legally owns the land use rights and the building ownership rights of the property;
 - (ii) Chongqing Juntion is entitled to transfer, lease and mortgage the property during the term of the land use rights without additional payment of any land grant fee or premium; and
 - (iii) Chongqing Juntion is a limited liability company established in accordance with the laws of the PRC and owned as to 74.92% by Chongqing Longhu Properties Co. Ltd. and 25.08% by Juntion Development Hong Kong (Holding) Limited.

APPENDIX IV

PROPERTY VALUATION

VALUATION CERTIFICATE

Group II — Property interests held by the Group for sale in the PRC

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 August 2009								
22.	Unsold portion of Urban Courtyard (大城小院), No. 110 Land of Ranjiaba Area, Longxi Street, Yubei District, Chongqing, PRC	Urban Courtyard is a residential and commercial development completed in 2008. The property comprises unsold commercial units and 163 underground car parking spaces with a total gross floor area of approximately 5,582.77 sq m (60,093 sq ft). The breakdown of the gross floor area of the property is summarized as below: <table> <tr> <th>Portion</th> <th>Approximate gross floor area (sq m)</th> </tr> <tr> <td>Commercial</td> <td>90.00</td> </tr> <tr> <td>Car park</td> <td>5,492.77</td> </tr> <tr> <td>Total:</td> <td><u>5,582.77</u></td> </tr> </table> The land use rights of the property have been granted to the Group for two concurrent terms expiring on 31 March 2045 and 31 March 2055 for commercial and residential uses respectively.	Portion	Approximate gross floor area (sq m)	Commercial	90.00	Car park	5,492.77	Total:	<u>5,582.77</u>	The property is currently vacant.	RMB15,200,000 (91.30% interests attributable to the Group: RMB13,877,600)
Portion	Approximate gross floor area (sq m)											
Commercial	90.00											
Car park	5,492.77											
Total:	<u>5,582.77</u>											

Notes:

- Pursuant to four Realty Title Certificates, the land use rights of 4 parcels of land and the building ownership rights of various buildings have been granted to Chongqing Longhu Properties Co., Ltd. (重慶龍湖地產發展有限公司) (“Chongqing Longhu Properties”). Details of the said certificates are, inter alia, summarized as below:

Certificate no.	Owner	Site area (sq m)	Gross floor area (sq m)	Use	Land use term expiry date
100 Fang Di Zheng 2006 Zi Di No. 770 (100 房地證2006字第770號)	Chongqing Longhu Properties	39,201.00	N/A	Residential	31 March 2055
201 Fang Di Zheng 2008 Zi Di No. 29658 (201 房地證2008字第29658號)	Chongqing Longhu Properties	486.30	4,630.37	Commercial service Residential	31 March 2045 31 March 2055

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PROPERTY VALUATION

Certificate no.	Owner	Gross		Use	Land use term expiry date
		Site area (sq m)	floor area (sq m)		
201 Fang Di Zheng 2008 Zi Di No. 29654 (201房地證2008字第29654號)	Chongqing	14,068.10	8,407.03	Commercial	31 March 2045
	Longhu Properties			service Residential	31 March 2055
201 Fang Di Zheng 2008 Zi Di No. 29666 (201房地證2008字第29666號)	Chongqing	3,525.60	2,952.40	Commercial	31 March 2045
	Longhu Properties			service Residential	31 March 2055
Total:		<u>57,281.00</u>	<u>15,989.80</u>		

As advised by the Group, the property comprises portion of the buildings with a total gross floor area of approximately 5,582.77 sq m as stated in the aforesaid four Realty Title Certificates.

2. We have been provided with a legal opinion on the title to the property issued by the Group's PRC legal advisers, which contains, inter alia, the following information:-
 - (i) Chongqing Longhu Properties legally owns the land use rights and building ownership rights of the property;
 - (ii) Chongqing Longhu Properties is entitled to transfer, lease and mortgage the land use rights and building ownership rights of the property during the term of the land use rights without additional payment of any land grant fee or premium; and
 - (iii) Chongqing Longhu Properties is a limited liability company established in accordance with the laws of the PRC and wholly owned by Chongqing Longhu Development Co. Ltd.

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PROPERTY VALUATION

VALUATION CERTIFICATE

Group II — Property interests held by the Group for sale in the PRC

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 August 2009
23.	Portion of Jiulong Tower (九龍大廈), No. 66, Shipingqiao Heng Street, Jiulongpo District, Chongqing, PRC	Jiulong Tower is a 28-storey commercial building completed in 2003. The property comprises the second floor and portion of the third floor of the building with a total gross floor area of approximately 3,361.47 sq m (36,183 sq ft). The land use rights of the property have been granted for a term expiring in November 2049 for commercial uses.	The property is currently occupied by the Group for office uses.	RMB12,400,000 (91.30% interests attributable to the Group: RMB11,321,200)

Notes:

- Pursuant to the State-owned Land Use Rights Certificate Gao Xin Shang Guo Yong (2003) Zi Di No. 05832 (高新商國用(2003)字第05832號) issued by Chongqing State Land Resources and Housing Administrative Bureau Gao Xin Tech & Industrial Developing Zone Branch, the land use rights of a parcel of land with a site area of 253.45 sq m have been granted to Chongqing Jiachen Economic Development Limited (重慶佳辰經濟發展有限公司) (now known as Chongqing Longhu Development Co. Ltd. (重慶龍湖企業拓展有限公司) (“Chongqing Longhu Development”) for a term expiring in November 2049 for commercial uses.
- Pursuant to the Building Ownership Certificate Fang Quan Zheng 105 Zi Di No. 087049 (房權證105字第087049號), the building ownership rights of the property with a gross floor area of 3,361.47 sq m are held by Chongqing Jiachen Economic Development Limited (now known as Chongqing Longhu Development) for commercial uses only.
- We have been provided with a legal opinion on the title to the property issued by the Group’s PRC legal advisers, which contains, inter alia, the following information:-
 - there is no substantial legal impediment for Chongqing Longhu Development to change the owner’s name of the relevant State-owned Land Use Rights Certificate and Building Ownership Certificate. The fact that the owner’s name of the said certificate has not been changed will not affect Chongqing Longhu Development’s legal ownership of the relevant land use rights;
 - Chongqing Longhu Development legally owns the land use rights and building ownership rights of the property;
 - Chongqing Longhu Development is entitled to transfer, lease and mortgage the property during the term of the land use rights without additional payment of any land grant fee or premium; and
 - Chongqing Longhu Development is a Sino-foreign joint equity enterprise established in accordance with the laws of the PRC, owned as to 91.3% by Juntion Development Hong Kong (Holding) Limited and 8.7% Chongqing Xuke Investment Co. Ltd. The profit sharing is in accordance to the percentage of share of the shareholders.

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PROPERTY VALUATION

VALUATION CERTIFICATE

Group II — Property interests held by the Group for sale in the PRC

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 August 2009
24.	Unsold Portion of King Land (晶藍半島), No. 38 Hongji Middle Road, Jinjiang District, Chengdu, Sichuan Province, PRC	King Land is a large-scale residential development completed in phases in 2007 and 2008. The property comprises 310 underground carparking space of Phase I & Phase II with a total gross floor area of approximately 8,193.90 sq m (88,199 sq ft). The breakdown of the gross floor area of the property is summarized as below:	The property is current vacant.	RMB27,900,000 (86.17% interests attributable to the Group: RMB24,041,430)
		Approximate gross floor area (sq m) <i>Phase I:</i> Car Park 879.12 <i>Phase II:</i> Car park 7,314.78 Total: 8,193.90		
		The land use rights of the property have been granted for three concurrent terms expiring on 22 November 2045, 22 November 2055 and 22 November 2075 for commercial, education and residential uses respectively.		

Notes:

- Pursuant to two State-owned Land Use Rights Certificates issued by the People’s Government of Chengdu, the land use rights of two parcels of land with a total site area of 59,475.64 sq m have been granted to Chengdu Longhu Jinhua Real Estate Co., Ltd. (成都龍湖錦華置業有限公司 (“Chengdu Longhu Jinhua”). Details of the said certificates are, inter alia, summarized as below:

Certificate no.	Owner	Site area (sq m)	Use	Land use term expiry date
Cheng Guo Yong 2006 Di No. 54 (成國用2006第54號)	Chengdu Longhu Jinhua	22,428.77	Residential	22 November 2075
			Commercial	22 November 2045
			Education	22 November 2055

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PROPERTY VALUATION

Certificate no.	Owner	Site area (sq m)	Use	Land use term expiry date
Cheng Guo Yong 2007 Di No. 114 (成國用2007第114號)	Chengdu Longhu Jinhua	37,046.87	Residential	22 November 2075
			Commercial	22 November 2045
			Education	22 November 2055
	Total:	59,475.64		

2. Pursuant to the Planning Permit for Construction Land Cheng Gui Yong Di (2005) No. 554 (成規用地 (2005) 554號) issued by Chengdu Planning Committee on 18 December 2005, Chengdu Longhu Jinhua is permitted to use a parcel of land with a site area of 68,003.30 sq m for residential, kindergarten, commercial and underground car park development.
3. Pursuant to three Planning Permits for Construction Works Cheng Gui Jian Zhu (2006) Nos. 75, 177 and 262 (成規建築(2006)75, 177和262號) all issued by Chengdu Planning Committee, the approved construction scale of the property of King Land is 280,510.00 sq m.
4. Pursuant to six Permits for Commencement of Construction Works X510100200604180201, X510100200604180301, X510100200605310101, X510100200605300901, X510100200605301101 and 510100200708240101 issued by Chengdu Construction Commission, the construction of the property has been permitted to commence from 1 April 2006 and the total approved construction scale is 283,081.23 sq m.
5. Pursuant to four Pre-sale Permits for Commodity Housing Cheng Fang Yu Shou Zi Di Nos. 4504, 4590, 4655 and 4880 (成房預售字第4504, 4590, 4655和4880號) all issued by Chengdu House Management Bureau, a total gross floor area of 277,615.84 sq m of King Land was permitted to be pre-sold.
6. We have been provided with a legal opinion on the title to the property issued by the Group’s PRC legal advisers, which contains, inter alia, the following information:-
 - (i) Chengdu Longhu Jinhua legally owns the land use rights of the property and is entitled to transfer, lease and mortgage the land use rights of the property during the term of the land use rights without additional payment of any land grant fee or premium;
 - (ii) the property is subject to mortgages and Chongqing Longhu Jinhua has to obtain the mortgagee’s prior written consent before transferring, leasing or mortgaging such portion of the property during the mortgage term;
 - (iii) Chengdu Longhu Jinhua has obtained from the relevant government authorities the permits and approvals required by the law for the construction of the property;
 - (iv) Chengdu Longhu Jinhua is entitled to pre-sell the property in accordance with the pre-sale limits prescribed in the Pre-sale Permits for Commodity Housing mentioned in note (5) above;
 - (v) Chengdu Longhu Jinhua can use the relevant Realty Title Certificates, Planning Permit for Construction Land, Planning Permit for Construction Works, Permit for Commencement of Construction Works and information on Examination of Completion of Buildings to apply for the relevant Building Ownership Certificate for the property. Upon Chengdu Longhu Jinhua obtaining the construction completion examination documents, there is no substantial legal impediment for Chengdu Longhu Jinhua to obtain the relevant Building Ownership Certificate; and
 - (vi) Chengdu Longhu Jinhua is a limited liability company established in accordance with the laws of the PRC and owned as to 67% by Chongqing Longhu Development Co. Ltd., 25% by Juntion Development Hong Kong (Holding) Limited and 8% by Topper Industrial.

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PROPERTY VALUATION

VALUATION CERTIFICATE

Group II — Property interests held by the Group for sale in the PRC

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 August 2009																				
25.	Unsold Portion of Phase I and portion of Phase II of Bamboo Grove (江與城), Dazhulin Zutuan, Gaoxinyuan, Beibu New District, Chongqing, PRC	Bamboo Grove is a large scale residential and commercial development to be completed in 8 phases. Phase I and portion of Phase II of the development were completed in 2008 and 2009 respectively. The property comprises the unsold portion of the completed portion of Bamboo Grove with a total gross floor area of approximately 16,418.91 sq m (176,733 sq ft), the breakdown of which is as follows: <table><thead><tr><th>Portion</th><th>Approximate gross floor area (sq m)</th></tr></thead><tbody><tr><td colspan="2"><i>Phase I</i></td></tr><tr><td>Residential</td><td>1,215.93</td></tr><tr><td>Underground car park</td><td>10,260.16</td></tr><tr><td>Sub-total:</td><td><u>11,476.09</u></td></tr><tr><td colspan="2"><i>Phase II</i></td></tr><tr><td>Residential</td><td>1,260.00</td></tr><tr><td>Underground car park</td><td>3,682.82</td></tr><tr><td>Sub-total:</td><td><u>4,942.82</u></td></tr><tr><td>Total:</td><td><u>16,418.91</u></td></tr></tbody></table> The land use rights of the property have been granted for two concurrent terms expiring on 5 July 2046 and 5 July 2056 for commercial and residential uses respectively.	Portion	Approximate gross floor area (sq m)	<i>Phase I</i>		Residential	1,215.93	Underground car park	10,260.16	Sub-total:	<u>11,476.09</u>	<i>Phase II</i>		Residential	1,260.00	Underground car park	3,682.82	Sub-total:	<u>4,942.82</u>	Total:	<u>16,418.91</u>	The property is currently vacant.	RMB54,400,000 (49.57% interests attributable to the Group: RMB26,966,080)
Portion	Approximate gross floor area (sq m)																							
<i>Phase I</i>																								
Residential	1,215.93																							
Underground car park	10,260.16																							
Sub-total:	<u>11,476.09</u>																							
<i>Phase II</i>																								
Residential	1,260.00																							
Underground car park	3,682.82																							
Sub-total:	<u>4,942.82</u>																							
Total:	<u>16,418.91</u>																							

Notes:

- Pursuant to four Realty Title Certificates 100 Fang Di Zheng 2006 Zi Di No. 987 (100房地證2006字第987號), 100 Fang Di Zheng 2006 Zi Di No. 988 (100房地證2006字第988號), 100 Fang Di Zheng 2007 Zi Di No. 376 (100房地證2007字第376號) and Bei Xin Gao 112 Fang Di Zheng 2008 Zi Di No. 06408 (北新高112房地證2008字第06408號), the land use rights of 4 parcels of land with a total site area of 216,352.40 sq m have been granted to Longhu Land Ltd. (重慶興龍湖置地發展有限公司) (“Longhu Land”) for four concurrent terms expiring on 5 July 2046 and 15 September 2046 for commercial service uses and 5 July 2056 and 15 September 2056 for residential uses respectively.

As advised by the Group, Phases I and II of Bamboo Grove comprises portion of the 4 parcels of land as stated in the four Realty Title Certificates mentioned above with a site area of approximately 126,909.10 sq m.

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PROPERTY VALUATION

2. Pursuant to fourteen Realty Title Certificates Bei Xin Gao 112 Fang Di Zheng 2008 Zi Di No. 016268 (北新高112房地證2008字第016268號), Bei Xin Gao 112 Fang Di Zheng 2008 Zi Di No. 016269 (北新高112房地證2008字第016269號), Bei Xin Gao 112 Fang Di Zheng 2008 Zi Di No. 016270 (北新高112房地證2008字第016270號), Bei Xin Gao 112 Fang Di Zheng 2008 Zi Di No. 016237 (北新高112房地證2008字第016237號), Bei Xin Gao 112 Fang Di Zheng 2008 Zi Di No. 016238 (北新高112房地證2008字第016238號), Bei Xin Gao 112 Fang Di Zheng 2008 Zi Di No. 016241 (北新高112房地證2008字第016241號), Bei Xin Gao 112 Fang Di Zheng 2008 Zi Di No. 016244 (北新高112房地證2008字第016244號), Bei Xin Gao 112 Fang Di Zheng 2008 Zi Di No. 016246 (北新高112房地證2008字第016246號), Bei Xin Gao 112 Fang Di Zheng 2008 Zi Di No. 016253 (北新高112房地證2008字第016253號), Bei Xin Gao 112 Fang Di Zheng 2008 Zi Di No. 016249 (北新高112房地證2008字第016249號), Bei Xin Gao 112 Fang Di Zheng 2009 Zi Di No. 04603 (北新高112房地證2009字第04603號), Bei Xin Gao 112 Fang Di Zheng 2009 Zi Di No. 04604 (北新高112房地證2009字第04604號), Bei Xin Gao 112 Fang Di Zheng 2009 Zi Di No. 04608 (北新高112房地證2009字第04608號) and Bei Xin Gao 112 Fang Di Zheng 2009 Zi Di No. 06987 (北新高112房地證2009字第06987號), the building ownership rights of various buildings with a total gross floor area of 62,122.00 sq m are held by Longhu Land for residential, commercial and car park uses.

As advised by the Group, the property comprises portion of the buildings with a total gross floor area of approximately 16,418.91 sq m. as stated in the four Realty Title Certificates.

3. We have been provided with a legal opinion on the title to the property issued by the Group's PRC legal advisers, which contains, inter alia, the following information:-
- (i) Longhu Land legally owns the land use rights of the property;
 - (ii) Longhu Land legally owns the building ownership rights of the property;
 - (iii) Longhu Land is entitled to transfer, lease or mortgage the land use rights and the buildings ownership rights of the property during the terms of land use rights without additional payment of any land grant fee or premium; and
 - (iv) Longhu Land is a Sino-foreign cooperative enterprise established in accordance with the laws of the PRC and owned as to 5% by Chongqing Longhu Properties Co. Ltd. and 95% by Jiaxun Land Company Limited.

APPENDIX IV

PROPERTY VALUATION

VALUATION CERTIFICATE

Group II — Property interests held by the Group for sale in the PRC

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 August 2009								
26.	Portion of Phase I of Peace Hill County (悠山郡), Li Jia Central Zone Economic-Tech Park, Beibu New District, Chongqing, PRC	Phase I of Peace Hill County is a residential and commercial development comprising a parcel of land with a site area of approximately 113,430.80 sq m (1,220,969 sq ft). According to the latest development proposal provided by the Group, Peace Hill Country will be developed into a residential and commercial development with ancillary facilities in 3 phases. The property comprises unsold portion of completed portion of Phase I of the development completed in 2009. The property has a total gross floor area of approximately 10,877.49 sq m (117,085 sq ft). Details of the gross floor areas of the property are as follows: <table><tr><th>Portion</th><th>Approximate gross floor area sq m</th></tr><tr><td>Residential</td><td>7,935.49</td></tr><tr><td>Retail</td><td>2,942.00</td></tr><tr><td>Total:</td><td><u>10,877.49</u></td></tr></table> The land use rights of the property have been granted to Chongqing Longhu Properties Co., Ltd. Please refer to note (1) for details.	Portion	Approximate gross floor area sq m	Residential	7,935.49	Retail	2,942.00	Total:	<u>10,877.49</u>	The property is currently vacant.	RMB132,600,000 (91.30% interests attributable to the Group: RMB121,063,800)
Portion	Approximate gross floor area sq m											
Residential	7,935.49											
Retail	2,942.00											
Total:	<u>10,877.49</u>											

Notes:

- Pursuant to the Realty Title Certificate 113 Fang Di Zheng 2008 Zi Di No. 03656 (133房地證2008字第03656號), the land use rights of a parcel of land comprising a site area of 113,430.80 sq m have been granted to Chongqing Longhu Properties Co. Ltd. (重慶龍湖地產發展有限公司) (“Chongqing Longhu Properties”) for two concurrent terms expiring on 11 December 2046 and 11 December 2056 for commercial and residential uses respectively.
- Pursuant to the Planning Permit for Construction Land Di Zi Di Jian No. 500139200800013 (地字第建500139200800013號) issued by Chongqing Planning Bureau on 19 February 2008, Chongqing Longhu Properties is permitted to use a parcel of land with a site area of 246,951.00 sq m for residential and Commercial uses.
- Pursuant to two Planning Permits for Construction Works Jian Nos. 500139200800032 and 500139200800082 (建字第建500139200800032號及500139200800082號) both issued by Chongqing Planning Bureau, the approved construction scales of Phase I of Peace Hill County is approximately 81,827.30 sq m.

APPENDIX IV

PROPERTY VALUATION

4. Pursuant to Permit for Commencement of Construction Works No. 510214200712140401 issued by Chongqing Construction Commission on 14 December 2007, the construction of portion of Phase I of Peace Hill County with a gross floor area of 35,654.42 sq m have been permitted.
5. Pursuant to the Pre-sale Permit for Commodity Housing Yu Guo Tu Fang Guan (2008) Yu Zi Di Nos. 308 issued by Chongqing State Land Resources and Housing Administrative Bureau, a total gross floor area of 21,082.29 sq m was permitted to be pre-sold.

As advised by the Group, the property comprises portion of the buildings with a total gross floor area of approximately 10,877.49 sq m. as stated in the aforesaid permit.

6. Pursuant to the five Information of Examination of Completion of Buildings Jian Jun Bei Zi Nos. 2008194, 2009071, 2008195, 2009070 and 2009072(建竣備字2008194, 2009071, 2008195, 2009070和2009072號), the property with a total gross floor area of 61,958.24 sq m has been certified to be completed.
7. We have been provided with a legal opinion on the title to the property issued by the Group's PRC legal advisers, which contains, inter alia, the following information:-
 - (i) Chongqing Longhu Properties legally owns the land use rights of the property;
 - (ii) Chongqing Longhu Properties is entitled to transfer, lease and mortgage the land use rights of the property during the term of the land use rights without additional payment of any land grant fee or premium;
 - (iii) Chongqing Longhu Properties has obtained from the relevant government authorities the permits and approvals required by the law for the construction of the property;
 - (iv) Chongqing Longhu Properties is entitled to pre-sell the property in accordance with the pre-sale limits prescribed in the Pre-sale Permits for Commodity Housing mentioned in note (5) above;
 - (v) Chongqing Longhu Properties can use the relevant Realty Title Certificates, Planning Permit for Construction Land, Planning Permit for Construction Works, Permit for Commencement of Construction Works and information on Examination of Completion of Buildings to apply for the relevant Building Ownership Certificate for the property. Upon Chongqing Longhu Properties obtaining the construction completion examination documents, there is no substantial legal impediment for Chongqing Longhu Properties to obtain the relevant Building Ownership Certificate; and
 - (vi) Chongqing Longhu Properties is a limited liability company established in accordance with the laws of the PRC and wholly owned by Chongqing Longhu Development Co. Ltd.

APPENDIX IV

PROPERTY VALUATION

VALUATION CERTIFICATE

Group II — Property interests held by the Group for sale in the PRC

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 August 2009								
27.	Portion of Phase I of Sunshine Riverside (鄞江), Qiuxin Village, Danzishi Road, Nan'an District, Chongqing, PRC	Sunshine Riverside is a residential development comprising 3 parcels of land with a total site area of approximately 111,741.00 sq m (1,202,780 sq ft). According to the latest development proposal provided by the Group, the development will be developed into a residential development with retail and ancillary facilities in five phases. The property comprises unsold portion of completed portion of Phase I of the development. The property was completed in 2009 and has a total gross floor area of approximately 6,107.10 sq m (65,737 sq ft). Details of the uses and approximate gross floor areas of the property are as follows: <table><tr><th>Portion</th><th>Approximate gross floor area (sq m)</th></tr><tr><td>Apartment</td><td>139.83</td></tr><tr><td>Underground car park</td><td>5,967.27</td></tr><tr><td>Total:</td><td><u>6,107.10</u></td></tr></table> The land use rights of the property have been granted to the Group for two concurrent terms of 50 and 40 years for residential and commercial uses respectively. Please refer to notes (1) and (2) below for details.	Portion	Approximate gross floor area (sq m)	Apartment	139.83	Underground car park	5,967.27	Total:	<u>6,107.10</u>	The property is currently vacant.	RMB20,600,000 (46.56% interests attributable to the Group: RMB9,591,360)
Portion	Approximate gross floor area (sq m)											
Apartment	139.83											
Underground car park	5,967.27											
Total:	<u>6,107.10</u>											

Notes:

- Pursuant to the State-owned Land Use Rights Grant Contract entered into between Chongqing State Land Resources and Housing Administrative Bureau (the “Grantor”) and Chongqing Longhu Yiheng Real Estate Development Inc. (“Chongqing Longhu Yiheng”) (重慶龍湖宜恆地產發展有限公司) on 5 February 2007, the Grantor has agreed to grant the land use rights of a parcel of land with a site area of 111,741 sq m to Chongqing Longhu Yiheng for two concurrent terms of 40 and 50 years both commencing on 5 February 2007 for commercial and residential uses respectively at a total land grant fee of RMB419,390,000.

APPENDIX IV

PROPERTY VALUATION

2. Pursuant to three Realty Title Certificates 100 Fang Di Zheng 2007 Zi Di Nos. 299 and 298 (100房地證2007字第299及298號) and 106D Fang Di Zheng 2008 Zi Di No. 00032 (106D房地證2008字第00032號) issued by Chongqing State Land Resources and Housing Administrative Bureau, the land use rights of three parcels of land comprising a total site area of 111,741 sq m have been granted to Chongqing Longhu Yiheng for two concurrent terms expiring on 4 February 2047 and 4 February 2057 for commercial and residential uses respectively.

As advised by the Group, portion of the three parcels of land as stipulated in the Realty Title Certificates mentioned above form the land of the property.

3. Pursuant to Realty Title Certificate 106 Fang Di Zheng 2009 Zi Di No. 02799 (106房地證2009字第02799號) issued on 3 March 2009, the land use rights of a parcel of land with site area of 13,246 sq m is granted to Chongqing Longhu Yiheng and the building ownership rights of various buildings with a total gross floor area of 12,551.27 sq m is vested in Chongqing Longhu Yiheng.

As advised by the Group, the car park of the property comprises portion of the buildings with a total gross floor area of approximately 5,967.27 sq m as stated in the Realty Title Certificate as stated above.

4. Pursuant to the Planning Permit for Construction Land Yu Gui Di Zheng (2007) Nan Zi Di No. 0524 issued by Chongqing Planning Bureau on 7 December 2007, Chongqing Longhu Yiheng is permitted to use a parcel of land with a site area of 123,115 sq m for construction.

5. Pursuant to Planning Permits for Construction Works Jian Zi Di Jian No. 500108200800037 issued by Chongqing Planning Bureau, Chongqing Longhu Yiheng is permitted to construct a total planned gross floor area of 115,204.74 sq m.

6. Pursuant to the Permit for Commencement of Construction Works No. 510202200712250101 issued by Chongqing Construction Commission, the construction of Phase I has been permitted to be commenced from 25 December 2007 and the total approved construction scale is approximately 126,539.61 sq m.

7. Pursuant to the Pre-sale Permit for Commodity Housing Yu Guo Tu Fang Guan 2008 Yu Zi Di No. 173 issued by Chongqing State Land Resources and Building Administrative Bureau, various buildings with a total gross floor area of 47,845.07 sq m were permitted to be pre-sold.

8. We have been provided with a legal opinion on the title to the property issued by the Group's PRC legal advisers, which contains, inter alia, the following information:-

- (i) Chongqing Longhu Yiheng legally owns the land use rights of the property and portion of the land use rights with a site area of 55,871 sq m is subject to mortgages;
- (ii) Chongqing Longhu Yiheng is entitled to transfer, lease or mortgage the land use rights of the property during the term of the land use rights without additional payment of any land grant fee or premium but Chongqing Longhu Yiheng has to obtain the mortgagee's prior written consent before transferring, leasing and mortgaging the land use rights of the property with a site area of 55,871 sq m during the mortgage term;
- (iii) Chongqing Longhu Yiheng legally owns the building ownership rights of the car park portion of the property and is entitled to transfer, lease or mortgage the building ownership rights of the car park portion of the property;
- (iv) Chongqing Longhu Yiheng has obtained from the relevant government authorities the permits and approvals required by the law for the construction of the apartment portion of the property;
- (v) Chongqing Longhu Yiheng is entitled to pre-sell the apartment portion of the property in accordance with the pre-sale limits prescribed in the Pre-sale Permits for Commodity Housing mentioned in note (7) above;

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- (vi) Chongqing Longhu Yiheng can use the relevant Realty Title Certificates, Planning Permit for Construction Land, Planning Permit for Construction Works, Permit for Commencement of Construction Works and information on Examination of Completion of Buildings to apply for the relevant Building Ownership Certificate for the apartment portion of the property. Upon Chongqing Longhu Yiheng obtaining the construction completion examination documents, there is no substantial legal impediment for Chongqing Longhu Yiheng to obtain the relevant Building Ownership Certificate; and
- (vii) Chongqing Longhu Yiheng is a limited liability company established in accordance with the laws of the PRC and owned as to 51% by Chongqing Longhu Properties Co. Ltd. and 49% by Fantastic Star Investment Limited.

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PROPERTY VALUATION

VALUATION CERTIFICATE

Group II — Property interests held by the Group for sale in the PRC

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 August 2009																
28.	Unsold Portion of Charming Port (翠微清波), Group Nos. 1, 6 and 7 of Qingbo Village, Qingyang District, Chengdu, Sichuan Province, PRC	Charming Port is a residential and commercial development erected on 2 parcels of land with a total site area of approximately 87,490.27 sq m (941,745 sq ft). The development was developed into a mixed commercial/residential development in two phases completed in 2008. The property comprises the unsold portion of Charming Port with a total gross floor area of approximately 35,412.43 sq m (381,179 sq ft). Details of the uses and approximate gross floor areas of the property are as follows: <table><thead><tr><th>Portion</th><th>Approximate gross floor area (sq m)</th></tr></thead><tbody><tr><td colspan="2"><i>Phase I</i></td></tr><tr><td>Underground car park</td><td>10,904.88</td></tr><tr><td colspan="2"><i>Phase II</i></td></tr><tr><td>Residential</td><td>942.00</td></tr><tr><td>Retail</td><td>190.54</td></tr><tr><td>Underground car park</td><td>23,375.01</td></tr><tr><td>Total:</td><td><u>35,412.43</u></td></tr></tbody></table> The land use rights of the property have been granted to the Group for various terms for residential, education and commercial uses respectively. Please refer to note (1) for details.	Portion	Approximate gross floor area (sq m)	<i>Phase I</i>		Underground car park	10,904.88	<i>Phase II</i>		Residential	942.00	Retail	190.54	Underground car park	23,375.01	Total:	<u>35,412.43</u>	The property is currently vacant.	RMB95,000,000 (86.17% interests attributable to the Group: RMB81,861,500)
Portion	Approximate gross floor area (sq m)																			
<i>Phase I</i>																				
Underground car park	10,904.88																			
<i>Phase II</i>																				
Residential	942.00																			
Retail	190.54																			
Underground car park	23,375.01																			
Total:	<u>35,412.43</u>																			

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PROPERTY VALUATION

Notes:

- Pursuant to two State-owned Land Use Rights Certificates, the land use rights of the property have been granted to Chengdu Longhu Jinhua Real Estate Co., Ltd. (成都龍湖錦華置業有限公司) (“Chengdu Longhu Jinhua”). Details of the said certificates are, inter alia, summarized as below:

Certificate no.	Land owner	Site area (sq m)	Use	Land use term expiry date
Cheng Guo Yong (2006) Di No. 890 (成國用(2006)第890號)	Chongqing Longhu Jinhua	41,194.75	Residential	21 December 2075
			Commercial	21 December 2045
Cheng Guo Yong (2006) Di No. 891 (成國用(2006)第891號)	Chongqing Longhu Jinhua	46,295.52	Residential	21 December 2075
			Commercial	21 December 2045
			Education	21 December 2055
	Total:	87,490.27		

- Pursuant to the Planning Permit for Construction Land Cheng Gui Yong Di (2006) No. 102 (成規用地(2006)102號) issued by Chengdu Planning and Administration Bureau on 20 May 2005, Chengdu Longhu Jinhua is permitted to use a parcel of land with a site area of 87,490.27 sq m for residential, commercial, and public development.
- Pursuant to two Planning Permit for Construction Works Cheng Gui Jian Zhu (2006) No. 421 (成規建築(2006)421號) and Jian Zi Di No. 510105200830038 (建字第510105200830038號) both issued by Chengdu Planning and Administration Bureau, the approved construction scale of Charming Port is 321,328.04 sq m.
- Pursuant to five Permits for Commencement of Construction Works issued by Chengdu Construction Commission, the construction of Charming Port has been permitted to commence from September 2006 and the total approved construction scale is 318,358.58 sq m.

Permit for Commencement of Construction Works	Construction scale (sq m)	Construction period	Issuance date
No. X510100200609250201	53,136.83	6 September 2006 to 30 October 2007	25 September 2006
No. X510100200609250401	104,437.47	6 September 2006 to 30 October 2007	25 September 2006
No. X510100200609250101	91,465.99	6 September 2006 to 30 October 2007	25 September 2006
No. X510100200609250301	69,318.29	6 September 2006 to 30 October 2007	25 September 2006
No. 510100200801300201	2,969.46	30 January 2008 to 20 July 2008	30 January 2008
Total:	321,328.04		

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PROPERTY VALUATION

5. Pursuant to ten Pre-sale Permits for Commodity Housing Cheng Fang Yu Shou Zi Di No. 4771 (成房預售字第4771號), Cheng Fang Yu Shou Zhong Xin Cheng Qu Zi Di Nos. 4912, 5055, 5139, 5181, 5235, 5390, 5443, 5572 and 5515 (成房預售中心城區字第4912, 5055, 5139, 5181, 5235, 5390, 5443, 5572 及 5515 號) all issued by Chengdu House Management Bureau, a total gross floor area of 316,466.21 sq m of Charming Port was permitted to be pre-sold.
6. We have been provided with a legal opinion on the title to the property issued by the Group’s PRC legal advisers, which contains, inter alia, the following information:-
 - (i) Chengdu Longhu Jinhua legally owns the land use rights of the property;
 - (ii) Chengdu Longhu Jinhua is entitled to transfer, lease or mortgage the land use rights of the property during the term of the land use rights without additional payment of any land grant fee or premium;
 - (iii) Chengdu Longhu Jinhua has obtained from the relevant government authorities the permits and approvals required by the law for the construction of the property;
 - (iv) Chengdu Longhu Jinhua is entitled to pre-sell the property in accordance with the pre-sale limits prescribed in the Pre-sale Permits for Commodity Housing mentioned in note (5) above;
 - (v) Chengdu Longhu Jinhua can use the relevant Land Use Rights Certificates, Planning Permit for Construction Land, Planning Permit for Construction Works, Permit for Commencement of Construction Works and Information of Examination of Completion of Buildings to apply for the relevant Building Ownership Certificate for the property. Upon Chengdu Longhu Jinhua obtaining the construction completion examination documents, there is no substantial legal impediment for Chengdu Longhu Jinhua to obtain the relevant Building Ownership Certificate; and
 - (vi) Chengdu Longhu Jinhua is a limited liability company established in accordance with the laws of the PRC and owned as to 67% by Chongqing Longhu Development Co. Ltd., 25% by Juntion Development Hong Kong (Holding) Limited and 8% by Topper Industrial.

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PROPERTY VALUATION

VALUATION CERTIFICATE

Group II — Property interests held by the Group for sale in the PRC

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 August 2009														
29.	Unsold Portion of Three Thousand Lane (三千里), No. 5 Dong Er Huan, Second Ring Road, Chengdu, Sichuan Province, PRC	Three Thousand Lane is a commercial and residential development to be erected on two parcels of land with a total site area of approximately 55,087.62 sq m (592,963 sq ft). The property was developed into a mixed commercial/residential development in two phases and completed in 2009. The property comprises the unsold portion of the development with a total gross floor area of approximately 21,826.78 sq m (234,943 sq ft). Details of the approximate gross floor areas of the property are as follows: <table><thead><tr><th>Portion</th><th>Approximate gross floor area (sq m)</th></tr></thead><tbody><tr><td colspan="2"><i>Phase I</i></td></tr><tr><td>Underground car park</td><td>7,140.77</td></tr><tr><td colspan="2"><i>Phase II</i></td></tr><tr><td>Retail</td><td>644.45</td></tr><tr><td>Underground car park</td><td>14,041.56</td></tr><tr><td>Total:</td><td><u>21,826.78</u></td></tr></tbody></table> The land use rights of the property have been granted to the Group for two concurrent terms expiring on 14 September 2046 and 14 September 2076 for commercial and residential uses respectively.	Portion	Approximate gross floor area (sq m)	<i>Phase I</i>		Underground car park	7,140.77	<i>Phase II</i>		Retail	644.45	Underground car park	14,041.56	Total:	<u>21,826.78</u>	The property is currently vacant.	RMB76,000,000 (86.17% interests attributable to the Group: RMB65,489,200)
Portion	Approximate gross floor area (sq m)																	
<i>Phase I</i>																		
Underground car park	7,140.77																	
<i>Phase II</i>																		
Retail	644.45																	
Underground car park	14,041.56																	
Total:	<u>21,826.78</u>																	

APPENDIX IV

PROPERTY VALUATION

Notes:

- Pursuant to two State-owned Land Use Rights Certificates, the land use rights of two parcels of land have been granted to Chengdu Longhu Jinhua Real Estate Co., Ltd. (成都龍湖錦華置業有限公司) (“Chengdu Longhu Jinhua”). Details of the said certificates are, inter alia, summarized as below:

Certificate no.	Land owner	Site area (sq m)	Use	Land use term expiry date
Cheng Guo Yong (2007) Di No. 307 (成國用(2007)第307號)	Chengdu Longhu Jinhua	15,777.91	Residential	14 September 2076
			Commercial	14 September 2046
Cheng Guo Yong (2007) Di No. 308 (成國用(2007)第308號)	Chengdu Longhu Jinhua	39,309.71	Residential	14 September 2076
			Commercial	14 September 2046
Total:		55,087.62		

- Pursuant to the Planning Permit for Construction Land Cheng Gui Yong Di (2006) No. 443 (成規用地(2006)443號) issued by Chengdu Planning and Administration Bureau on 31 October 2006, Chengdu Longhu Jinhua is permitted to use a parcel of land with a site area of 72,522.47 sq m for residential development.
- Pursuant to the Planning Permit for Construction Works Cheng Gui Guan (2007) No. 52 (成規建築(2007)52號) issued by Chengdu Planning and Administration Bureau, the approved construction scale of Phase I of Three Thousand Lane is 88,563.90 sq m.
- Pursuant to the Planning Permit for Construction Works Cheng Gui Guan (2007) No. 126 (成規建築(2007)126號) issued by Chengdu Planning and Administration Bureau, the approved construction scale of Phase II of Three Thousand Lane is 234,810.30 sq m.
- Pursuant to four Permits for Commencement of Construction Works issued by Chengdu Construction Commission, the construction of the property has been permitted to commence with details summarized below.

Permit for Commencement of Construction Works	Construction scale		Issuance date
	(sq m)	Construction period	
No. X510100200703060101	88,563.90	1 March 2007 to 31 August 2008	6 March 2007
No. X510100200704291201	84,388.90	29 April 2007 to 30 October 2008	29 April 2007
No. X510100200704291301	73,810.20	29 April 2007 to 30 October 2008	29 April 2007
No. X510100200705180301	76,611.20	18 May 2007 to 30 October 2008	18 May 2007
Total:	<u>323,374.20</u>		

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6. Pursuant to ten Pre-sale Permits for Commodity Housing all issued by Chengdu House Management Bureau, a total gross floor area of 324,342.04 sq m of Phase I and Phase II of Longhu Three Thousand Lane were permitted to be pre-sold. Details of these pre-sale permits are as follows:

Pre-sale Permits No.	Pre-sale scale (sq m)	Issuance Date
Cheng Fang Yu Shou Zhong Xin Cheng Qu Zi Di 4932 (成房預售中心城區字第4932號)	58,088.05	25 May 2007
Cheng Fang Yu Shou Zhong Xin Cheng Qu Zi Di 4919 (成房預售中心城區字第4919號)	19,442.59	17 May 2007
Cheng Fang Yu Shou Zhong Xin Cheng Qu Zi Di 5214 (成房預售中心城區字第5214號)	12,001.10	28 November 2007
Cheng Fang Yu Shou Zhong Xin Cheng Qu Zi Di 5169 (成房預售中心城區字第5169號)	43,005.08	1 November 2007
Cheng Fang Yu Shou Zhong Xin Cheng Qu Zi Di 5022 (成房預售中心城區字第5022號)	41,191.53	3 August 2007
Cheng Fang Yu Shou Zhong Xin Cheng Qu Zi Di 5066 (成房預售中心城區字第5066號)	34,936.86	6 September 2007
Cheng Fang Yu Shou Zhong Xin Cheng Qu Zi Di 5014 (成房預售中心城區字第5014號)	33,698.82	24 July 2007
Cheng Fang Yu Shou Zhong Xin Cheng Qu Zi Di 5101 (成房預售中心城區字第5101號)	20,934.8	25 September 2007
Cheng Fang Yu Shou Zhong Xin Cheng Qu Zi Di 5242 (成房預售中心城區字第5242號)	27,344.39	14 December 2007
Cheng Fang Yu Shou Zhong Xin Cheng Qu Zi Di 5240 (成房預售中心城區字第5240號)	33,698.82	12 December 2007
Total:	<u>324,342.04</u>	

7. We have been provided with a legal opinion on the title to the property issued by the Group’s PRC legal advisers, which contains, inter alia, the following information:
- (i) Chengdu Longhu Jinhua legally owns the land use rights of the property and the land use rights of portion of the property with a site area of 15,777.91 sq m are subject to mortgages;
 - (ii) Chengdu Longhu Jinhua is entitled to transfer, lease and mortgage the land use rights of the property during the term of the land use rights without additional payment of any land grant fee or premium but Chengdu Longhu Jinhua has to obtain the mortgagee’s prior written consent before transferring, leasing or mortgaging the land use rights of mortgaged portion of the property during the mortgage term;
 - (iii) Chengdu Longhu Jinhua has obtained from the relevant government authorities the permits and approvals required by the law for the construction of the property;
 - (iv) Chengdu Longhu Jinhua is entitled to pre-sell the property in accordance with the pre-sale limits prescribed in the Pre-sale Permits for Commodity Housing mentioned in note (6) above;
 - (v) Chengdu Longhu Jinhua can use the relevant State-owned Land Use Rights Certificates, Planning Permit for Construction Land, Planning Permit for Construction Works, Permit for Commencement of Construction Works and Information of Examination of Completion of Buildings to apply for the relevant Building Ownership Certificate for the property. Upon Chengdu Longhu Jinhua obtaining the construction completion examination documents, there is no substantial legal impediment for Chengdu Longhu Jinhua to obtain the relevant Building Ownership Certificate; and
 - (vi) Chengdu Longhu Jinhua is a limited liability company established in accordance with the laws of the PRC and owned as to 67% by Chongqing Longhu Development Co. Ltd., 25% by Juntion Development Hong Kong (Holding) Limited and 8% by Topper Industrial.

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PROPERTY VALUATION

VALUATION CERTIFICATE

Group II — Property interests held by the Group for sale in the PRC

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 August 2009
30.	Unsold Portion of Phase I of Beijing Rose and Ginkgo Villa (北京麗瀾山), South of Huosha Road, Gucheng Village, Houshayu Town, Shunyi District, Beijing, PRC	Beijing Rose and Ginkgo Villa is a large scale residential development completed in 2009. The property comprises various unsold residential units of Phase I of the development with a total gross floor area of approximately 592.62 sq m (6,379 sq ft). The land use rights of the property have been granted for two concurrent terms expiring on 9 February 2046 and 9 February 2076 for ancillary and residential uses respectively.	The property is currently vacant.	RMB18,000,000 (89.93% interests attributable to the Group: RMB16,187,400)

Notes:

- Pursuant to four State-owned Land Use Rights Certificates, the land use rights of four parcels of land have been granted to Beijing Longhu Properties Co., Ltd. (北京龍湖置業有限公司) (“Beijing Longhu Properties”). Details of the said certificates are, inter alia, summarized as below:

Certificate no.	Land owner	Site area (sq m)	Use	Land use term expiry date
Jing Shun Guo Yong (2006 Chu) Zi Di No. 00173 (京順國用(2006出)字第00173號)	Beijing Longhu Properties	25,194.81	Residential	9 February 2076
Jing Shun Guo Yong (2007 Chu) Zi Di No. 00135 (京順國用(2007出)字第00135號)	Beijing Longhu Properties	36,141.84	Residential Ancillary	9 February 2076 9 February 2046
Jing Shun Guo Yong (2007 Chu) Zi Di No. 00136 (京順國用(2007出)字第00136號)	Beijing Longhu Properties	45,338.45	Residential Ancillary	9 February 2076 9 February 2046
Jing Shun Guo Yong (2007 Chu) Zi Di No. 00137 (京順國用(2007出)字第00137號)	Beijing Longhu Properties	57,962.31	Residential Ancillary	9 February 2076 9 February 2046
	Total:	<u>164,637.41</u>		

- Pursuant to the Planning Permit for Construction Land 2006 Gui (Shun) Di Zi No.0010 (2006規(順)地字0010號) issued by Beijing Planning Committee on 24 April 2006, Beijing Longhu Properties is permitted to use a parcel of land with a site area of 164,637.406 sq m for residential development.
- Pursuant to two Planning Permit for Construction Works 2007 Gui (Shun) Jian Zi Nos. 0128 and 0129 (2007規(順)建字0128和0129號) issued by Beijing Planning Committee, the approved construction scale of the property is 197,971.25 sq m.
- Pursuant to 9 Permits for Commencement of Construction Works issued by Beijing Construction Commission, the construction of Phase I of Beijing Rose and Ginkgo Villa has been permitted to commence on 15 August 2007 with a total approved construction scale of 137,788.14 sq m.

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PROPERTY VALUATION

Permit for Commencement of Construction Works	Construction scale (sq m)	Construction period	Issuance date
(2007) Shi Jian Zi No. 1255 (2007) 施建字1255號	24,714.47	15 August 2007 to 30 December 2008	10 August 2007
(2007) Shi Jian Zi No. 1256 (2007) 施建字1256號	37,733.77	15 August 2007 to 30 December 2008	10 August 2007
(2007) Shi Jian Zi No. 1257 (2007) 施建字1257號	35,932.29	15 August 2007 to 30 December 2008	10 August 2007
(2007) Shi Jian Zi No. 1258 (2007) 施建字1258號	11,489.82	15 August 2007 to 30 December 2008	10 August 2007
(2007) Shi Jian Zi No. 1259 (2007) 施建字1259號	8,551.12	15 August 2007 to 30 December 2008	10 August 2007
(2007) Shi Jian Zi No. 1260 (2007) 施建字1260號	7,306.26	15 August 2007 to 30 December 2008	10 August 2007
(2007) Shi Jian Zi No. 1261 (2007) 施建字1261號	6,131.50	15 August 2007 to 30 December 2008	10 August 2007
(2007) Shi Jian Zi No. 1262 (2007) 施建字1262號	2,348.80	15 August 2007 to 30 December 2008	10 August 2007
(2007) Shi Jian Zi No. 1263 (2007) 施建字1263號	3,580.11	15 August 2007 to 30 December 2008	10 August 2007
Total:	<u>137,788.14</u>		

5. Pursuant to three Pre-sale Permits for Commodity Housing all issued by Beijing Construction Commission, a total gross floor area of 74,868.35 sq m of Phase I of Beijing Rose and Ginkgo Villa were permitted to be pre-sold. Details of these pre-sale permits are as follows:

Pre-sale Permits No.	Pre-sale scale (sq m)	Issuance Date
Jing Fang Shou Zheng Zi (2007) No. 300 (京房售證字(2007)300)	32,426.92	19 August 2007
Jing Fang Shou Zheng Zi (2007) No. 349 (京房售證字(2007)349)	23,192.12	27 September 2007
Jing Fang Shou Zheng Zi (2007) No. 422 (京房售證字(2007)422號)	<u>19,249.31</u>	15 November 2007
Total:	<u>74,868.35</u>	

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PROPERTY VALUATION

6. Pursuant to nine Certificates of Registration of Completion and Examination for Construction Projects Nos. 2008-142 to 2008-150 issued by Beijing Construction Committee, the construction works of residential and ancillary buildings and underground carpark of Beijing Rose and Ginkgo Villa with a total gross floor area of 137,788.14 sq m is completed and has been examined on 30 December 2008.
7. We have been provided with a legal opinion on the title to the property issued by the Group’s PRC legal advisers, which contains, inter alia, the following information:
 - (i) Beijing Longhu Properties legally owns the land use rights of the property and is entitled to transfer, lease and mortgage the land use rights of the property during the term of the land use rights without additional payment of any land grant fee or premium;
 - (ii) the land use rights of a parcel of land with a site area of 25,194.81 sq m as stated in note (2) above are subject to a mortgage and Beijing Longhu Properties has to obtain the mortgagee’s prior written consent before transferring, leasing and mortgaging the land use rights of this portion of the property during the mortgage term;
 - (iii) Beijing Longhu Properties has obtained from the relevant government authorities the permits and approvals required by the law for the construction of the property;
 - (iv) Beijing Longhu Properties is entitled to pre-sell the property in accordance with the pre-sale limits prescribed in the Pre-sale Permits for Commodity Housing mentioned in note (5) above;
 - (v) Beijing Longhu Properties can use the relevant Realty Title Certificates, Planning Permit for Construction Land, Planning Permit for Construction Works, Permit for Commencement of Construction Works and Information of Examination of Completion of Buildings to apply for the relevant Building Ownership Certificate for the property. Upon Beijing Longhu Properties obtaining the construction completion examination documents, there is no substantial legal impediment for Beijing Longhu Properties to obtain the relevant Building Ownership Certificate; and
 - (vi) Beijing Longhu Properties is a limited liability company established in accordance with the laws of the PRC and owned as to 98.5% by Chongqing Longhu Development Co. Ltd., 0.3% by He Tiantao and 1.2% by Beijing Huachuan Xinrun Investment Co. Ltd. (北京華川新潤投資有限公司).

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PROPERTY VALUATION

VALUATION CERTIFICATE

Group II — Property interests held by the Group for sale in the PRC

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 August 2009										
31.	Unsold Portion of Beijing Chianti (北京香醍漫步), South of Zhangzhuang Village, Niulanshan Town, Shunyi District, Beijing, PRC	Beijing Chianti is a commercial and residential development erected on 3 parcels of land with a total site area of approximately 168,568.75 sq m (1,814,474 sq ft) completed in 2009. The property comprises the unsold portion of the development with a total gross floor area of approximately 19,033.43 sq m (204,876 sq ft). Details of the approximate gross floor areas of the property are as follows: <table><thead><tr><th>Portion</th><th>Approximate gross floor area (sq m)</th></tr></thead><tbody><tr><td>Residential</td><td>2,531.84</td></tr><tr><td>Retail</td><td>2,597.35</td></tr><tr><td>Underground car park</td><td>13,904.24</td></tr><tr><td>Total:</td><td><u>19,033.43</u></td></tr></tbody></table> The land use rights of the property have been granted for a term expiring on 2 February 2077 for residential uses.	Portion	Approximate gross floor area (sq m)	Residential	2,531.84	Retail	2,597.35	Underground car park	13,904.24	Total:	<u>19,033.43</u>	The property is currently vacant.	RMB110,000,000 (91.27% interests attributable to the Group: RMB100,397,000)
Portion	Approximate gross floor area (sq m)													
Residential	2,531.84													
Retail	2,597.35													
Underground car park	13,904.24													
Total:	<u>19,033.43</u>													

Notes:

- Pursuant to three State-owned Land Use Rights Certificates, the land use rights of the property have been granted to Beijing Longhu Qinghua Properties Co., Ltd. (北京龍湖慶華置業有限公司) (“Beijing Longhu Qinghua”). Details of the said certificates are, inter alia, summarized as below:

Certificate no.	Land owner	Site area (sq m)	Use	Land use term expiry date
Jing Shun Guo Yong (2007 Chu) Zi Di No. 00075 (京順國用(2007出)字第0075號)	Beijing Longhu Qinghua	47,827.19	Residential	2 February 2077
Jing Shun Guo Yong (2007 Chu) Zi Di No. 00076 (京順國用(2007出)字第0076號)	Beijing Longhu Qinghua	58,192.83	Residential	2 February 2077
Jing Shun Guo Yong (2007 Chu) Zi Di No. 00077 (京順國用(2007出)字第0077號)	Beijing Longhu Qinghua	62,548.73	Residential	2 February 2077
	Total:	<u>168,568.75</u>		

- Pursuant to Building Ownership Certificate X Jing Fang Quan Zheng Shun Zi Di No. 219216 (X京房權證順字第219216號), the building ownership rights of various buildings of Beijing Chianti Zone 1 with a total gross floor area of 51,220.63 sq m have been granted to Beijing Longhu Qinghua for residential uses.

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As advised by the Group, the property comprises portion of the buildings as stated in the aforesaid Building Ownership Certificate.

3. Pursuant to the Planning Permits for Construction Land (2007) Gui (Shun) Di Zi No. 0020 ((2007)規(順)地字0020號) issued by Beijing Planning Committee on 15 March 2007, Beijing Longhu Qinghua is permitted to use a parcel of land with a site area of 168,568.75 sq m for residential development.
4. Pursuant to seven Planning Permits for Construction Works 2007 Gui (Shun) Jian Zi No. 0118, 0119, 0124, 0125, 0174, 0175 and 0176 (2007規(順)建字0118, 0119, 0124, 0125, 0174, 0175 和 0176號) all issued by Beijing Planning Committee, the approved construction scale of Beijing Chianti is 184,530.82 sq m.
5. Pursuant to nine Permits for Commencement of Construction Works issued by Beijing Construction Commission, the construction of Beijing Chianti has been permitted to commence from 3 August 2007 and 20 November 2007. The total approved construction scale is 184,530.82 sq m.

Permits for Commencement of Construction Works	Construction scale (sq m)	Construction period	Issuance date
(2007) Shi Jian Zi No. 1165 (2007)施建字1165號	52,778.91	3 August 2007 to 30 December 2008	24 July 2007
(2007) Shi Jian Zi No. 1166 (2007)施建字1166號	51,075.55	3 August 2007 to 30 December 2008	24 July 2007
(2007) Shi Jian Zi No. 1546 (2007)施建字1546號	9,295.68	3 August 2007 to 30 December 2008	19 September 2007
(2007) Shi Jian Zi No. 1547 (2007)施建字1547號	8,027.35	3 August 2007 to 30 December 2008	19 September 2007
(2007) Shi Jian Zi No. 2029 (2007)施建字2029號	2,799.72	20 November 2007 to 30 December 2008	29 November 2007
(2007) Shi Jian Zi No. 2033 (2007)施建字2033號	34,054.24	20 November 2007 to 30 December 2008	29 November 2007
(2007) Shi Jian Zi No. 2030 (2007)施建字2030號	8,524.53	20 November 2007 to 30 December 2008	29 November 2007
(2007) Shi Jian Zi No. 2032 (2007)施建字2032號	7,458.04	20 November 2007 to 30 December 2008	29 November 2007
(2007) Shi Jian Zi No. 2031 (2007)施建字2031號	10,516.80	20 November 2007 to 30 December 2008	29 November 2007
Total:	<u>184,530.82</u>		

APPENDIX IV

PROPERTY VALUATION

6. Pursuant to six Pre-sale Permits for Commodity Housing all issued by Beijing Construction Commission, a total gross floor area of 153,690.24 sq m of Chianti (Beijing) were permitted to be pre-sold. Details of these pre-sale permits are as follows:

Pre-sale Permits No.	Pre-sale scale (sq m)	Issuance date
Jing Fang Shou Zheng Zi (2007) No. 348 (京房售證字(2007)348號)	20,927.40	27 November 2007
Jing Fang Shou Zheng Zi (2007) No. 406 (京房售證字(2007)406號)	60,757.91	5 November 2007
Jing Fang Shou Zheng Zi (2007) No. 469 (京房售證字(2007)469號)	36,447.00	15 December 2007
Jing Fang Shou Zheng Zi (2007) No. 311 (京房售證字(2007)311號)	20,414.11	9 September 2007
Jing Fang Shou Zheng Zi (2008) No. 283 (京房售證字(2008)283號)	12,546.47	27 October 2008
Jing Fang Shou Zheng Zi (2009) No. 13 (京房售證字(2009)13號)	2,597.35	25 January 2009
Total:	153,690.24	

7. We have been provided with a legal opinion on the title to the property issued by the Group’s PRC legal advisers, which contains, inter alia, the following information:
- (i) Beijing Longhu Qinghua legally owns the land use rights of the property and is entitled to transfer, lease or mortgage the land use rights of the property during the term of the land use rights without additional payment of any land grant fee or premium;
 - (ii) the land use rights of a parcel of land of the property with a site area of 62,548.73 sq m are subject to a mortgage and Beijing Longhu Qinghua has to obtain the mortgagee’s prior written consent before transferring, leasing and mortgaging the land use rights of this portion of the property during the mortgage term;
 - (iii) Beijing Longhu Qinghua has obtained from the relevant government authorities the permits and approvals required by the law for the construction of the property;
 - (iv) Beijing Longhu Qinghua is entitled to pre-sell the property in accordance with the pre-sale limits prescribed in the Pre-sale Permits for Commodity Housing mentioned in note (6) above;
 - (v) Beijing Longhu Qinghua can use the relevant State-owned Land Use Rights Certificates, Planning Permit for Construction Land, Planning Permit for Construction Works, Permit for Commencement of Construction Works and information of Examination of Completion of Buildings to apply for the relevant Building Ownership Certificate for the property. Upon Beijing Longhu Qinghua obtaining the construction completion examination documents, there is no substantial legal impediment for Beijing Longhu Qinghua to obtain the relevant Building Ownership Certificate; and
 - (vi) Beijing Longhu Qinghua has obtained Building Ownership Certificate X Jing Fang Quan Zheng Shun Zi Di No. 219216 and legally owns the building ownership rights of the unsold portion of the buildings as stated in the said Building Ownership Certificate. Beijing Longhu Qinghua is entitled to transfer, lease and mortgage the unsold portion of the buildings and its land use rights during the term of the land use rights without additional payment of any land grant fee or premium.
 - (vii) Beijing Longhu Qinghua is a limited liability company established in accordance with the laws of the PRC and owned as to 98% by Chongqing Longhu Development Co. Ltd. and 2% by Beijing Longhu Properties Co. Ltd.

APPENDIX IV

PROPERTY VALUATION

VALUATION CERTIFICATE

Group III — Property interests held by the Group under development in the PRC

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 August 2009																		
32.	Portion of Phase II and Phase III of Bamboo Grove (江與城), Dazhulin Zutuan, Gaoxinyuan, Beibu New District, Chongqing, PRC	Bamboo Grove is a proposed large scale residential and commercial development to be developed in 8 phases. Phases II and III of the proposed development will comprise a site area of approximately 115,918.00 sq m (1,247,741 sq ft). Portion of Phase II was completed in 2009 whilst the remaining portion of Phase II and Phase III will be completed by 2009 and 2010 respectively. The property comprises portion of Phase II and Phase III which are under construction. According to the latest development proposal provided by the Group, upon completion the property will provide a total gross floor area of approximately 249,131.00 sq m (2,681,646 sq ft), the breakdown of which is as follows: <table><thead><tr><th>Portion</th><th>Approximate gross floor area (sq m)</th></tr></thead><tbody><tr><td colspan="2"><i>Phase II</i></td></tr><tr><td>Residential</td><td>136,351.22</td></tr><tr><td>Underground car park</td><td>22,168.00</td></tr><tr><td>Ancillary facilities</td><td>3,217.78</td></tr><tr><td colspan="2"><i>Phase III</i></td></tr><tr><td>Town-house</td><td>68,072.00</td></tr><tr><td>Ancillary facilities</td><td>19,322.00</td></tr><tr><td>Total:</td><td><u>249,131.00</u></td></tr></tbody></table> The land use rights of the property have been granted for two concurrent terms expiring on 5 July 2046 and 5 July 2056 for commercial and residential uses respectively.	Portion	Approximate gross floor area (sq m)	<i>Phase II</i>		Residential	136,351.22	Underground car park	22,168.00	Ancillary facilities	3,217.78	<i>Phase III</i>		Town-house	68,072.00	Ancillary facilities	19,322.00	Total:	<u>249,131.00</u>	The property is currently under construction.	RMB1,372,000,000 (49.57% interests attributable to the Group: RMB680,100,400)
Portion	Approximate gross floor area (sq m)																					
<i>Phase II</i>																						
Residential	136,351.22																					
Underground car park	22,168.00																					
Ancillary facilities	3,217.78																					
<i>Phase III</i>																						
Town-house	68,072.00																					
Ancillary facilities	19,322.00																					
Total:	<u>249,131.00</u>																					

APPENDIX IV

PROPERTY VALUATION

Notes:

- Pursuant to two Realty Title Certificates Bei Xin Guo 112 Fang Di Zheng 2008 Zi Di No. 06407 (北新高112房地證2008字第06407號) and Bei Xin Guo 112 Fang Di Zheng 2008 Zi Di No. 06408 (北新高112房地證2008字第06408號), the land use rights of two parcels of land with a total site area of 294,873.60 sq m have been granted to Longhu Land Ltd. (重慶興龍湖置地發展有限公司) (“Longhu Land”) for four concurrent terms expiring on 15 September 2046 and 15 September 2046 for commercial service uses and 15 September 2056 and 15 September 2056 for residential uses respectively.

As by the Group, Phases II and III of Bamboo Grove comprises portion of the two parcels of land as stated in the two Realty Title Certificates mentioned above with a site area of approximately 115,918.00 sq m.

- Pursuant to two Planning Permits for Construction Land Yu Gui Di Zheng (2006) Bei Xin Zi Di No. 0006 (渝規地證(2006)北新字第0006號) and Yu Gui Di Zheng (2007) Bei Xin Zi Di No. 0308 (渝規地證(2007)北新字第0308號) issued by Chongqing Planning Bureau, Longhu Land is permitted to use two parcels of land with site areas of 482,482 sq m and 330,165.60 sq m for the development of Bamboo Grove.
- Pursuant to three Planning Permits for Construction Works Yu Gui Jian Zheng 2007 Bei Xin Zi Di No. 0386 (渝規建證(2007)北新字第0386號), Jian Zi Di Jian No. 500140200800024 (建字第建500140200800024號) and Jian Zi Di Jian No. 500140200900010 (建字第建500140200900010號) issued by Chongqing Planning Bureau, the approved construction scales of the property are 360,000.235 sq m.
- Pursuant to seven Permits for Commencement of Construction Works issued by Chongqing North New District Administrative Commission, the construction of portion of Phase II and Phase III has been permitted to commence with details summarized as below.

Permit for Commencement of Construction Works	Construction scale	Construction period	Issuance date
	(sq m)		
Bei Bu Xin Qu Gao Xin Yuan No. 2008010 (北部新區高新園2008010號)	53,264.133	From 29 January 2008 to 25 July 2009	29 January 2008
Bei Bu Xin Qu Gao Xin Yuan No. 2008011 (北部新區高新園2008011號)	64,881.107	From 29 January 2008 to 25 July 2009	29 January 2008
Bei Bu Xin Qu Gao Xin Yuan No. 2008013 (北部新區高新園2008013號)	40,014.845	From 11 March 2008 to 13 October 2009	11 March 2008
Bei Bu Xin Qu No. 2009032 (北部新區2009032號)	12,138.23	From 2 March 2009 to 28 September 2010	20 March 2009
Bei Bu Xin Qu No. 2009033 (北部新區2009033號)	24,730.24	From 27 March 2008 to 5 October 2010	27 March 2009
Bei Bu Xin Qu No. 2009058 (北部新區2009058號)	24,778.78	From 8 June 2009 to 20 December 2010	8 June 2009
Bei Bu Xin Qu No. 2009059 (北部新區2009059號)	35,952.49	From 16 June 2009 to 18 October 2010	16 June 2009
Total:	<u>255,759.825</u>		

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PROPERTY VALUATION

5. Pursuant to seven Pre-sale Permits for Commodity Housing issued by Chongqing State Land Resources and Housing Administrative Bureau, a total gross floor area of 179,825.079 sq m of the property were permitted to be pre-sold. Details of these pre-sale permits are as follows:

Pre-sale Permits for Commodity Housing	Pre-sale scale (sq m)	Issuance date
Yu Guo Tu Fang Guan (2008) Yu Zi Di No. 113 (渝國土房管(2008)預字第113號)	14,801.42	24 March 2008
Yu Guo Tu Fang Guan (2008) Yu Zi Di No. 167 (渝國土房管(2008)預字第167號)	63,456.34	21 April 2008
Yu Guo Tu Fang Guan (2008) Yu Zi Di No. 347 (渝國土房管(2008)預字第347號)	23,928.30	22 July 2008
Yu Guo Tu Fang Guan (2008) Yu Zi Di No. 471 (渝國土房管(2008)預字第471號)	34,115.219	26 September 2008
Yu Guo Tu Fang Guan (2009) Yu Zi Di No. 108 (渝國土房管(2009)預字第108號)	13,811.22	3 April 2009
Yu Guo Tu Fang Guan (2009) Yu Zi Di No. 184 (渝國土房管(2009)預字第184號)	12,061.69	15 May 2009
Yu Guo Tu Fang Guan (2009) Yu Zi Di No. 250 (渝國土房管(2009)預字第250號)	17,650.89	26 June 2009
Total:	<u>179,825.079</u>	

6. As advised by the Group, the total construction cost expended for Phase II as at the date of valuation was approximately RMB344,040,000 whereas the outstanding construction cost was approximately RMB177,730,000. We have taken into account the said amounts in our valuation.
7. As advised by the Group, the total construction cost expended for Phase III as at the date of valuation was approximately RMB96,800,000 whereas the outstanding construction cost was approximately RMB142,370,000. We have taken into account the said amounts in our valuation.
8. As advised by the Group, portion of the residential areas of the property with a total gross floor area of approximately 160,553.23 sq m has been pre-sold under various sales and purchases agreements at a consideration of approximately RMB1,367,280,000. We have taken into account the said consideration in our valuation.
9. The capital value of the property as if completed as at the date of valuation was RMB2,060,000,000.
10. We have been provided with a legal opinion on the title to the property issued by the Group’s PRC legal advisers, which contains, inter alia, the following information:-
- (i) Longhu Land legally owns the land use rights of the property;
 - (ii) the land use rights of a parcel of land of the property with a site area of approximately of 199,468.60 sq m are subject to mortgages. Longhu Land is entitled to transfer, lease and mortgage the land use rights of the property during the term of the land use rights without additional payment of any land grant fee or premium but Longhu Land has to obtain the mortgagee’s prior written consent before transferring, leasing and mortgaging the land use rights of the mortgaged land of the property during the mortgage term;
 - (iii) Longhu Land has obtained from the relevant government authorities the permits and approvals required by the law for the construction of the property;
 - (iv) Longhu Land is entitled to pre-sell the property in accordance with the pre-sale limits prescribed in the Pre-sale Permits for Commodity Housing mentioned in note (5) above;

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- (v) Longhu Land can use the relevant Realty Title Certificates, Planning Permit for Construction Land, Planning Permit for Construction Works, Permit for Commencement of Construction Works and information on Examination of Completion of Buildings to apply for the relevant Building Ownership Certificate for the property. Upon Longhu Land obtaining the construction completion examination documents, there is no substantial legal impediment for Longhu Land to obtain the relevant Building Ownership Certificate; and
- (vi) Longhu Land is a Sino-foreign cooperative enterprise established in accordance with the laws of the PRC and owned as to 5% by Chongqing Longhu Properties Co. Ltd. and 95% by Jiaxun Land Company Limited.

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PROPERTY VALUATION

VALUATION CERTIFICATE

Group III — Property interests held by the Group under development in the PRC

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 August 2009																								
33.	Phase I and Phase II of Chunsen Land (春森彼岸), Chenjiaguan, Jiangbei District, Chongqing, PRC	Chunsen Land is a proposed large-scale commercial, office and residential development to be developed in 5 phases erected on various parcels of land with a total site area of approximately 160,191.00 sq m (1,724,296 sq ft). According to the latest development proposal provided by the Group, the property comprises Phases I and II of the development with a site area of approximately 71,346.00 sq m (767,968 sq ft) and will be developed into a mixed commercial/ residential development with a total gross floor area of approximately 317,429.58 sq m (3,416,812 sq ft). As advised by the Group, Phase I and Phase II of the development are scheduled for completion in the period between Q4 2009 and Q2 2011. Details of the uses and approximate gross floor areas of the property are as follows: <table><tr><th>Portion</th><th>Approximate gross floor area (sq m)</th></tr><tr><td colspan="2"><i>Phase I</i></td></tr><tr><td>Residential</td><td>134,483.84</td></tr><tr><td>Retail</td><td>13,601.77</td></tr><tr><td>Ancillary facilities</td><td>5,755.39</td></tr><tr><td>Underground car park</td><td>24,485.00</td></tr><tr><td colspan="2"><i>Phase II</i></td></tr><tr><td>Residential</td><td>93,053.58</td></tr><tr><td>Retail</td><td>20,100.00</td></tr><tr><td>Ancillary facilities</td><td>703.00</td></tr><tr><td>Underground car park</td><td>25,247.00</td></tr><tr><td>Total:</td><td>317,429.58</td></tr></table> The land use rights of the property have been granted for two concurrent terms expiring on 23 August 2044 and 23 August 2054 for commercial and residential uses respectively.	Portion	Approximate gross floor area (sq m)	<i>Phase I</i>		Residential	134,483.84	Retail	13,601.77	Ancillary facilities	5,755.39	Underground car park	24,485.00	<i>Phase II</i>		Residential	93,053.58	Retail	20,100.00	Ancillary facilities	703.00	Underground car park	25,247.00	Total:	317,429.58	The property is currently under construction.	RMB1,195,000,000 (91.30% interests attributable to the Group: RMB1,091,035,000)
Portion	Approximate gross floor area (sq m)																											
<i>Phase I</i>																												
Residential	134,483.84																											
Retail	13,601.77																											
Ancillary facilities	5,755.39																											
Underground car park	24,485.00																											
<i>Phase II</i>																												
Residential	93,053.58																											
Retail	20,100.00																											
Ancillary facilities	703.00																											
Underground car park	25,247.00																											
Total:	317,429.58																											

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Notes:

- Pursuant to State-owned Land Use Rights Grant Contract Yu Di (2004) He Zi (Jiang Bei) Di No. 302 (渝地(2004)合字(江北)第302號) entered into between Chongqing Land Resources and House Administration Bureau (“Party A”) and Chongqing Beilonghu Property Co., Ltd. (重慶北龍湖置地發展有限公司) (“Chongqing Beilonghu”), Party A agreed to grant the land use rights of a parcel of land with a site area of 160,191 sq m to Chongqing Bei Longhu at a total land grant fee of RMB147,754,260 for two concurrent terms of 40 and 50 years for commercial and residential uses respectively.
- Pursuant to four Realty Title Certificates, the land use rights of the property have been granted to Chongqing Beilonghu Property Co., Ltd. (重慶北龍湖置地發展有限公司) (“Chongqing Beilonghu”). Details of the said certificates are, inter alia, summarized as below:

Certificate no.	Owner	Site area (sq m)	Use	Land use term expiry date
103 Fang Di Zheng 2007 Zi Di No. 08717 (103 房地證2007字第08717號)	Chongqing Beilonghu	29,259.80	Commercial services	23 August 2044
			Residential	23 August 2054
103 Fang Di Zheng 2008 Zi Di No. 08254 (103房地證2008字第08254號)	Chongqing Beilonghu	20,315.30	Commercial services	23 August 2044
			Residential	23 August 2054
103 Fang Di Zheng 2007 Zi Di No. 20746 (103房地證2007字第20746號)	Chongqing Beilonghu	7,836.10	Commercial services	23 August 2044
			Residential	23 August 2054
103 Fang Di Zheng 2008 Zi Di No. 16805 (103房地證2008字第16805號)	Chongqing Beilonghu	28,163.30	Commercial services	23 August 2044
			Residential	23 August 2054
	Total:	85,574.50		

As advised by the Group, the property will be developed on portion of the four parcels of land as stated in aforesaid five Realty Title Certificates with a site area of approximately 85,574.50 sq m.

- Pursuant to the Planning Permit for Construction Land Yu Gui Di Zheng (2005) Jiang Zi Di No. 0015 (渝規地證(2005)江字第0015號) issued by Chongqing Planning Bureau on 6 April 2005, Chongqing Beilonghu is permitted to use a parcel of land with a site area of 160,191 sq m for residential, club house, commercial and underground car park development.
- Pursuant to six Planning Permit for Construction Works Yu Gui Jian Zheng (2007) Jiang Zi Di No. 0335 (渝規建證(2007)江字第0335號), Jian Zi Di Jian Nos. 500105200800044, 500105200900010, 500105200900035, 500105200900050 and 500105200900051 (建字第建500105200800044, 50015200900010, 50015200900035, 500105200900050 及 500105200900051號) all issued by Chongqing Planning Bureau, Chongqing Beilonghu is permitted to construct a total planned gross floor area of 314,212.13 sq m.
- Pursuant to three Permits for Commencement of Construction Works Nos. 510202200705310101, 510202200705310201 and 510202200712040301 issued by Chongqing Construction Commission, the construction periods of Phase I and Phase II are from 1 July 2007 to 1 March 2009 and from 1 March 2008 to 4 November 2009 respectively and the total approved construction scale is 306,670.08 sq m.

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PROPERTY VALUATION

6. Pursuant to 8 Pre-sale (Pre-lease) Permits for Commodity Housing Yu Guo Tu Fang Guan (2007) Yu Zi Di No. (542) (渝國土房管(2007)預字第(542)號), Yu Guo Tu Fang Guan (2007) Yu Zi Di No. (542) Fu No. 2 (渝國土房管(2007)預字第(542)號附(2)號), Yu Guo Tu Fang Guan (2008) Yu Zi Di No. (355) Fu No. 1 (渝國土房管(2008)預字第(355)號附(1)號), Yu Guo Tu Fang Guan (2008) Yu Zi Di No. (431) Fu No. 1 (渝國土房管(2008)預字第(431)號附(1)號), Yu Guo Tu Fang Guan (2008) Yu Zi Di No. (638) (渝國土房管(2008)預字第(638)號), Yu Guo Tu Fang Guan (2009) Yu Zi Di No. (095) (渝國土房管(2009)預字第(095)號), Yu Guo Tu Fang Guan (2009) Yu Zi Di No. (148) (渝國土房管(2009)預字第(148)號) and Yu Guo Tu Fang Guan (2009) Yu Zi Di No. (312) (渝國土房管(2009)預字第(312)號) all issued by Chongqing State Land Resources and Housing Administrative Bureau, a total gross floor area of 189,016.349 sq m of the property was permitted to be pre-sold.
7. As advised by the Group, the total construction cost expended for Phase I as at the date of valuation was approximately RMB330,940,000 whereas the outstanding construction cost was approximately RMB229,860,000.
8. As advised by the Group, the total construction cost expended for Phase II as at the date of valuation was approximately RMB54,080,000 whereas the outstanding construction cost was approximately RMB367,330,000.
9. As advised by the Group, portion of the property with a total gross floor area of approximately 143,526.88 sq m has been pre-sold under various sales and purchases agreements at a total consideration of approximately RMB1,091,650,000. We have taken into account the said consideration in our valuation.
10. The capital value of the property as if completed as at the date of valuation was RMB2,300,800,000.
11. We have been provided with a legal opinion on the title to the property issued by the Group’s PRC legal advisers, which contains, inter alia, the following information:-
 - (i) Chongqing Beilonghu legally owns the land use rights of the property and is entitled to transfer, lease and mortgage the land use rights of the property during the term of the land use rights without additional payment of any land grant fee or premium;
 - (ii) Chongqing Beilonghu has obtained from the relevant government authorities the permits and approvals required by the law for the construction of the property;
 - (iii) Chongqing Beilonghu is entitled to pre-sell the property in accordance with the pre-sale limits prescribed in the Pre-sale Permits for Commodity Housing mentioned in note (6) above;
 - (iv) Chongqing Beilonghu can use the relevant Realty Title Certificates, Planning Permit for Construction Land, Planning Permit for Construction Works, Permit for Commencement of Construction Works and Information of Examination of Completion of Buildings to apply for the relevant Building Ownership Certificate for the property. Upon Chongqing Beilonghu obtaining the construction completion examination documents, there is no substantial legal impediment for Chongqing Beilonghu to obtain the relevant Building Ownership Certificate; and
 - (v) Chongqing Beilonghu is a limited liability company established in accordance with the laws of the PRC and owned as to 51% by Chongqing Longhu Properties Co. Ltd. and 49% by Chongqing Longhu Development Co. Ltd.

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PROPERTY VALUATION

VALUATION CERTIFICATE

Group III — Property interests held by the Group under development in the PRC

No.	Property	Description and tenure	Particulars of Occupancy	Market value in existing state as at 31 August 2009																												
34.	Wisdom Town (睿城), Xi Yong Zu Tuan, Shapingba District, Chongqing, PRC	Wisdom Town is a large scale residential and commercial development comprising two parcels of land with a total site area of approximately 98,274.00 sq m (1,057,821 sq ft). According to the latest development proposal provided by the Group, the development will be developed into a residential and commercial development plus ancillary facilities in 3 phases and scheduled to be completed in 2009 and 2010. Upon completion, the property will provide a total gross floor area of approximately 208,618.00 sq m (2,245,564 sq ft). Details of the uses and gross floor areas of the property are as follows: <table><thead><tr><th>Portion</th><th>Approximate gross floor area (sq m)</th></tr></thead><tbody><tr><td colspan="2"><i>Phase I</i></td></tr><tr><td>Residential</td><td>38,512.72</td></tr><tr><td>Ancillary facilities</td><td>22,047.65</td></tr><tr><td colspan="2"><i>Phase II</i></td></tr><tr><td>Residential</td><td>36,380.16</td></tr><tr><td>SOHO</td><td>8,627.77</td></tr><tr><td>Ancillary facilities</td><td>10,962.91</td></tr><tr><td colspan="2"><i>Phase III</i></td></tr><tr><td>Residential</td><td>54,100.00</td></tr><tr><td>Retail</td><td>17,453.00</td></tr><tr><td>Underground car park</td><td>15,330.00</td></tr><tr><td>Ancillary facilities</td><td>5,203.79</td></tr><tr><td>Total:</td><td><u>208,618.00</u></td></tr></tbody></table> The land use rights of portion of the property have been granted for two concurrent terms of 40 and 50 years for commercial and residential uses respectively. Please refer to notes (1) and (2) below for details.	Portion	Approximate gross floor area (sq m)	<i>Phase I</i>		Residential	38,512.72	Ancillary facilities	22,047.65	<i>Phase II</i>		Residential	36,380.16	SOHO	8,627.77	Ancillary facilities	10,962.91	<i>Phase III</i>		Residential	54,100.00	Retail	17,453.00	Underground car park	15,330.00	Ancillary facilities	5,203.79	Total:	<u>208,618.00</u>	The property is currently under construction.	RMB470,000,000 (95.56% interests attributable to the Group: RMB449,132,000)
Portion	Approximate gross floor area (sq m)																															
<i>Phase I</i>																																
Residential	38,512.72																															
Ancillary facilities	22,047.65																															
<i>Phase II</i>																																
Residential	36,380.16																															
SOHO	8,627.77																															
Ancillary facilities	10,962.91																															
<i>Phase III</i>																																
Residential	54,100.00																															
Retail	17,453.00																															
Underground car park	15,330.00																															
Ancillary facilities	5,203.79																															
Total:	<u>208,618.00</u>																															

APPENDIX IV

PROPERTY VALUATION

Notes:

- Pursuant to the State-owned Land Use Rights Grant Contract Yu Di (2007) He Zi (Sha Qu) Di No. 69 (渝地(2007)合字(沙區)第69號) entered into between Chongqing State Land Resources and Housing Administrative Bureau (the “Grantor”) and Chongqing Longhu Kaian Real Estate Development Co., Ltd. (“Chongqing Longhu Kaian”) (重慶龍湖凱安地產發展有限公司) on 29 March 2007, the Grantor agreed to grant the land use rights of 6 parcels of land with a total site area of 721,865 sq m to Chongqing Longhu Kaian at a total land grant fee of RMB[700,000,000] for two concurrent terms of 40 and 50 years for commercial and residential uses respectively.

As advised by the Group, the land of Wisdom Town forms part of the land as stated in the aforesaid State-owned Land Uses Rights Grant Contract.

- Pursuant to two Realty Title Certificates, the land use rights of the property have been granted to Chongqing Longhu Kaian Real Estate Development Co., Ltd. (重慶龍湖凱安地產發展有限公司) (“Chongqing Longhu Kaian”). Details of the said certificates are, inter alia, summarized as below:

Certificate no.	Owner	Site area (sq m)	Use	Land use term expiry date
Sha Ping Ba Qu D Fang Di Zheng 2008 Zi Di No. 000230 (沙坪壩區D房地證2008字第000230號)	Chongqing Longhu Kaian	50,398.00	Residential	28 March 2057
Sha Ping Ba Qu D Fang Di Zheng 2008 Zi Di No. 000231 (沙坪壩區D房地證2008字第000231號)	Chongqing Longhu Kaian	47,876.00	Residential	28 March 2057
	Total:	<u>98,274.00</u>		

As advised by the Group, the property has a total site area of approximately 106,690.00 sq m, in which 8,416 sq m is for public roads and facilities and 98,274 sq m is for real estate development. The property is developing on the land as stated in the aforesaid Realty Title Certificates.

- Pursuant to the Planning Permit for Construction Land Di Zi Di Jian No. 500106200800060 (地字第建500106200800060號) issued by Chongqing Planning Bureau, Chongqing Longhu Kaian is permitted to use the parcel of land with a site area of 106,690 sq m for the development.
- Pursuant to three Planning Permits for Construction Works Jian Zi Di Jian Nos. 500106200800075 to 50010620080077 (建字第建500106200800075至50010620080077號) issued by Chongqing Planning Bureau, the approved construction scales are 211,911.24 sq m.
- Pursuant to three Permits for Commencement of Construction Works Nos. 510202200803310102 to 510202200803310104 issued by Construction Committee of Shapingba District, Chongqing, the constructions of Phases I and II have been permitted to commence at various dates and the construction scale is 212,204.23 sq m.
- Pursuant to ten Pre-sale Permits for Commodity Housing Yu Guo Tu Fang Guan (2008) Yu Zi Di Nos. 311 and 280 (渝國土房管(2008)預字第311和280號), Yu Guo Tu Fang Guan 2008 Yu Zi Di Nos. 359, 405, 462 and 567 (渝國土房管(2008)預字第359, 405, 462和567號) and Yu Guo Tu Fang Guan 2009 Yu Zi Di Nos. 118, 254, 278 and 333 (渝國土房管(2009)預字第118, 254, 278和333號) issued by Chongqing State Land Resources and Housing Administrative Bureau, a total area of 152,700.50 sq m of the property was permitted to be pre-sold.
- Pursuant to two Certificates of Registration of Completion and Examination for Construction Projects Sha Jian Jun Bi Zi [2009] Nos. 38 and 39 (沙建竣備字[2009]38和39號), the construction works of the property with a total gross floor area of 57,645.49 sq m is completed and has been examined on 30 July 2009.

APPENDIX IV

PROPERTY VALUATION

8. As advised by the Group, the total construction cost expended for the property as at the date of valuation was approximately RMB253,980,000 whereas the outstanding construction cost was approximately RMB356,040,000. We have taken into account the said amounts in our valuation.
9. As advised by the Group, portion of the property with a total gross floor area of approximately 134,758.16 sq m has been pre-sold under various sales and purchases agreements at a total consideration of approximately RMB785,830,000. We have taken into account the said consideration in our valuation.
10. The capital value of the property as if completed as at the date of valuation was RMB976,700,000.
11. We have been provided with a legal opinion on the title to the property issued by the Group’s PRC legal advisers, which contains, inter alia, the following information:-
 - (i) the State-owned Land Use Rights Grant Contract is legal, valid and enforceable;
 - (ii) Chongqing Longhu Kaian legally owns the land use rights of portion of the property as mentioned in note (2) above and is entitled to transfer, lease and mortgage the land use rights of this portion of the property during the term of the land use rights without additional payment of any land grant fee or premium;
 - (iii) there is no substantial legal impediment for Chongqing Longhu Kaian to obtain the relevant Realty Title Certificates for the remaining portion of the property in accordance with the relevant laws and regulations and the provisions of the State-owned Land Use Rights Grant Contract after Chongqing Longhu Kaian has paid the land grant fee and deed tax;
 - (iv) Chongqing Longhu Kaian has obtained from the relevant government authorities the permits and approvals required by the law for the construction of the property;
 - (v) Chongqing Longhu Kaian is entitled to pre-sell the property in accordance with the pre-sale limits prescribed in the Pre-sale Permits for Commodity Housing mentioned in note (6) above;
 - (vi) Chongqing Longhu Kaian can use the relevant Realty Title Certificates, Planning Permit for Construction Land, Planning Permit for Construction Works, Permit for Commencement of Construction Works and Information of Examination of Completion of Buildings to apply for the relevant Building Ownership Certificate for the property. Upon Chongqing Longhu Kaian obtaining the construction completion examination documents, there is no substantial legal impediment for Chongqing Longhu Kaian to obtain the relevant Building Ownership Certificate; and
 - (vii) Chongqing Longhu Kaian is a limited liability company established in accordance with the laws of the PRC and owned as to 51% by Chongqing Longhu Properties Co. Ltd. and 49% by Jasmine Spread Investment Limited.

APPENDIX IV

PROPERTY VALUATION

VALUATION CERTIFICATE

Group III — Property interests held by the Group under development in the PRC

No.	Property	Description and tenure	Particulars of Occupancy	Market value in existing state as at 31 August 2009																		
35.	Phases I and II of East Bridge County (東橋郡), Xi Yong Zu Tuan, Shapingba District, Chongqing, PRC	East Bridge County is a large scale residential and commercial development comprising 4 parcels of land with a total site area of approximately 615,175.00 sq m (6,621,744 sq ft). According to the latest development proposal provided by the Group, the development will be developed into a residential and commercial development plus ancillary facilities by 10 phases. The property comprises Phase I and Phase II of the development and is scheduled to be completed in 2010. Upon completion, the property will provide a total gross floor area of approximately 171,394.57 sq m (1,844,891 sq ft). Details of the uses and gross floor areas of the property are as follows: <table><thead><tr><th>Portion</th><th>Approximate gross floor area (sq m)</th></tr></thead><tbody><tr><td colspan="2"><i>Phase I</i></td></tr><tr><td>Residential</td><td>82,769.09</td></tr><tr><td>Ancillary facilities</td><td>24,498.00</td></tr><tr><td colspan="2"><i>Phase II</i></td></tr><tr><td>Residential</td><td>47,548.00</td></tr><tr><td>Retail</td><td>675.00</td></tr><tr><td>Ancillary facilities</td><td>15,904.48</td></tr><tr><td>Total:</td><td><u>171,394.57</u></td></tr></tbody></table> The land use rights of the property have been granted for two concurrent terms of 40 and 50 years for commercial and residential uses respectively. Please refer to notes (1) and (2) below for details.	Portion	Approximate gross floor area (sq m)	<i>Phase I</i>		Residential	82,769.09	Ancillary facilities	24,498.00	<i>Phase II</i>		Residential	47,548.00	Retail	675.00	Ancillary facilities	15,904.48	Total:	<u>171,394.57</u>	The property is currently under construction.	RMB381,000,000 (95.56% interests attributable to the Group: RMB364,083,600)
Portion	Approximate gross floor area (sq m)																					
<i>Phase I</i>																						
Residential	82,769.09																					
Ancillary facilities	24,498.00																					
<i>Phase II</i>																						
Residential	47,548.00																					
Retail	675.00																					
Ancillary facilities	15,904.48																					
Total:	<u>171,394.57</u>																					

APPENDIX IV

PROPERTY VALUATION

Notes:

- Pursuant to the State-owned Land Use Rights Grant Contract Yu Di (2007) He Zi (Sha Qu) Di No. 69 (渝地(2007)合字(沙區)第 69 號) entered into between Chongqing State Land Resources and Housing Administrative Bureau (the “Grantor”) and Chongqing Longhu Kaian Real Estate Development Co., Ltd. (“Chongqing Longhu Kaian”) (重慶龍湖凱安地產發展有限公司) on 29 March 2007, the Grantor agreed to grant the land use rights of 6 parcels of land with a total site area of 721,865 sq m to Chongqing Longhu Kaian at a total land grant fee of RMB700,000,000 for two concurrent terms of 40 and 50 years for commercial and residential uses respectively.

As advised by the Group, the land of East Bridge County forms parts of the land as stated in the aforesaid State-owned Land Use Rights Grant Contract.

- Pursuant to three Realty Title Certificates Sha Ping Ba Qu D Fang Di Zheng 2007 Zi Di No. 00214, Sha Ping Ba Qu D Fang Di Zheng 2008 Zi Di No. 000036 and Sha Ping Ba Qu D Fang Di Zheng 2009 Zi Di No. 000089 (沙坪壩區D房地證2007字第00214,沙坪壩區D房地證2008字第000036和沙坪壩區D房地證2009字第000089號), the land use rights of three parcels of land with a total site area of 337,989.00 sq m have been granted to Chongqing Longhu Kaian for two concurrent terms expiring on 28 March 2057 and 29 March 2057 for residential uses and 29 March 2047 for commercial uses respectively.

As advised by the Group, the property is developing on portion of the land as stated in the three Realty Title Certificates.

- Pursuant to the Planning Permit for Construction Land for Di Zi Di Jian No. 500106200800366 (地字第建500106200800366號) issued by Chongqing Planning Bureau, Chongqing Longhu Kaian is permitted to use a parcel of land with a site area of 612,679.00 sq m for the development.
- Pursuant to six Planning Permits for Construction Works Jian Zi Di Jian No. 500106200800146 (建字第建500106200800146號), Jian Zi Di Jian No. 500106200800145 (建字第建500106200800145號), Jian Zi Di Yu Gui Lin Jian (2008) Sha Zi Di no. 0004 (建字第渝規臨建(2008)沙字第0004號), Jian Zi Di Jian No. 500106200900012 (建字第建500106200900012號), Jian Zi Di Jian No. 500106200900045 (建字第建500106200900045號) and Jian Zi Di Jian No. 500106200900046 (建字第建500106200900046號) issued by Chongqing Planning Bureau, the approved construction scales of Phase I and Phase II are 173,637.04 sq m.
- Pursuant to seven Permits for Commencement of Construction Works issued by Construction Committee of Shapingba District, Chongqing, the constructions of Phases I and II have been permitted to commence at various dates, details are summarized as below:

Permits for Commencement of Construction Works	Construction scale (sq m)	Construction period	Issuance date
No. 510202200811130102	16,993.61	26 September 2008 to 30 October 2009	15 November 2008
No. 510202200811130101	54,021.95	26 September 2008 to 30 October 2009	13 November 2008
No. 510202200901220101	17,946.70	26 September 2008 to 30 October 2009	22 January 2009
No. 510202200906260102	43,329.03	22 April 2009 to 30 September 2010	26 June 2009
No. 510202200907160101	15,611.55	25 April 2009 to 31 March 2010	6 July 2009
No. 510202200906300101	18,876.57	22 April 2009 to 30 September 2010	30 June 2009
No. 510202200908180101	4,615.16	25 April 2009 to 31 March 2010	13 August 2009
Total:	171,394.57		

APPENDIX IV

PROPERTY VALUATION

6. Pursuant to five Pre-sale Permits for Commodity Housing Yu Guo Tu Fang Guan 2008 Yu Zi Di No. 618 (渝國土房管2008預字第618號) and Yu Guo Tu Fang Guan 2009 Yu Zi Di Nos. 038-1, 194, 255 and 334 (渝國土房管2009預字第038-1, 194, 255和334號) both issued by Chongqing State Land Resources and Housing Administrative Bureau, a total area of 88,427.53 sq m of the property was permitted to be pre-sold.
7. As advised by the Group, the total construction cost expended for Phase I as at the date of valuation was approximately RMB175,360,000 whereas the outstanding construction cost was approximately RMB268,170,000. We have taken into account the said amounts in our valuation.
8. As advised by the Group, the total construction cost expended for Phase II as at the date of valuation was approximately RMB168,800,000 whereas the outstanding construction cost was approximately RMB88,550,000. We have taken into account the said amounts in our valuation.
9. As advised by the Group, portion of the property with a total gross floor area of approximately 74,415.28 sq m has been pre-sold under various sales and purchases agreements at a total consideration of approximately RMB556,940,000. We have taken into account the said consideration in our valuation.
10. The capital value of the property as if completed as at the date of valuation was RMB1,028,000,000.
11. We have been provided with a legal opinion on the title to the property issued by the Group’s PRC legal advisers, which contains, inter alia, the following information:-
 - (i) Chongqing Longhu Kaian legally owns the land use rights of the property and is entitled to transfer, lease and mortgage the land use rights of the property during the term of the land use rights without additional payment of any land grant fee or premium;
 - (ii) Chongqing Longhu Kaian has obtained from the relevant government authorities the permits and approvals required by the law for the construction of the property;
 - (iii) Chongqing Longhu Kaian is entitled to pre-sell the property in accordance with the pre-sale limits prescribed in the Pre-sale Permits for Commodity Housing mentioned in note (6) above;
 - (iv) Chongqing Longhu Kaian can use the relevant Realty Title Certificates, Planning Permit for Construction Land, Planning Permit for Construction Works, Permit for Commencement of Construction Works and Information of Examination of Completion of Buildings to apply for the relevant Building Ownership Certificate for the property. Upon Chongqing Longhu Kaian obtaining the construction completion examination documents, there is no substantial legal impediment for Chongqing Longhu Kaian to obtain the relevant Building Ownership Certificate; and
 - (v) Chongqing Longhu Kaian is a limited liability company established in accordance with the laws of the PRC and owned as to 51% by Chongqing Longhu Properties Co. Ltd. and 49% by Jasmine Spread Investment Limited.

APPENDIX IV

PROPERTY VALUATION

VALUATION CERTIFICATE

Group III — Property interests held by the Group under development in the PRC

No.	Property	Description and tenure	Particulars of Occupancy	Market value in existing state as at 31 August 2009																									
36.	Portion of Phase I, Phase II and Portion of Phase III of Peace Hill County (悠山郡), Li Jia Central Zone Economic-Tech Park, Beibu New District, Chongqing, PRC	Peace Hill County is a residential and commercial development comprising 4 parcels of land with a total site area of approximately 247,329.30 sq m (2,662,253 sq ft). According to the latest development proposal provided by the Group, Peace Hill County will be developed into a residential and commercial development plus ancillary facilities by 3 phases. The property comprises portion of Phase I, Phase II and portion of Phase III of the development and is scheduled to be completed in 2009 and 2010. Upon completion, the property will provide a total gross floor area of approximately 234,614.48 sq m (2,525,390 sq ft). As advised by the Group, the property is scheduled for completion in 2010. Details of the uses and gross floor areas of the property are as follows: <table><thead><tr><th>Portion</th><th>Approximate gross floor area (sq m)</th></tr></thead><tbody><tr><td colspan="2"><i>Portion of Phase I</i></td></tr><tr><td>Residential</td><td>18,001.00</td></tr><tr><td colspan="2"><i>Phase II</i></td></tr><tr><td>Residential</td><td>101,848.00</td></tr><tr><td>Retail</td><td>2,073.00</td></tr><tr><td>Underground car park</td><td>19,587.00</td></tr><tr><td>Ancillary facilities</td><td>1,214.00</td></tr><tr><td colspan="2"><i>Portion of Phase III</i></td></tr><tr><td>Residential</td><td>79,350.00</td></tr><tr><td>Underground car park</td><td>7,324.43</td></tr><tr><td>Ancillary facilities</td><td>5,217.05</td></tr><tr><td>Total:</td><td><u>234,614.48</u></td></tr></tbody></table> The land use rights of the property have been granted to Chongqing Longhu Properties Co., Ltd. Please refer to note (1) for details.	Portion	Approximate gross floor area (sq m)	<i>Portion of Phase I</i>		Residential	18,001.00	<i>Phase II</i>		Residential	101,848.00	Retail	2,073.00	Underground car park	19,587.00	Ancillary facilities	1,214.00	<i>Portion of Phase III</i>		Residential	79,350.00	Underground car park	7,324.43	Ancillary facilities	5,217.05	Total:	<u>234,614.48</u>	The property is currently under construction. RMB506,000,000 (91.30% interests attributable to the Group: RMB461,978,000)
Portion	Approximate gross floor area (sq m)																												
<i>Portion of Phase I</i>																													
Residential	18,001.00																												
<i>Phase II</i>																													
Residential	101,848.00																												
Retail	2,073.00																												
Underground car park	19,587.00																												
Ancillary facilities	1,214.00																												
<i>Portion of Phase III</i>																													
Residential	79,350.00																												
Underground car park	7,324.43																												
Ancillary facilities	5,217.05																												
Total:	<u>234,614.48</u>																												

APPENDIX IV

PROPERTY VALUATION

Notes:

- Pursuant to four Realty Title Certificates, the land use rights of 4 parcels of land have been granted to Chongqing Longhu Properties Co. Ltd. (重慶龍湖地產發展有限公司) (“Chongqing Longhu Properties”). Details of the said certificates are, inter alia, summarized as below:

Certificate no.	Owner	Site area (sq m)	Use	Land use term expiry date
113 Fang Di Zheng 2008 Zi Di No. 04232 (113房地證2008字第04232號)	Chongqing Longhu Properties	62,787.10	Commercial	11 December 2046
			Residential	11 December 2056
113 Fang Di Zheng 2008 Zi Di No. 03657 (113房地證2008字第03657號)	Chongqing Longhu Properties	47,345.10	Commercial	11 December 2046
			Residential	11 December 2056
113 Fang Di Zheng 2008 Zi Di No. 03656 (113房地證2008字第03656號)	Chongqing Longhu Properties	113,430.80	Commercial	11 December 2046
			Residential	11 December 2056
113 Fang Di Zheng 2008 Zi Di No. 04233 (113房地證2008字第04233號)	Chongqing Longhu Properties	23,766.30	Commercial	11 December 2046
			Residential	11 December 2056
Total:		247,329.30		

As advised by the Group, the property comprises portion of the land as stated in the aforesaid four Realty Title Certificates.

- Pursuant to the Planning Permit for Construction Land Di Zi Di Jian No. 500139200800013 (地字第建500139200800013號) issued by Chongqing Planning Bureau on 19 February 2008, Chongqing Longhu Properties is permitted to use a parcel of land with a site area of 246,951.00 sq m for residential and commercial uses.
- Pursuant to five Planning Permits for Construction Works and Jian Zi Di Jian Nos. 500139200800032, 500139200800071, 500139200800082, 500139200800026 and 500139200900004 (建字第建500139200800032, 500139200800071, 500139200800082, 500139200800026 和500139200900004號) issued by Chongqing Planning Bureau, the approved construction scales of Phase I, Phase II and Phase III is 503,434.81 sq m.
- Pursuant to six Permits for Commencement of Construction Works issued by Chongqing Construction Commission, the construction of portion of Phases I and Phase II and portion of Phase III has been permitted with details summarized below.

Permits for Commencement of Construction Works	Construction scale (sq m)	Construction period	Issuance date
Bei Bu Xin Qu No. 2008005 (北部新區2008005號)	26,138.76	From 3 June 2008 to 11 May 2009	3 June 2008
Bei Bu Xin Qu No. 2008074 (北部新區2008074號)	65,655.63	From 13 October 2008 to 14 January 2010	13 October 2008
Bei Bu Xin Qu No. 2008073 (北部新區2008073號)	59,066.52	From 13 October 2008 to 14 January 2010	13 October 2008
Bei Bu Xin Qu No. 2009004 (北部新區2009004號)	58,421.46	From 8 January 2009 to 25 November 2010	8 January 2009
Bei Bu Xin Qu No. 2009005 (北部新區2009005號)	45,464.30	From 8 January 2009 to 25 November 2010	8 January 2009
Bei Bu Xin Qu No. 2009079 (北部新區2009079號)	3,687.00	From 4 August 2008 to 8 February 2010	4 August 2009
Total:	<u>258,433.67</u>		

APPENDIX IV

PROPERTY VALUATION

5. Pursuant to eleven Pre-sale Permits for Commodity Housing Yu Guo Tu Fang Guan 2008 Yu Zi Di Nos. 308, 498, 408, 609 and 415 (渝國土房管2008預字第308, 498, 408, 609 和 415號) and Yu Guo Tu Fang Guan 2009 Yu Zi Di Nos. 276, 072, 231, 329, 098-1 and 053-1 (渝國土房管2009預字第 276, 072, 231, 329, 098-1 和 053-1號) issued by Chongqing State Land Resources and Housing Administrative Bureau, a total gross floor area of 211,954.569 sq m of the property was permitted to be pre-sold.
6. Pursuant to the five Information of Examination of Completion of Buildings Jian Jun Bei Zi Nos. 2008194, 2009071, 2008195, 2009070 and 2009072 (建竣備字2008194, 2009071, 2008195, 2009072號和2009070號), the property with a total gross floor area of approximately 61,958.24 sq m has been certified to be completed.
7. As advised by the Group, the total construction cost expended for the property as at the date of valuation was approximately RMB245,660,000 whereas the outstanding construction cost was approximately RMB447,850,000. We have taken into account the said amount in our valuation.
8. As advised by the Group, portion of the property with a total gross floor area of approximately 145,402.44 sq m has been pre-sold under various sales and purchase agreements at a total consideration of approximately RMB798,510,000. We have taken into account the said consideration in our valuation.
9. The capital value of the property as if completed as at the date of valuation was RMB1,190,600,000.
10. We have been provided with a legal opinion on the title to the property issued by the Group’s PRC legal advisers, which contains, inter alia, the following information:-
 - (i) Chongqing Longhu Properties legally owns the land use rights of the property;
 - (ii) Chongqing Longhu Properties is entitled to transfer, lease or mortgage the land use rights of the property during the term of the land use rights without additional payment of any land grant fee or premium;
 - (iii) Chongqing Longhu Properties has obtained from the relevant government authorities the permits and approvals required by the law for the construction of the property;
 - (iv) Chongqing Longhu Properties is entitled to pre-sell the property in accordance with the pre-sale limits prescribed in the Pre-sale Permits for Commodity Housing mentioned in note (5) above;
 - (v) Chongqing Longhu Properties can use the relevant Realty Title Certificate, Planning Permit for Construction Land, Planning Permit for Construction Works, Permit for Commencement of Construction Works and information on Examination of Completion of Buildings to apply for the relevant Building Ownership Certificate for the property. Upon Chongqing Longhu Properties obtaining the construction completion examination documents, there is no substantial legal impediment for Chongqing Longhu Properties to obtain the relevant Building Ownership Certificate; and
 - (vi) Chongqing Longhu Properties is a limited liability company established in accordance with the laws of the PRC and wholly owned by Chongqing Longhu Development Co. Ltd.

APPENDIX IV

PROPERTY VALUATION

VALUATION CERTIFICATE

Group III — Property interests held by the Group under development in the PRC

No.	Property	Description and tenure	Particulars of Occupancy	Market value in existing state as at 31 August 2009																																
37.	Portion of Phase I and Phase II to Phase III of Sunshine Riverside (鄞江), Qiuxin Village, Danzishi Road, Nan'an District, Chongqing, PRC	Sunshine Riverside is a residential development comprising 3 parcels of land with a total site area of approximately 111,741.00 sq m (1,202,780 sq ft). According to the latest development proposal provided by the Group, the development will be developed into a residential development with retail and ancillary facilities in five phases. The property comprises portion of Phase I and Phases II to III of the development and is scheduled to be completed in 2009 and 2010. Upon completion, the property will provide a total gross floor area of approximately 356,935.31 sq m (3,842,052 sq ft). Details of both uses and approximate gross floor areas of the property are as follows:	The property is currently under construction.	RMB914,000,000 (46.56% interests attributable to the Group RMB425,558,400)																																
		<table><thead><tr><th>Portion</th><th>Approximate gross floor area (sq m)</th></tr></thead><tbody><tr><td colspan="2"><i>Portion of Phase I</i></td></tr><tr><td>Apartment</td><td>52,602.86</td></tr><tr><td>Retail</td><td>1,161.16</td></tr><tr><td>Underground car park</td><td>9,565.00</td></tr><tr><td>Ancillary facilities</td><td>2,118.44</td></tr><tr><td colspan="2"><i>Phase II</i></td></tr><tr><td>Apartment</td><td>114,530.78</td></tr><tr><td>Retail</td><td>14,440.81</td></tr><tr><td>Underground car park</td><td>29,373.74</td></tr><tr><td>Ancillary facilities</td><td>5,395.79</td></tr><tr><td colspan="2"><i>Phase III</i></td></tr><tr><td>Apartment</td><td>98,595.34</td></tr><tr><td>Underground car park</td><td>14,583.21</td></tr><tr><td>Ancillary facilities</td><td>14,568.18</td></tr><tr><td>Total:</td><td>356,935.31</td></tr></tbody></table>	Portion	Approximate gross floor area (sq m)	<i>Portion of Phase I</i>		Apartment	52,602.86	Retail	1,161.16	Underground car park	9,565.00	Ancillary facilities	2,118.44	<i>Phase II</i>		Apartment	114,530.78	Retail	14,440.81	Underground car park	29,373.74	Ancillary facilities	5,395.79	<i>Phase III</i>		Apartment	98,595.34	Underground car park	14,583.21	Ancillary facilities	14,568.18	Total:	356,935.31		
Portion	Approximate gross floor area (sq m)																																			
<i>Portion of Phase I</i>																																				
Apartment	52,602.86																																			
Retail	1,161.16																																			
Underground car park	9,565.00																																			
Ancillary facilities	2,118.44																																			
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Apartment	114,530.78																																			
Retail	14,440.81																																			
Underground car park	29,373.74																																			
Ancillary facilities	5,395.79																																			
<i>Phase III</i>																																				
Apartment	98,595.34																																			
Underground car park	14,583.21																																			
Ancillary facilities	14,568.18																																			
Total:	356,935.31																																			

APPENDIX IV

PROPERTY VALUATION

No.	Property	Description and tenure	Particulars of Occupancy	Market value in existing state as at 31 August 2009

The land use rights of the property have been granted to the Group for two concurrent terms of 50 and 40 years for residential and commercial uses respectively. Please refer to notes (1) and (2) below for details.

Notes:

- Pursuant to the State-owned Land Use Rights Grant Contract entered into between Chongqing State Land Resources and Housing Administrative Bureau (the “Grantor”) and Chongqing Longhu Yiheng Real Estate Development Co., Ltd. (“Chongqing Longhu Yiheng”) (重慶龍湖宜恆地產發展有限公司) on 5 February 2007, the Grantor has agreed to grant the land use rights of a parcel of land with a site area of 111,741 sq m to Chongqing Longhu Yiheng for two concurrent terms of 40 and 50 years both commencing on 5 February 2007 for commercial and residential uses respectively at a total land grant fee of RMB419,390,000.
- Pursuant to three Realty Title Certificates, the land use rights of three parcels of land have been granted to Chongqing Longhu Yiheng. Details of the said certificates are, inter alia, summarized as below:

Certificate no.	Owner	Site area (sq m)	Use	Land use term expiry date
100 Fang Di Zheng 2007 Zi Di No. 298 (100房地證2007字第298號)	Chongqing Longhu Yiheng	40,354.00	Residential	4 February 2057
100 Fang Di Zheng 2007 Zi Di No. 299 (100房地證2007字第299號)	Chongqing Longhu Yiheng	15,517.00	Commercial	4 February 2047
106D Fang Di Zheng 2008 Zi Di No. 00032 (106D房地證2008字第00032號)	Chongqing Longhu Yiheng	55,870.00	Residential	4 February 2057
	Total:	111,741.00		

As advised by the Group, the property comprises portion of the aforesaid three parcels of land.

- Pursuant to Planning Permit for Construction Land Yu Gui Di Zheng (2007) Nan Zi Di No. 0524 issued by Chongqing Planning Bureau on 7 December 2007, Chongqing Longhu Yiheng is permitted to use a parcel of land with a site area of 123,115 sq m for development.
- Pursuant to four Planning Permits for Construction Works Jian Zi Di Jian Nos. 500108200800052, 500108200800034, 500108200800037 and 500108200900067 all issued by Chongqing Planning Bureau on 6 May 2008, 21 March 2008, 27 March 2008 and 13 August 2009 respectively, Chongqing Longhu Yiheng is permitted to construct a total planned gross floor area of 417,413.10 sq m.

APPENDIX IV

PROPERTY VALUATION

5. Pursuant to six Permits for Commencement of Construction Works issued by Chongqing Construction Commission, the construction of Phases I and II has been permitted to be commenced with details summarized below:

Permits for Commencement of Construction Works	Construction scale	Construction period	Issuance date
	(sq m)		
No. 510202200712250101	126,539.61	From 1 January 2008 to 10 April 2009	25 December 2007
No. 510202200712250102	13,023.31	[From 25 December 2007 to 5 August 2008]	[25 December 2007]
No. 510202200803280101	141,190.09	From 28 March 2008 to 28 September 2009	28 March 2008
No. 510202200907150101	2,731.10	From 16 July 2009 to 15 February 2010	14 July 2009
No. 510202200907150102	7,996.58	From 16 July 2009 to 15 February 2010	14 July 2009
No. 510202200808010101	115,204.74	From 1 August 2008 to 15 March 2010	1 August 2008
Total:	<u>406,685.43</u>		

6. Pursuant to four Pre-sale Permits for Commodity Housing Yu Guo Tu Fang Guan 2008 Yu Zi Di Nos. 173, 305 and 448 (渝國土房管2008預字第173號, 305號及448號) and Yu Guo Tu Fang Guan 2009 Yu Zi Di No. 236 (渝國土房管2009預字第236號) issued by Chongqing State Land Resources and Housing Administrative Bureau, a total gross floor area of 209,697.567 sq m of Sunshine Riverside was permitted to be pre-sold.
7. As advised by the Group, the total construction cost expended for the property as at the date of valuation was approximately RMB365,980,000 whereas the outstanding construction cost was approximately RMB418,540,000.
8. As advised by the Group, portion of the property with a total gross floor area of approximately 156,232.43 sq m has been pre-sold under various sales and purchases agreements at a total consideration of approximately RMB704,729,000. We have taken into account the said consideration in our valuation.
9. The capital value of the property as if completed as at the date of valuation was RMB1,624,000,000.
10. We have been provided with a legal opinion on the title to the property issued by the Group’s PRC legal advisers, which contains, inter alia, the following information:-
- Chongqing Longhu Yiheng legally owns the land use rights of the property and is entitled to transfer, lease and mortgage the land use rights of the property during the term of the land use rights without additional payment of any land grant fee or premium;
 - two parcels of land with a total site area of 55,871 sq m as stated in note (2) above are subject to mortgages and Chongqing Longhu Yiheng has to obtain the mortgagee’s prior written consent before transferring, leasing and mortgaging the property during the mortgage term;
 - Chongqing Longhu Yiheng has obtained from the relevant government authorities the permits and approvals required by the law for the construction of the property;
 - Chongqing Longhu Yiheng is entitled to pre-sell the property in accordance with the pre-sale limits prescribed in the Pre-sale Permits for Commodity Housing mentioned in note (6) above;

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PROPERTY VALUATION

- (v) Chongqing Longhu Yiheng can use the relevant Realty Title Certificates, Planning Permit for Construction Land, Planning Permit for Construction Works, Permit for Commencement of Construction Works and Information of Examination of Completion of Buildings to apply for the relevant Building Ownership Certificate for the property. Upon Chongqing Longhu Yiheng obtaining the construction completion examination documents, there is no substantial legal impediment for Chongqing Longhu Yiheng to obtain the relevant Building Ownership Certificate; and
- (vi) Chongqing Longhu Yiheng as a limited liability company established in accordance with the laws of the PRC and owned as to 51% by Chongqing Longhu Properties Co. Ltd. and 49% by Fantastic Star Investment Limited.

APPENDIX IV

PROPERTY VALUATION

VALUATION CERTIFICATE

Group III — Property interests held by the Group under development in the PRC

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 August 2009																
38.	Three Thousand Castles (三千城), No. 1 Er Section, Erhuan Dong Road, No. 2 San Section, Jianshe North Road, Chenghua District, Chengdu, Sichuan Province, PRC	The development, known as Three Thousand Castles, comprises three parcels of land with a total site area of approximately 75,787.05 sq m (815,772 sq ft) and is proposed to be developed into a residential and commercial development. According to the latest development proposal provided by the Group, the development will be developed into a residential and commercial development with ancillary facilities in 5 phases and is scheduled to be completed in 2010 and 2011. Upon completion, the property, will provide a total gross floor area of approximately 471,682.55 sq m (5,077,191 sq ft). Details of the uses and approximate gross floor areas of the property are as follows: <table><tr><th>Portion</th><th>Approximate gross floor area (sq m)</th></tr><tr><td>Residential</td><td>287,060.12</td></tr><tr><td>Retail</td><td>12,303.30</td></tr><tr><td>SOHO</td><td>32,826.29</td></tr><tr><td>Commercial</td><td>44,163.00</td></tr><tr><td>Underground car park</td><td>79,080.00</td></tr><tr><td>Ancillary</td><td>16,249.84</td></tr><tr><td>Total:</td><td><u>471,682.55</u></td></tr></table> The land use rights of the property have been granted to the Group for three concurrent terms expiring on 8 May 2047, 8 May 2057 and 8 May 2077 for commercial, kindergarten and residential uses respectively.	Portion	Approximate gross floor area (sq m)	Residential	287,060.12	Retail	12,303.30	SOHO	32,826.29	Commercial	44,163.00	Underground car park	79,080.00	Ancillary	16,249.84	Total:	<u>471,682.55</u>	The property is currently under development.	RMB2,272,200,000 (46.56% interests attributable to the Group: RMB1,057,936,320)
Portion	Approximate gross floor area (sq m)																			
Residential	287,060.12																			
Retail	12,303.30																			
SOHO	32,826.29																			
Commercial	44,163.00																			
Underground car park	79,080.00																			
Ancillary	16,249.84																			
Total:	<u>471,682.55</u>																			

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PROPERTY VALUATION

Notes:

- Pursuant to three State-owned Land Use Rights Certificates, the land use rights of the property have been granted to Chengdu Longhu Tongjin Real Estate Co., Ltd. (成都龍湖同晉置業有限公司) (“Chengdu Longhu Tongjin”). Details of the said certificates are, inter alia, summarized as below:

Certificate no.	Land owner	Site area (sq m)	Use	Land use term expiry date
Cheng Guo Yong (2008) Di No. 163 (成國用(2008)第163號)	Chengdu Longhu Tongjin	42,260.60	Residential Commercial	8 May 2077 8 May 2047
Cheng Guo Yong (2007) Di No. 1237 (成國用(2007)第1237號)	Chengdu Longhu Tongjin	29,217.44	Residential Commercial	8 May 2077 8 May 2047
Cheng Guo Yong (2007) Di No. 1649 (成國用(2007)第1649號)	Chengdu Longhu Tongjin	4,309.01	Kindergarten	8 May 2057
	Total:	<u>75,787.05</u>		

- Pursuant to the Planning Permit for Construction Land Cheng Gui Yong Di (2007) No. 325 (成規用地(2007)325號) issued by Chengdu Planning and Administration Bureau on 30 July 2007, Chengdu Longhu Tongjin is permitted to use a parcel of land with a site area of 75,787.05 sq m for commercial, residential and kindergarten development.
- Pursuant to three Planning Permits for Construction Works Cheng Gui Jian Ju [2007] No. 406 (成規建築[2007]第406號), Jian Zi Di Nos. 510104200830039 and 510108200830188 (建字第510104200830039及510108200830188號) issued by Chengdu Planning and Administrative Bureau on 19 December 2007, 14 March 2008 and 2 January 2008 respectively, Chengdu Longhu Tongjin is permitted to construct Three Thousand Castles with a total gross floor area of 459,854.83 sq m.
- Pursuant to eight Permits for Commencement of Construction Works Nos. 510100200712250201, 510100200801150301, 510100200801300401, 510100200802010201, 510100200804250301, 510100200804140101, 510100200804210101 and 510100200807310301 issued by Chengdu Construction Commission, the construction of portion of the property with a total gross floor area of 459,854.83 sq m is permitted to commence.
- Pursuant to nine Pre-sale Permits for Commodity Housing Cheng Fang Yu Shou Zhong Xin Cheng Qu Zi Di Nos. 5358, 5590, 5561, 5870, 5531, 5674, 5543, 5503 and 5413 (成房預售中心城區字第5358, 5590, 5561, 5870, 5531, 5674, 5543, 5503及5413號) issued by Chengdu House Management Bureau, a total gross floor area of 334,146.36 sq m of Three Thousand Castles was permitted to be pre-sold.
- As advised by the Group, the total construction cost expended for the property as at the date of valuation was approximately RMB524,210,000 whilst the outstanding construction cost was approximately RMB843,990,000. We have taken into account the said amounts in our valuation.
- As advised by the Group, portion of the property with a total gross floor area of approximately 230,143.83 sq m has been pre-sold under various sale and purchase agreements at a total consideration of about RMB1,904,580,000. We have taken into account the said consideration in our valuation.
- The capital value of the property as if completed as at the date of valuation was RMB3,784,800,000.
- We have been provided with a legal opinion on the title to the property issued by the Group’s PRC legal advisers, which contains, inter alia, the following information:-
 - Chengdu Longhu Tongjin legally owns the land use rights of the property;

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PROPERTY VALUATION

- (ii) Chengdu Longhu Tongjin is entitled to transfer, lease or mortgage the land use rights of the property during the term of the land use rights without additional payment of any land grant fee or premium;
- (iii) portion of the property with a total site area of approximately 71,478.04 sq m is subject to various mortgages and Chengdu Longhu Tongjin has to obtain the mortgagee’s prior written consent before transferring, leasing and mortgaging such portion of the property during the mortgage terms;
- (iv) Chengdu Longhu Tongjin has obtained from the relevant government authorities the permits and approvals required by the law for the construction of the property;
- (v) Chengdu Longhu Tongjin is entitled to pre-sell the property in accordance with the pre-sale limits prescribed in the Pre-sale Permits for Commodity Housing mentioned in note (5) above;
- (vi) Chengdu Longhu Tongjin can use the relevant Land Use Rights Certificates, Planning Permit for Construction Land, Planning Permit for Construction Works, Permit for Commencement of Construction Works and Information of Examination of Completion of Buildings to apply for the relevant Building Ownership Certificate for the property. Upon Chengdu Longhu Tongjin obtaining the construction completion examination documents, there is no substantial legal impediment for Chengdu Longhu Tongjin to obtain the relevant Building Ownership Certificate; and
- (vii) Chengdu Longhu Tongjin is a limited liability company established in accordance with the laws of the PRC and owned as to 51% by Chongqing Longhu Development Co. Ltd., 24% by Chengdu Jiaxun Investment Co. Ltd. and 25% by ING COF IV SRL.

APPENDIX IV

PROPERTY VALUATION

VALUATION CERTIFICATE

Group III — Property interests held by the Group under development in the PRC

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 August 2009								
39.	Phases I to IV of Bridge County (長橋郡), Zhaofu Village, Zhangxiang Village and Xinshuang Village of Huayuan Town, Chengdu, Sichuan Province, PRC	Bridge County is a luxury house development to be erected on six parcels of land with a total site area of approximately 469,882.92 sq m (5,057,820 sq ft). According to the latest development proposal provided by the Group, the development will be developed in five phases. The property comprises Phases I to IV of the development and is scheduled to be completed in 2009 to 2010. Upon completion, Phases I to IV of Bridge County will have a total gross floor area of approximately 218,129.35 sq m (2,347,944 sq ft). Details of the uses and approximate gross floor areas of the property are as follows: <table><thead><tr><th>Portion</th><th>Approximate gross floor area (sq m)</th></tr></thead><tbody><tr><td>Luxury house</td><td>209,646.35</td></tr><tr><td>Ancillary facilities</td><td>8,483.00</td></tr><tr><td>Total:</td><td><u>218,129.35</u></td></tr></tbody></table> The land use rights of the property have been granted for various terms for residential uses. Please refer to note (1) for details.	Portion	Approximate gross floor area (sq m)	Luxury house	209,646.35	Ancillary facilities	8,483.00	Total:	<u>218,129.35</u>	The property is currently under construction.	RMB1,408,600,000 (91.07% interests attributable to the Group: RMB1,282,812,020)
Portion	Approximate gross floor area (sq m)											
Luxury house	209,646.35											
Ancillary facilities	8,483.00											
Total:	<u>218,129.35</u>											

APPENDIX IV

PROPERTY VALUATION

Notes:

- Pursuant to six State-owned Land Use Rights Certificates, the land use rights of the property have been granted to Chengdu Longhu Jincheng Real Estate Co., Ltd. (成都龍湖金城置業有限公司) (“Chengdu Longhu Jincheng”). Details of the said certificates are, inter alia, summarized as below:

Certificate no.	Land owner	Site area (sq m)	Use	Land use term expiry date
Xin Jin Guo Yong (2008) Di No. 1549 (新津國用(2008)第1549號)	Chengdu Longhu Jincheng	81,873.82	Residential	20 September 2070
Xin Jin Guo Yong (2008) Di No. 1551 (新津國用(2008)第1551號)	Chengdu Longhu Jincheng	89,609.33	Residential	20 September 2070
Xin Jin Guo Yong (2008) Di No. 1553 (新津國用(2008)第1553號)	Chengdu Longhu Jincheng	224,066.67	Residential	20 September 2070
Xin Jin Guo Yong (2008) Di No. 1554 (新津國用(2008)第1554號)	Chengdu Longhu Jincheng	63,266.66	Residential	March 2078
Xin Jin Guo Yong (2008) Di No. 040841 (新津國用(2008)第040841號)	Chengdu Longhu Jincheng	10,595.77	Residential	20 September 2070
Xin Jin Guo Yong (2008) Di No. 040842 (新津國用(2008)第040842號)	Chengdu Longhu Jincheng	470.67	Residential	20 September 2070
Total:		<u>469,882.92</u>		

As advised by the Group, the property comprises portion of the six parcels of land as stated in the six State-owned Land Use Rights Certificates mentioned above.

- Pursuant to the Planning Permit for Construction Land Di Zi Di No. 510132200821019 (地字第510132200821019號) issued by Planning Bureau of Xin Jin County on 27 August 2008, Chengdu Longhu Jincheng is permitted to use a parcel of land with a site area of 469,882.92 sq m for residential development.
- Pursuant to two Planning Permits for Construction Works Jian Zi Di Nos. 510132200831015 and 510132200931001 (建字第510132200831015和510132200931001號) both issued by Planning Bureau of Xin Jin County, the approved construction scale of Phase I and Phase II of Bridge County is 176,438.19 sq m.
- Pursuant to the Permit for Commencement of Construction Works No. 510132200605100101 issued by Bureau of Construction of Xinjin County, the construction of portion the property has been permitted to commence and the total approved construction scale is 204,240.92 sq m.
- Pursuant to the three Permits for Commencement of Construction Works Nos. 510132200808220102, 510132200808220101 and 510132200710230101 issued by Bureau of Construction of Xinjin County, the construction of portion of the property has been permitted to commence and the total approved construction scale is approximately 119,371.26 sq m.

The above Permits for Commencement of Construction Works have replaced portion of the approved construction area mentioned in note (4) and the application of the remaining permits is in progress.

- Pursuant to 8 Pre-sale Permits for Commodity Housing Cheng Fang Yu Shou Xin Jin Zi Di Nos. 262, 264, 270, 271, 275, 282, 290 and 293 (成房預售新津字第262, 264, 270, 271, 275, 282, 290及293號) issued by Chengdu House Management Bureau to Chengdu Longhu Jincheng, a total gross floor area of 155,719.56 sq m of Phases I and II of Bridge County was permitted to be pre-sold.

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PROPERTY VALUATION

7. As advised by the Group, the total construction cost expended for Phases I to IV as at the date of valuation was approximately RMB372,690,000 whereas the outstanding construction cost was approximately RMB638,610,000. We have taken into account such amounts in our valuation.
8. As advised by the Group, portion of the property with a total gross floor area of approximately 110,960.60 sq m has been pre-sold at a total consideration of about RMB1,236,100,000. We have taken into account such amount in our valuation.
9. The capital value of the property as if completed as at the date of valuation was RMB2,558,800,000.
10. We have been provided with a legal opinion on the title to the property issued by the Group’s PRC legal advisers, which contains, inter alia, the following information:
 - (i) Chengdu Longhu Jincheng legally owns the land use rights of the property and the land use rights are subject to mortgages;
 - (ii) Chengdu Longhu Jincheng is entitled to transfer, lease and mortgage the land use rights of the property during the term of the land use rights without additional payment of any land grant fee or premium but Chengdu Longhu Jincheng has to obtain the mortgagee’s prior written consent before transferring, leasing or mortgaging the land use rights of the property during the mortgage term;
 - (iii) Chengdu Longhu Jincheng has obtained from the relevant government authorities the permits and approvals required by the law for the construction of the property;
 - (iv) Chengdu Longhu Jincheng is entitled to pre-sell the property in accordance with the pre-sale limits prescribed in the Pre-sale Permits for Commodity Housing mentioned in note (6) above;
 - (v) Chengdu Longhu Jincheng can use the relevant State-owned Land Use Rights Certificates, Planning Permit for Construction Land, Planning Permit for Construction Works, Permit for Commencement of Construction Works and Information of Examination of Completion of Buildings to apply for the relevant Building Ownership Certificate for the property. Upon Chengdu Longhu Jincheng obtaining the construction completion examination documents, there is no substantial legal impediment for Chengdu Longhu Jincheng to obtain the relevant Building Ownership Certificate; and
 - (vi) Chengdu Longhu Jincheng is a limited liability company established in accordance with the laws of the PRC and owned as to 4.44% by Chengdu Longhu Jinhua Real Estate Co., Ltd. and 95.56% by Chongqing Longhu Development Co. Ltd.

APPENDIX IV

PROPERTY VALUATION

VALUATION CERTIFICATE

Group III — Property interests held by the Group under development in the PRC

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 August 2009								
40.	Phase II of Beijing Rose and Ginkgo Villa (北京麗瀾山), South of Huosha Road, Gucheng Village, Houshayu Town, Shunyi District, Beijing, PRC	Beijing Rose and Ginkgo Villa is proposed to be developed into a residential development in two phases to be erected on four parcels of land with a total site area of approximately 164,637.41 sq m (1,772,157 sq ft). According to the latest development proposal provided by the Group, upon completion, the property, comprising Phase II of the development which is scheduled to be completed in 2009, will have a total gross floor area of approximately 60,182.63 sq m (647,806 sq ft). Details of the uses and approximate gross floor areas of the property are as follows: <table><thead><tr><th>Portion</th><th>Approximate gross floor area (sq m)</th></tr></thead><tbody><tr><td>Town houses</td><td>33,678.63</td></tr><tr><td>Ancillary facilities</td><td>26,504.00</td></tr><tr><td>Total:</td><td><u>60,182.63</u></td></tr></tbody></table> The land use rights of the property have been granted for two concurrent terms expiring on 9 February 2046 and 9 February 2076 for ancillary and residential uses respectively.	Portion	Approximate gross floor area (sq m)	Town houses	33,678.63	Ancillary facilities	26,504.00	Total:	<u>60,182.63</u>	The property is currently under construction.	RMB824,000,000 (89.93% interests attributable to the Group: RMB741,023,200)
Portion	Approximate gross floor area (sq m)											
Town houses	33,678.63											
Ancillary facilities	26,504.00											
Total:	<u>60,182.63</u>											

APPENDIX IV

PROPERTY VALUATION

Notes:

- Pursuant to four State-owned Land Use Rights Certificates, the land use rights of Beijing Rose and Ginkgo Villa have been granted to Beijing Longhu Properties Co., Ltd. (北京龍湖置業有限公司) (“Beijing Longhu Properties”). Details of the said certificates are, inter alia, summarized as below:

Certificate no.	Land owner	Site area (sq m)	Use	Land use term expiry date
Jing Shun Guo Yong (2006 Chu) Zi Di No. 00173 (京順國用(2006出)字第00173號)	Beijing Longhu Properties	25,194.81	Residential	9 February 2076
Jing Shun Guo Yong (2007 Chu) Zi Di No. 00135 (京順國用(2007出)字第00135號)	Beijing Longhu Properties	36,141.84	Residential Ancillary	9 February 2076 9 February 2046
Jing Shun Guo Yong (2007 Chu) Zi Di No. 00136 (京順國用(2007出)字第00136號)	Beijing Longhu Properties	45,338.45	Residential Ancillary	9 February 2076 9 February 2046
Jing Shun Guo Yong (2007 Chu) Zi Di No. 00137 (京順國用(2007出)字第00137號)	Beijing Longhu Properties	57,962.31	Residential Ancillary	9 February 2076 9 February 2046
	Total:	<u>164,637.41</u>		

- Pursuant to the Planning Permit for Construction Land 2006 Gui (Shun) Di Zi No.0010 (2006規(順)地字0010號) issued by Beijing Planning Committee on 24 April 2006, Beijing Longhu Properties is permitted to use a parcel of land with a site area of 164,637.406 sq m for residential development.
- Pursuant to two Planning Permit for Construction Works 2007 Gui (Shun) Jian Zi No. 0128 (2007規(順)建字0128號) and 2007 Gui (Shun) Jian Zi No. 0129 (2007規(順)建字0129號) issued by Beijing Planning Committee, the approved construction scale of the property is 197,971.25 sq m.
- Pursuant to two Permits for Commencement of Construction Works issued by Beijing Construction Commission, the construction of the property has been permitted to commence from 5 December 2007. The total approved construction scale is 60,183.11 sq m.

Permit for Commencement of Construction Works	Construction scale (sq m)	Construction period	Issuance date
(2007) Shi Jian Zi No. 1868 (2007)施建字1868號	49,288.26	5 December 2007 to 30 December 2008	2 November 2007
(2007) Shi Jian Zi No. 1869 (2007)施建字1869號	10,894.85	5 December 2007 to 30 December 2008	2 November 2007
Total:	<u>60,183.11</u>		

- Pursuant to the Pre-sale Permit for Commodity Housing Jing Fang Shou Zheng Zi (2008) No. 94 (京房售證字(2008)94號) issued by Beijing Construction Commission, a gross floor area of 33,678.63 sq m of Beijing Rose and Ginkgo Villa were permitted to be pre-sold.
- As advised by the Group, the total construction cost expended for the property as at the date of valuation was approximately RMB153,460,000, whereas the outstanding construction cost was approximately RMB91,007,000.
- As advised by the Group, various town houses with a total gross floor area of approximately 31,067.51 sq m has been pre-sold under various sales and purchases agreements at a consideration of approximately RMB987,560,000. We have taken into account the said consideration in our valuation.

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PROPERTY VALUATION

8. The capital value of the property as if completed as at the date of valuation was RMB1,081,600,000.
9. We have been provided with a legal opinion on the title to the property issued by the Group’s PRC legal advisers, which contains, inter alia, the following information:
- (i) Beijing Longhu Properties legally owns the land use rights of the property and is entitled to transfer, lease and mortgage the land use rights of the property during the term of the land use rights without additional payment of any land grant fee or premium;
 - (ii) the land use rights of a parcel of land with a site area of 25,194.81 sq m as stated in note (1) above are subject to a mortgage and Beijing Longhu Properties has to obtain the mortgagee’s prior written consent before transferring, leasing and mortgaging this portion of the land use rights of the property during the mortgage term;
 - (iii) Beijing Longhu Properties has obtained from the relevant government authorities the permits and approvals required by the law for the construction of the property;
 - (iv) Beijing Longhu Properties is entitled to pre-sell the property in accordance with the pre-sale limits prescribed in the Pre-sale Permit for Commodity Housing mentioned in note (5) above;
 - (v) Beijing Longhu Properties can use the relevant Realty Title Certificates, Planning Permit for Construction Land, Planning Permit for Construction Works, Permit for Commencement of Construction Works and Information of Examination of Completion of Buildings to apply for the relevant Building Ownership Certificate for the property. Upon Beijing Longhu Properties obtaining the construction completion examination documents, there is no substantial legal impediment for Beijing Longhu Properties to obtain the relevant Building Ownership Certificate; and
 - (vi) Beijing Longhu Properties is a limited liability company established in accordance with the laws of the PRC and owned as to 98.5% by Chongqing Longhu Development Co. Ltd., 0.3% by He Tiantao and 1.2% by Beijing Huachuan Xinrun Investment Co. Ltd.

APPENDIX IV

PROPERTY VALUATION

VALUATION CERTIFICATE

Group III — Property interests held by the Group under development in the PRC

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 August 2009												
41.	Summer Palace Splendor (頤和原著), Xiyuan, Haidian District, Beijing, PRC	The property, known as Summer Palace Splendor, comprises two parcels of land with a total site area of approximately 97,808.80 sq m (1,052,814 sq ft). According to the latest development proposal provided by the Group, the property will be developed into a residential and commercial development and is scheduled to be completed in 2010. Upon completion, the property will provide a total gross floor area of approximately 128,894.16 sq m (1,387,417 sq ft). Details of the approximate gross floor areas of the property are as follows: <table><thead><tr><th>Portion</th><th>Approximate gross floor area (sq m)</th></tr></thead><tbody><tr><td>Luxury houses</td><td>94,763.16</td></tr><tr><td>Retail</td><td>20,801.00</td></tr><tr><td>Underground car park</td><td>11,930.00</td></tr><tr><td>Ancillary facilities</td><td>1,400.00</td></tr><tr><td>Total:</td><td><u>128,894.16</u></td></tr></tbody></table> The land use rights of the property have been granted to the Group for two concurrent terms expiring on 6 June 2046 and 6 June 2076 for commercial and residential uses respectively.	Portion	Approximate gross floor area (sq m)	Luxury houses	94,763.16	Retail	20,801.00	Underground car park	11,930.00	Ancillary facilities	1,400.00	Total:	<u>128,894.16</u>	The property is currently under construction.	RMB3,586,000,000 (89.93% interests attributable to the Group: RMB3,224,889,800)
Portion	Approximate gross floor area (sq m)															
Luxury houses	94,763.16															
Retail	20,801.00															
Underground car park	11,930.00															
Ancillary facilities	1,400.00															
Total:	<u>128,894.16</u>															

Notes:

- Pursuant to two State-owned Land Use Rights Certificates Jing Hai Guo Yong (2006 Chu Rang) Di No. 3864 (京海國用(2006出讓)第3864號) and Jing Hai Guo Yong (2007 Chu) Di No. 4225 (京海國用(2007出)第4225號), the land use rights of two parcels of land with a total site area of 97,808.80 sq m have been granted to Beijing Longhu Properties Co. Ltd. (北京龍湖置業有限公司) (“Beijing Longhu Properties”) for two concurrent terms expiring on 6 June 2046 and 6 June 2076 for commercial and residential uses respectively.
- Pursuant to the Planning Permit for Construction Land 2007 Gui (Hai) Di Zi No. 0022(2007規(海)地字0022號) issued by Beijing Planning Committee on 13 April 2007, Beijing Longhu Properties is permitted to use a parcel of land for with a site area of 97,808.90 sq m residential and commercial development.

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3. Pursuant to three Planning Permits for Construction Works 2007 Gui (Hai) Jian Zi Nos. 0284 and 0285 (2007規(海)建字0284和0285號) and 2008 Gui (Hai) Jian Zi No. 0035 (2008規(海)建字0035號) issued by Beijing Planning Committee, the approved construction scale of the property is 128,817.00 sq m.
4. Pursuant to 3 Permits for Commencement of Construction Works issued by Beijing Construction Commission, the construction of the property has been permitted to commence from 5 January 2008 to 23 July 2009. The total approved construction scale is 128,817.00 sq m.

Permit for Commencement of Construction Works	Construction scale	Construction period	Issuance date
	(sq m)		
(2007) Shi Jian Zi No. 2095 (2007)施建字2095號)	54,055.10	5 January 2008 to 23 July 2009	6 December 2007
(2007) Shi Jian Zi No. 2096 (2007)施建字2096號)	53,911.90	5 January 2008 to 17 July 2009	6 December 2007
(2008) Shi Jian Zi No. 0344 (2008)施建字0344號)	20,850.00	30 May 2008 to 30 May 2008	12 March 2008
Total:	<u>128,817.00</u>		

5. Pursuant to four Pre-sale Permits for Commodity Housing all issued by Beijing Construction Commission, a total gross floor area of 94,763.16 sq m of Summer Palace Splendor were permitted to be pre-sold. Details of these Pre-sale Permits as follow:-

Pre-sale Permits No.	Pre-sale scale	Issuance date
	(sq m)	
Jing Fang Shou Zheng Zi (2008) No.16 (京房售證字(2008)16號)	45,554.28	18 January 2008
Jing Fang Shou Zheng Zi (2008) No.125 (京房售證字(2008)125號)	951.19	20 February 2008
Jing Fang Shou Zheng Zi (2008) No.262 (京房售證字(2008)262號)	4,662.31	9 July 2008
Jing Fang Shou Zheng Zi (2008) No.263 (京房售證字(2008)263號)	7,652.13	9 July 2008
Jing Fang Shou Zheng Zi (2008) No.386 (京房售證字(2008)386號)	<u>35,943.25</u>	2 November 2008
Total:	<u>94,763.16</u>	

6. As advised by the Group, the total construction cost expanded for the property as at the date of valuation was approximately RMB257,280,000, whereas the outstanding construction cost was approximately RMB748,940,000.
7. As advised by the Group, portion of the property with a total gross floor area of approximately 14,957.00 sq m has been pre-sold under various sales and purchases agreements at a total consideration of approximately RMB795,130,000. We have taken into account the said consideration in our valuation.
8. The capital value of the property as if completed as at the date of valuation was RMB6,224,500,000.
9. We have been provided with a legal opinion on the title to the property issued by the Group’s PRC legal advisers, which contains, inter alia, the following information:-
 - (i) Beijing Longhu Properties legally owns the land use rights of the property and the land use rights of a parcel of land with a site area of 38,899.08 sq m are subject to a mortgage;

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- (ii) Beijing Longhu Properties is entitled to transfer, lease and mortgage the land use rights of the property during the term of the land use rights without additional payment of any land grant fee or premium but Beijing Longhu Properties has to obtain the mortgagee’s prior written consent before transferring, leasing and mortgaging the mortgaged land use rights of the property during the mortgage term;
- (iii) Beijing Longhu Properties has obtained from the relevant government authorities the permits and approvals required by the law for the construction of the property;
- (iv) Beijing Longhu Properties is entitled to pre-sell the property in accordance with the pre-sale limits prescribed in the Pre-sale Permits for Commodity Housing mentioned in note (5) above;
- (v) Beijing Longhu Properties can use the relevant State-owned Land Use Certificates, Planning Permit for Construction Land, Planning Permit for Construction Works, Permit for Commencement of Construction Works and Information of Examination of Completion of Buildings to apply for the relevant Building Ownership Certificate for the property. Upon Beijing Longhu Properties obtaining the construction completion examination documents, there is no substantial legal impediment for Beijing Longhu Properties to obtain the relevant Building Ownership Certificate; and
- (vi) Beijing Longhu Properties is a limited liability company established in accordance with the laws of the PRC and owned as to 98.5% by Chongqing Longhu Development Co. Ltd., 0.3% by He Tiantao and 1.2% by Beijing Huachuan Xinrun Investment Co. Ltd.

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Group III — Property interests held by the Group under development in the PRC

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 August 2009														
42.	Blossom Chianti (花盛香醍), No. 25 of Banbidian Street, Tongzhou District, Beijing, PRC	The property, known as Blossom Chianti, comprises a parcel of land with a site area of approximately 99,442.00 sq m (1,070,394 sq ft). According to the latest development proposal provided by the Group, the property will be developed into a residential development in three phases and is scheduled to be completed in 2009 and 2010. The total gross floor area of the property to be constructed is approximately 213,365.00 sq m (2,296,661 sq ft). Details of the uses and approximate gross floor areas of the property are as follows: <table><thead><tr><th>Portion</th><th>Approximate gross floor area (sq m)</th></tr></thead><tbody><tr><td>Residential</td><td>89,735.73</td></tr><tr><td>Townhouses</td><td>47,725.97</td></tr><tr><td>Retail</td><td>3,829.00</td></tr><tr><td>Ancillary facilities</td><td>58,847.30</td></tr><tr><td>Underground car park</td><td>13,227.00</td></tr><tr><td>Total:</td><td><u>213,365.00</u></td></tr></tbody></table> The land use rights of the property have been granted to the Group for various term. Please refer to note(1) for details.	Portion	Approximate gross floor area (sq m)	Residential	89,735.73	Townhouses	47,725.97	Retail	3,829.00	Ancillary facilities	58,847.30	Underground car park	13,227.00	Total:	<u>213,365.00</u>	The property is currently under construction.	RMB1,232,00,000 (91.30% interests attributable to the Group: RMB1,124,816,000)
Portion	Approximate gross floor area (sq m)																	
Residential	89,735.73																	
Townhouses	47,725.97																	
Retail	3,829.00																	
Ancillary facilities	58,847.30																	
Underground car park	13,227.00																	
Total:	<u>213,365.00</u>																	

Notes:

- Pursuant to the State-owned Land Use Rights Certificate Jing Tong Guo Yong (2008 Chu) Di No. 009 京通國用(2008出)第009號 issued by Beijing State Land Resources Bureau in February 2008, the land use rights of a parcel of land with a site area of 267,830.00 sq m have been granted to Beijing Longhu Zhongbai Co., Ltd. (北京龍湖中佰置業有限公司) (“Beijing Longhu Zhongbai”) for various terms expiring on 28 November 2047 for commercial and underground commercial uses, 28 November 2057 for underground carpark and underground office uses and 28 November 2077 for residential uses.

As advised by the Group, Blossom Chianti comprises portion of the parcel of land as stated in aforesaid State-owned Land Use Rights Certificate with a site area of approximately 99,442.00 sq m.

- Pursuant to the Planning Permit for Construction Land 2007 Gui (Tong) Di Zi No. 0055 (2007 規(通)地字0055號) by Beijing Planning Commission on 18 December 2007, Beijing Longhu Zhongbai is permitted to use a parcel of land with a site area of 273,600.00 sq m for residential development.

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3. Pursuant to two Planning Permits for Construction Works 2008 Gui (Tong) Jian Zi No. 0050 (2008規(通)建字0050號) and 2008 Gui (Tong) Jian Zi No. 0051 (2008規(通)建字0051號), both issued by Beijing Planning Committee, the approved construction scale of the property is 213,364.47 sq m.
4. Pursuant to two Permits for Commencement of Construction Works issued by Beijing Construction Commission, the construction of the property has been permitted to commence from May 2008 to September 2008. The total approved construction scale is 216,572.86 sq m.

Permit for Commencement of Construction Works	Construction scale	Construction period	Issuance date
	(sq m)		
(2008) Shi Jian Zi No. 0739 (2008)施建字0739號	89,911.96	4 May 2008 to 8 August 2008	5 May 2008
(2008) Shi Jian Zi No. 0738 (2008)施建字0738號	126,660.9	4 May 2008 to 5 September 2008	5 May 2008
Total:	<u>216,572.86</u>		

5. Pursuant to four Pre-sale Permits for Commodity Housing Jing Fang Shou Zheng Zi (2008) Nos. 179, 229 and 331 (京房售證字(2008)179, 229和331號) and Jing Fang Shou Zheng Zi (2009) No. 188 (京房售證字(2009)188號) all issued by Beijing Constructing Commission, a total gross floor area of 137,461.70 sq m of Blossom Chianti was permitted to be pre-sold.
6. As advised by the Group, the total construction cost expended for the property as at the date of valuation was approximately RMB238,330,000, whereas the outstanding construction cost approximately RMB681,690,000.
7. As advised by the Group, portion of the property with a total gross floor area of approximately 65,690.50 sq m has been pre-sold under various sales and purchases agreements at a total consideration of approximately RMB752,070,000. We have taken into account the said consideration in our valuation.
8. The capital value of the property as if completed as at the date of valuation was RMB2,277,900,000.
9. We have been provided with a legal opinion on the title to the property issued by the Group's PRC legal advisers, which contains, inter alia, the following information:
 - (i) Beijing Longhu Zhongbai legally owns the land use rights of the property;
 - (ii) Beijing Longhu Zhongbai is entitled to transfer, lease and mortgage the land use rights of the property during the term of the land use rights without additional payment of any land grant fee or premium;
 - (iii) the land use rights of the property are subject to a mortgage and Beijing Longhu Zhongbai has to obtain the mortgagee's prior written consent before transferring, leasing and mortgaging the land use rights of the property during the mortgage term;
 - (iv) Beijing Longhu Zhongbai has obtained from the relevant government authorities the permits and approvals required by the law for the construction of the property;
 - (v) Beijing Longhu Zhongbai is entitled to pre-sell the property in accordance with the pre-sale limits prescribed in the Pre-sale Permits for Commodity Housing mentioned in note (5) above;

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- (vi) Beijing Longhu Zhongbai can use the relevant Land Use Rights Certificates, Planning Permit for Construction Land, Planning Permit for Construction Works, Permit for Commencement of Construction Works and Information of Examination of Completion of Buildings to apply for the relevant Building Ownership Certificate for the property. Upon Beijing Longhu Zhongbai obtaining the construction completion examination documents, there is no substantial legal impediment for Beijing Longhu Zhongbai to obtain the relevant Building Ownership Certificate; and
- (vii) Beijing Longhu Zhongbai is a limited liability company established in accordance with the laws of the PRC and wholly owned by Chongqing Longhu Properties Co. Ltd.

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Group III — Property interests held by the Group under development in the PRC

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 August 2009										
43.	Elegance Loft (大方居), No. 25 of Banbidian Street, Tongzhou District, Beijing, PRC	The property, known as Elegance Loft, comprises a parcel of land with a site area of approximately 168,388.00 sq m (1,812,528 sq ft). According to the latest development proposal provided by the Group, the property will be developed into a residential development in two phases and is scheduled to be completed in 2010. The total gross floor area of the property to be constructed is approximately 581,062.26 sq m (6,254,554 sq ft). Details of the uses and approximate gross floor areas of the property are as follows: <table><tr><th>Portion</th><th>Approximate gross floor area (sq m)</th></tr><tr><td>Residential</td><td>536,089.00</td></tr><tr><td>Retail</td><td>2,672.26</td></tr><tr><td>Ancillary</td><td>42,301.00</td></tr><tr><td>Total:</td><td><u>581,062.26</u></td></tr></table> The land use rights of the property have been granted to the Group for various terms. Please refer to note(1) for details.	Portion	Approximate gross floor area (sq m)	Residential	536,089.00	Retail	2,672.26	Ancillary	42,301.00	Total:	<u>581,062.26</u>	The property is currently under construction.	RMB1,335,000,000 (91.30% interests attributable to the Group: RMB1,218,855,000)
Portion	Approximate gross floor area (sq m)													
Residential	536,089.00													
Retail	2,672.26													
Ancillary	42,301.00													
Total:	<u>581,062.26</u>													

Notes:

- Pursuant to the State-owned Land Use Rights Certificate Jing Tong Guo Yong (2008 Chu) Di No. 009 (京通國用(2008出)第009號) issued by Beijing State Land Resources Bureau to Beijing Longhu Zhongbai Co. Ltd. (北京龍湖中佰置業有限公司) (“Beijing Longhu Zhongbai”) in February 2008, the land use rights of a parcel of land with a site area of 267,830.00 sq m have been granted to Beijing Longhu Zhongbai for various terms expiring on 28 November 2047 for commercial and underground commercial uses, 28 November 2057 for underground carpark and underground office uses and 28 November 2077 for residential uses.

As advised by the Group, Elegance Loft comprises portion of the parcel of land as stated in aforesaid State-owned Land Use Rights Certificate with a site area of approximately 168,388.00 sq m.

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2. Pursuant to the Planning Permit for Construction Land 2007 Gui (Tong) Di Zi No. 0055 (2007 規(通)地字0055號) by Beijing Planning Commission on 18 December 2007, Beijing Longhu Zhongbai is permitted to use a parcel of land with a site area of 273,600.00 sq m for residential development.
3. Pursuant to two Planning Permits for Construction Works 2008 Gui (Tong) Jian Zi No. 0041 (2008規(通)建字0041號) and 2008 Gui (Tong) Jian Zi No. 0052 (2008規(通)建字0052號), both issued by Beijing Planning Committee, the approved construction scale of the property is 578,981.06 sq m.
4. Pursuant to 9 Permits for Commencement of Construction Works issued by Beijing Construction Commission, the construction of the property has been permitted to commence from 1 April 2008 to 5 September 2009. The total approved construction scale is 575,772.62 sq m.

Permit for Commencement of Construction Works	Construction scale (sq m)	Construction period	Issuance date
(2008) Shi Jian Zi No. 0677 (2008)施建字0677號	133,927.3	10 April 2008 to 31 July 2009	25 April 2008
(2008) Shi Jian Zi No. 0678 (2008)施建字0678號	116,545.2	10 April 2008 to 3 July 2009	25 April 2008
(2008) Shi Jian Zi No. 0679 (2008)施建字0679號	57,924.39	10 April 2008 to 10 June 2009	25 April 2008
(2008) Shi Jian Zi No. 0680 (2008)施建字0680號	71,578.85	1 April 2008 to 1 November 2009	25 April 2008
(2008) Shi Jian Zi No. 0681 (2008)施建字0681號	71,578.85	10 April 2008 to 26 May 2009	25 April 2008
(2008) Shi Jian Zi No. 0705 (2008)施建字0705號	112,444.2	10 April 2008 to 21 May 2009	28 April 2008
(2009) Shi Jian Zi No. 0723 (2009)施建字0723號	7,261.38	30 June 2009 to 4 March 2010	2 July 2009
(2009) Shi Jian Zi No. 0724 (2009)施建字0724號	2,745.93	30 June 2009 to 26 December 2009	2 July 2009
(2009) Shi Jian Zi No. 0725 (2009)施建字0725號	1,766.52	30 June 2009 to 29 December 2009	2 July 2009
Total:	<u>575,772.62</u>		

5. Pursuant to the Pre-sale Permit for Commodity Housing Jing Fang Shou Zheng Zi (2008) Xian No. 9 (京房售證字(2008)限9號) issued by Beijing Constructing Commission, a total gross floor area of approximately 520,083.88 sq m of the property was permitted to be pre-sold.
6. As advised by the Group, the total construction cost expended for the property as at the date of valuation was approximately RMB303,040,000, whereas the outstanding construction cost approximately RMB872,940,000.
7. As advised by the Group, portion of the property with a total gross floor area of approximately 452,041.88 sq m has been pre-sold under various sales and purchases agreements at a total consideration of approximately RMB2,163,810,000. We have taken into account the said consideration in our valuation.
8. The capital value of the property as if completed as at the date of valuation was RMB2,597,700,000.

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9. We have been provided with a legal opinion on the title to the property issued by the Group’s PRC legal advisers, which contains, inter alia, the following information:
- (i) Beijing Longhu Zhongbai legally owns the land use rights of the property;
 - (ii) Beijing Longhu Zhongbai is entitled to transfer, lease and mortgage the land use rights of the property during the term of the land use rights without additional payment of any land grant fee or premium;
 - (iii) the land use rights of the property are subject to a mortgage and Beijing Longhu Zhongbai has to obtain the mortgagee’s prior written consent before transferring, leasing and mortgaging the land use rights of the property during the mortgage term;
 - (iv) Beijing Longhu Zhongbai has obtained from the relevant government authorities the permits and approvals required by the law for the construction of the property;
 - (v) Beijing Longhu Zhongbai is entitled to pre-sell the property in accordance with the pre-sale limits prescribed in the Pre-sale Permits for Commodity Housing mentioned in note (5) above;
 - (vi) Beijing Longhu Zhongbai can use the relevant Land Use Rights Certificates, Planning Permit for Construction Land, Planning Permit for Construction Works and Permit for Commencement of Construction Works to apply for the relevant Building Ownership Certificate for the property. Upon Beijing Longhu Zhongbai obtaining the construction completion examination documents, there is no substantial legal impediment for Beijing Longhu Zhongbai to obtain the relevant Building Ownership Certificate; and
 - (vii) Beijing Longhu Zhongbai is a limited liability company established in accordance with the laws of the PRC and wholly owned by Chongqing Longhu Properties Co. Ltd.

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No.	Property	Description and tenure	Particulars of Occupancy	Market value in existing state as at 31 August 2009														
44.	MOCO Center (MOCO中心), High and New Technology Park, Beibu New District, Chongqing, PRC	The property, known as MOCO Center, comprises a parcel of land with a site area of approximately 20,500.00 sq m (220,662 sq ft). According to the latest development proposal provided by the Group, the property will be developed into a residential and commercial development in two phases and is scheduled to be completed in 2010. The total planned gross floor area of the property is approximately 160,997.75 sq m (1,732,980 sq ft). The approximate planned gross floor areas and uses of the property are summarized as follows: <table><tr><th>Portion</th><th>Approximate gross floor area (sq m)</th></tr><tr><td>Residential</td><td>51,657.76</td></tr><tr><td>Commercial</td><td>29,104.42</td></tr><tr><td>Office</td><td>45,473.03</td></tr><tr><td>Ancillary facilities</td><td>4,387.64</td></tr><tr><td>Underground car park</td><td>30,374.90</td></tr><tr><td>Total:</td><td><u>160,997.75</u></td></tr></table> The land use rights of the property have been granted for two concurrent terms expiring on 7 November 2040 and 7 November 2050 for commercial and residential uses respectively.	Portion	Approximate gross floor area (sq m)	Residential	51,657.76	Commercial	29,104.42	Office	45,473.03	Ancillary facilities	4,387.64	Underground car park	30,374.90	Total:	<u>160,997.75</u>	The property is currently under development.	RMB488,000,000 (91.30% interests attributable to the Group: RMB445,544,000))
Portion	Approximate gross floor area (sq m)																	
Residential	51,657.76																	
Commercial	29,104.42																	
Office	45,473.03																	
Ancillary facilities	4,387.64																	
Underground car park	30,374.90																	
Total:	<u>160,997.75</u>																	

Notes:

- Pursuant to the Realty Title Certificate Bei Xin Gao 112 Fang Di Zheng 2008 Zi Di No.01253 (北新高112房地證2008字第01253號) issued by Chongqing State Land Resources and Housing Administrative Bureau on 22 February 2008, the land use rights of a parcel of land with a site area of 20,500.00 sq m have been granted to Chongqing Longhu Development Co. Ltd. (重慶龍湖企業拓展有限公司) (“Chongqing Longhu Development”) for two concurrent terms expiring on 7 November 2040 and 7 November 2050 for commercial and residential uses respectively.
- Pursuant to the Planning Permit for Construction Land Jian Zi Di Jian No.500140200800004 issued by Chongqing Planning Bureau on 4 March 2008, Chongqing Longhu Development is permitted to use a parcel of land with a site area of 17,404.30 for residential, financial and commercial and public facilities development.

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3. Pursuant to the Planning Permits for Construction Works Jian Zi Di Jian Nos. 500140200800051 and 500140200900002 (建字第建500140200800051和50014200900002號) issued by Chongqing Planning Bureau on 18 June 2008, the planning of portion of the property with a total gross floor area of 160,997.75 sq m is approved.
4. Pursuant to the Permit for Commencement of Construction Works Bei Bu Xin Qu Nos. 2008023 and 2009018 (北部新區2008023和2009018號) issued by Chongqing New North Zone Management Committee, the construction of the property has been permitted to commence and the total approved construction scale is 160,997.75 sq m.
5. Pursuant to four Pre-sale Permits for Commodity Housing Yu Guo Tu Fang Guan (2008) Yu Zi Di Nos. 416 and 472 (渝國土房管(2008)預字第416和472號) and Yu Guo Tu Fang Guan (2009) Yu Zi Di Nos. 099 and 142 (渝國土房管(2009)預字第099和142號) issued by Chongqing State Land Resources and Housing Administrative Bureau, a total gross floor area of 97,130.791 sq m of Moco Center was permitted to be pre-sold.
6. As advised by the Group, the total construction cost expended for the property as at the date of valuation was approximately RMB188,410,000 whereas the outstanding construction cost was approximately RMB225,740,000. We have taken into account the said amounts in our valuation.
7. As advised by the Group, portion of the property with a total gross floor area of approximately 95,830.58 sq m has been pre-sold under various sales and purchases agreements at a total consideration of approximately RMB540,430,000. We have taken into account the said consideration in our valuation.
8. The capital value of the property as completed as at the date of valuation was RMB867,900,000.
9. We have been provided with a legal opinion on the title to the property issued by the Group’s PRC legal advisers, which contains, inter alia, the following information:
 - (i) Chongqing Longhu Development legally owns the land use rights of the property;
 - (ii) Chongqing Longhu Development is entitled to transfer, lease and mortgage the land use rights of the property during the term of the land use rights without additional payment of any land grant fee or premium; and
 - (iii) Chongqing Longhu Development has obtained from the relevant government authorities the permits and approvals required by the law for the construction of the property;
 - (iv) Chongqing Longhu Development is entitled to pre-sell the property in accordance with the pre-sale limits prescribed in the Pre-sale Permits for Commodity Housing mentioned in note (5) above;
 - (v) Chongqing Longhu Development can use the relevant Land Use Certificates, Planning Permit for Construction Land, Planning Permit for Construction Works, Permit for Commencement of Construction Works and Information of Examination of Completion of Buildings to apply for the relevant Building Ownership Certificate for the property. Upon Chongqing Longhu Development obtaining the construction completion examination documents, there is no substantial legal impediment for Chongqing Longhu Development to obtain the relevant Building Ownership Certificate; and
 - (vi) Chongqing Longhu Development is a sino-foreign joint venture enterprise established in accordance with the laws of the PRC, owned as to 91.3% by Juntion Development Hong Kong (Holding) Limited and 8.7% by Chongqing Xuke Investment Co., Ltd. The profit sharing is in accordance to the percentage of share of the shareholders.

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Group III — Property interests held by the Group under development in the PRC

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 August 2009										
45.	Phase I of Century Peak View (世紀峰景), No. 1 Middle Section of Tianfu Avenue, Hi-Tech Zone, Chengdu, Sichuan Province, PRC	The development, known as Century Peak View, comprises four parcels of land with a total site area of approximately 48,061.78 sq m (517,337 sq ft). According to the latest development proposal provided by the Group, the development will be developed into a residential development in three phases. The property comprises Phase I of the development and is scheduled to be completed in 2011. Upon completion, the property will have a total gross floor area of approximately 143,488.57 sq m (1,544,511 sq ft). Details of the use and approximate gross floor areas are as follows: <table><tr><th>Portion</th><th>Approximate gross floor area (sq m)</th></tr><tr><td>Residential</td><td>115,616.78</td></tr><tr><td>Underground car park</td><td>24,093.76</td></tr><tr><td>Ancillary facilities</td><td>3,778.03</td></tr><tr><td>Total:</td><td><u>143,488.57</u></td></tr></table> The land use rights of the property have been granted for a term expiring on 27 December 2073 for residential uses.	Portion	Approximate gross floor area (sq m)	Residential	115,616.78	Underground car park	24,093.76	Ancillary facilities	3,778.03	Total:	<u>143,488.57</u>	The property is currently under construction.	RMB674,300,000 (9.13% interests attributable to the Group: RMB61,563,590)
Portion	Approximate gross floor area (sq m)													
Residential	115,616.78													
Underground car park	24,093.76													
Ancillary facilities	3,778.03													
Total:	<u>143,488.57</u>													

Notes:

- Pursuant to the State-owned Land Use Rights Certificate Cheng Gao Guo Yong (2007) Di No. 5936 (成高國用(2007)第5936號) issued by Chengdu Land and Resources Bureau to Chengdu Jinghui Real Estate Co. Ltd. (成都景匯置業有限公司) (“Chengdu Jinghui”), Chengdu Tuosheng Real Estate Co., Ltd. (成都拓晟置業有限公司) (“Chengdu Tuosheng”), Chengdu Huixin Real Estate Co., Ltd. (成都匯新置業有限公司) (“Chengdu Huixin”) and Chengdu Jia’nan Real Estate Co., Ltd. (成都嘉南置業有限公司) (“Chengdu Jia’nan”), the land use rights of four parcels of land with a total site area of 48,061.78 sq m have been granted to various companies for a term expiring on 27 December 2073 for residential uses. Details of the State-owned Land Use Rights Certificate are set out as follows:

Land Owner	Site area (sq m)
Chengdu Jinghui	10,545.08
Chengdu Tuosheng	14,720.37
Chengdu Huixin	12,889.49
Chengdu Jia’nan	<u>9,906.84</u>
Total:	<u>48,061.78</u>

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2. Pursuant to the Planning Permit for Construction Land Di Zi Di No. 510122200829038 (地字第510122200829038號) issued by Planning Bureau of Chengdu, Chengdu Jinghui, Cheng Tuosheng, Chengdu Huixin and Chengdu Jia’nan are permitted to use 4 parcels of land with a total site area of 71,461.56 sq m for residential uses.

As advised by the Group, the property comprises portion of the land as stated in the foresaid Planning Permit for Construction Land.

3. Pursuant to two Planning Permits for Construction Works Jian Zi Di Nos. 510122200839175 and 510122200839313 (建字第510122200839175和510122200839303號) issued by Planning Bureau of Chengdu, the approved construction scale of Phase I of Century Peak View is 143,488.57 sq m.
4. Pursuant to two Permits for Commencement of Construction Works CGGJ (2008)J255 and CGGJ (2008) J256 issued by Planning and Construction Bureau of Chengdu, the property has been permitted to commence construction and the total approved construction scale is 143,488.57 sq m.
5. Pursuant to the Pre-sale Permit for Commodity Housing Cheng Fang Yu Shou Zhong Xin Cheng Qu Zi Di No. 5626 (成預售中心城區字第5626號) issued by Chengdu House Management Bureau to Chengdu Huixin, a total gross floor area of 58,069.14 sq m was permitted to be pre-sold.
6. As advised by the Group, the total construction cost expended for the property as at the date of valuation was approximately RMB88,810,000 whereas the outstanding construction cost was approximately RMB383,944,000. We have taken into account the said amounts in our valuation.
7. As advised by the Group, portion of the property with a total gross floor area of approximately 561.00 sq m has been pre-sold under various sales and purchases agreements at a total consideration of approximately RMB6,060,000. We have taken into account the said consideration in our valuation.
8. The capital value of the property as if completed as at the date of valuation was RMB1,448,500,000.
9. We have been provided with a legal opinion on the title to the property issued by the Group’s PRC legal advisers, which contains, inter alia, the following information:-
- (i) Chengdu Jinghui, Chengdu Tuosheng, Chengdu Huixin and Chengdu Jia’nan legally own their respective land use rights of the property;
 - (ii) Chengdu Jinghui, Chengdu Tuosheng, Chengdu Huixin and Chengdu Jia’nan are entitled to transfer, lease or mortgage their respective land use rights of the property during the term of the land use rights without additional payment of any land grant fee or premium;
 - (iii) Chengdu Jinghui, Cheng Tuosheng, Chengdu Huixin and Chengdu Jia’nan have obtained from the relevant government authorities the permits and approvals required by law for the construction of the property;
 - (iv) Chengdu Huixin is entitled to pre-sell the property in accordance with the pre-sale limits prescribed in the Pre-sale Permit mentioned in note (5) above;
 - (v) Chengdu Jinghui, Chengdu Tuosheng, Chengdu Huixin and Chengdu Jia’nan can use the relevant Land Use Rights Certificates, Planning Permit for Construction Land, Planning Permit for Construction Works, Permit for Commencement of Construction Works and Examination of Completion of Buildings to apply for the relevant Building Ownership Certificate for the property. Upon Chengdu Jinghui, Cheng Tuosheng, Chengdu Huixin and Chengdu Jia’nan obtaining the construction completion examination documents, there is no substantial legal impediment for Chengdu Jinghui, Cheng Tuosheng, Chengdu Huixin and Chengdu Jia’nan to obtain the relevant Building Ownership Certificate;

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- (vi) Chengdu Jinghui is a limited liability company established in accordance with the laws of the PRC and owned as to 95.41% by COFI (HK) Limited and 4.59% by Chengdu Jiaxun Investment Co., Ltd.;
- (vii) Chengdu Tuosheng is a limited liability company established in accordance with laws of the PRC and owned as to 95.26% by Front Harbour Investments Limited and 4.74% to Chengdu Jiaxun Investment Co., Ltd.;
- (viii) Chengdu Huixin is a limited liability company established in accordance with laws of the PRC and owned as to 32.05% by Chengdu Jiaxun Investment Co., Ltd. and 67.95% by Sunny Champ Group Limited; and
- (ix) Chengdu Jia’nan is a limited liability company established in accordance with laws of the PRC and owned as to 92.16% by ING COF I (HK) and 7.84% by Chengdu Jiaxun Investment Co., Ltd.

APPENDIX IV

PROPERTY VALUATION

VALUATION CERTIFICATE

Group III — Property interests held by the Group under development in the PRC

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 August 2009												
46.	Phases I and II of Chengdu Flamenco Spain (成都弗萊明戈), No. 6 She of Yili Village, Nos. 1 and 3 She of Shuangbo Village and No. 4 She of Shuyuan Village, Pitong Town, Pi County, Sichuan Province, PRC	The development, known as Chengdu Flamenco Spain, comprises two parcels of land with a total site area of approximately 126,137.16 sq m (1,357,740 sq ft). According to the latest development proposal provided by the Group, the development will be developed into a residential and commercial development in five phases. The property comprises Phases I and II of the development and is scheduled to be completed in 2010 and 2011. Upon completion, the property will provide a total gross floor area of approximately 243,853.21 sq m (2,624,836 sq ft). Details of the uses and approximate gross floor areas of the property are as follows: <table><thead><tr><th>Portion</th><th>Approximate gross floor area (sq m)</th></tr></thead><tbody><tr><td>Residential</td><td>139,166.53</td></tr><tr><td>Retail</td><td>1,886.00</td></tr><tr><td>Ancillary facilities</td><td>35,025.14</td></tr><tr><td>Underground car park</td><td>67,775.54</td></tr><tr><td>Total:</td><td><u>243,853.21</u></td></tr></tbody></table> The land use rights of the property have been granted to the Group for two concurrent terms of 70 years and 40 years expiring on 23 October 2047 and 23 October 2077 for commercial and residential uses respectively.	Portion	Approximate gross floor area (sq m)	Residential	139,166.53	Retail	1,886.00	Ancillary facilities	35,025.14	Underground car park	67,775.54	Total:	<u>243,853.21</u>	The property is currently under construction.	RMB247,700,000 (91.30% interests attributable to the Group: RMB226,150,100)
Portion	Approximate gross floor area (sq m)															
Residential	139,166.53															
Retail	1,886.00															
Ancillary facilities	35,025.14															
Underground car park	67,775.54															
Total:	<u>243,853.21</u>															

Notes:

- Pursuant to two State-owned Land Use Rights Grant Contracts Nos. 2007-00958 and 2007-00957 their supplementary agreements, the land use rights of two pieces of land with a total site area of 126,137.16 sq m have been agreed to be granted to Chengdu Xixi Real Estate Co., Ltd. (成都西溪置業有限公司) (“Chengdu Xixi”) and Chengdu Xixiang Real Estate Co., Ltd. (成都西祥置業有限公司) (“Chengdu Xixiang”) at a land grant fee of RMB772,037,200 for two concurrent terms of 70 years and 40 years for residential and commercial uses respectively.

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2. Pursuant to two State-owned Land Use Rights Certificates issued by Chengdu Municipal State Land and Resources Bureau, the land use rights of two parcels of land with a total site area of 126,137.16 sq m have been granted to Chengdu Xixi and Chengdu Xixiang for a term expiring on 23 October 2047 and 23 October 2077 for commercial and residential uses. Details of the State-owned Land Use Rights Certificates are set out as follows:

Certificate no.	Land owner	Site area (sq m)	Use	Land use term expiry date
Pi Guo Yong (2008) Di No. 22 (郫國用(2008)第22號)	Chengdu Xixi	51,921.26	Commercial	23 October 2047
			Residential	23 October 2077
Pi Guo Yong (2008) Di No. 43 (郫國用(2008)第43號)	Chengdu Xixiang	74,215.90	Commercial	23 October 2047
			Residential	23 October 2077

3. Pursuant to two Planning Permits for Construction Land Di Zi Di Nos. 510124200820021 and 510124200820020 (地字第510124200820021 和 510124200820020) issued by Pi County Planning Administration Bureau, Chengdu Xixi and Chengdu Xixiang are permitted to use two parcels of land with a total site area of 126,137.16 sq m for development.
4. Pursuant to three Planning Permits for Construction Works Jian Zi Di Nos. 510124200930048, 510124200930049 and 510124200830130 (建字第510124200930048, 510124200930049 和 510124200830130) issued by Pi County Planning Administration Bureau, Chengdu Xixi and Chengdu Xixiang are permitted to construct a development with a total planned gross floor area of 189,747.03 sq m.
5. Pursuant to four Permits for Commencement of Construction Works Nos. 510124200908070101, 510124200904290301, 510124200904290201 and 510124200810230101, Chengdu Xixi and Chengdu Xixiang are permitted to construct various buildings with a total gross floor area of 189,747.03 sq m.
6. Pursuant to six Pre-sale Permits for Commodity Housing Cheng Fang Yu Shou Pi Xian Zi Di Nos. 471, 459, 446, 494, 442 and 481 (成房預售郫縣字第471, 459, 446, 494, 442 和 481號) issued by Pi County Real Estate Administration Bureau, a total gross floor area of 69,419.03 sq m of Chengdu Flamenco Spain was permitted to be pre-sold.
7. As advised by the Group, the total construction cost expended for the property as at the date of valuation was approximately RMB52,140,000 whereas the outstanding construction cost was approximately RMB302,960,000. We have taken into account the said amounts in our valuation.
8. As advised by the Group, portion of the property with a total gross floor area of approximately 54,509.40 sq m has been pre-sold under various sales and purchases agreements at a total consideration of approximately RMB316,920,000. We have taken into account the said consideration in our valuation.
9. The capital value of the property as if completed as at the date of valuation was RMB1,001,100,000.
10. We have been provided with a legal opinion on the title to the property issued by the Group’s PRC legal advisers, which contains, inter alia, the following information:-
- (i) Chengdu Xixi and Chengdu Xixiang legally own the land use rights of the property;
 - (ii) the land use rights of the property are subject to mortgages. Chengdu Xixi and Chengdu Xixiang are entitled to transfer, lease and mortgage the land use rights of the property during the term of the land use rights without additional payment of any land grant fee or premium but Chengdu Xixi and Chengdu Xixiang have to obtain the mortgagee’s prior written consent before transferring, leasing or mortgaging the land use rights of the property during the mortgage term;
 - (iii) Chengdu Xixi and Chengdu Xixiang have obtained from the relevant government authorities the permits and approvals required by the law for the construction of the property;

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- (iv) Chengdu Xixi and Chengdu Xixiang are entitled to pre-sell the property in accordance with the pre-sale limits prescribed in the Pre-sale Permits for Commodity Housing mentioned in note (6) above;
- (v) Chengdu Xixi and Chengdu Xixiang can use the relevant Land Use Rights Certificates, Planning Permit for Construction Land, Planning Permit for Construction Works, Permit for Commencement of Construction Works and information on Examination of Completion of Buildings to apply for the relevant Building Ownership Certificate for the property. Upon Chengdu Xixi and Chengdu Xixiang obtaining the construction completion examination documents, there is no substantial legal impediment for Chengdu Xixi and Chengdu Xixiang to obtain the relevant Building Ownership Certificate; and
- (vi) Chengdu Xixi and Chengdu Xixiang are limited liability company established in accordance with the laws of the PRC and both of them are wholly-owned by Chengdu Jiaxun Investment Co. Ltd. (成都佳遜投資有限公司).

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VALUATION CERTIFICATE

Group III — Property interests held by the Group under development in the PRC

No.	Property	Description and tenure	Particulars of Occupancy	Market value in existing state as at 31 August 2009
47.	Towning One (唐寧 One), Land No. Jia 3, Zhongguancun, Haidian District Beijing, PRC	The property comprises a parcel of land with a site area of approximately 41,971.26 sq m (451,779 sq ft). According to the latest development proposal provided by the Group, the property will be developed into a residential development with ancillary facilities and is scheduled to be completed in 2011. The total gross floor area of the property to be constructed is approximately 253,605.00 sq m (2,729,804 sq ft).	The property is currently under construction.	RMB3,048,000,000 (91.30% interests attributable to the Group: RMB2,782,824,000)
		Portion Approximate gross floor area (sq m)		
		Apartment	134,505.00	
		SOHO	18,626.00	
		Retail	33,762.00	
		Underground car park	23,573.00	
		Ancillary facilities	43,139.00	
		Total:	<u>253,605.00</u>	
		The land use rights of the property have been agreed to be granted to the Group for three concurrent terms of 40, 50 and 70 years expiring on 14 February 2048, 14 February 2058 and 14 February 2078 for commercial, composite and residential uses respectively.		

Notes:

- Pursuant to the State-owned Land Use Rights Grant Contract Jing Di Chu He Zi (2008) Di No. 0107 (京地出合字2008第0107號) and its supplementary agreement both entered into between Beijing State Land Resources Bureau (the “Grantor”) and Beijing Longhu Shidai Properties Co., Ltd. (北京龍湖時代置業有限公司) (“Beijing Longhu Shidai”), the Grantor has agreed to grant the land use rights of a parcel of land with a site area of 49,076.90 sq m to Beijing Longhu Shidai for three concurrent terms of 40, 50 and 70 years commencing on 15 February 2008 for commercial, composite and residential uses respectively at a total land grant fee of RMB2,060,000,000.

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2. Pursuant to two State-owned Land Use Rights Certificates issued by Beijing State Land Resources Bureau, the land use rights of two parcels of land with a total site area of 41,971.26 sq m have been granted to Beijing Longhu Shidai for three concurrent terms expiring on 14 February 2048, 14 February 2058 and 14 February 2078 for commercial, composite and residential uses respectively. Details of the State-owned Land Use Rights Certificates are set out as follows:

Certificate no.	Land owner	Site area (sq m)	Use	Land use term expiry date
Jing Hai Guo Yong (2008 Chu) Di No. 4579 (京海國用(2008 出)第4579號)	Beijing Longhu Shidai	202.61	Commercial	14 February 2048
Jing Hai Guo Yong (2008 Chu) Di No. 4578 (京海國用(2008 出)第4578號)	Beijing Longhu Shidai	41,768.65	Commercial Composite Residential	14 February 2048 14 February 2058 14 February 2078

3. Pursuant to the Planning Permit for Construction Land 2008 Gui (Hai) Di Zi No. 0017 (2008 規(海)地字0017號) issued by Beijing Planning Committee on 20 June 2008, Beijing Longhu Shidai is permitted to use a parcel of land with a site area of 49,211.90 sq m for residential development.
4. Pursuant to six Planning Permits for Construction Works 2008 Gui (Hai) Jian Zi Nos. 0186 and 0189 (2008規(海)建字0186和0189) and 2009 Gui (Hai) Jian Zi Nos. 0099, 0072, 0023 and 0093 (2009 規(海)建字0099, 0072, 0023和0093), Beijing Longhu Shidai is permitted to construct a development with a total planned gross floor area of 254,261.71 sq m.
5. Pursuant to four Permits for Commencement of Construction Works 2009 Shi Jian Zi Nos. 0317, 0878, 0679 and 0686 (2009施建字0317, 0878, 0679和0686), Beijing Longhu Shidai is permitted to construct various buildings with a total gross floor area of 209,292.74 sq m.
6. Pursuant to three Pre-sale Permits for Commodity Housing Jing Fang Shou Zheng Zi 2008 Di Nos. 420 and 438 (京房售證字2008第420和438號) and Jing Fang Shou Zheng Zi 2009 Di No. 117 (京房售證字2009第117號), Beijing Longhu Shidai is permitted to pre-sell a total gross floor area of 126,966.09 sq m.
7. As advised by the Group, the total construction cost expended for the property as at the date of valuation was approximately RMB95,138,000 whereas the outstanding construction cost was approximately RMB1,108,700,000. We have taken into account the said amounts in our valuation.
8. As advised by the Group, portion of the property with a total gross floor area of approximately 85,879.69 sq m has been pre-sold under various sales and purchases agreements at a total consideration of approximately RMB2,292,750,000. We have taken into account the said consideration in our valuation.
9. The capital value of the property as if completed as at the date of valuation was RMB5,506,700,000.

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PROPERTY VALUATION

10. We have been provided with a legal opinion on the title to the property issued by the Group’s PRC legal advisers, which contains, inter alia, the following information:-
- (i) the State-owned Land Use Rights Grant Contract and its supplementary agreement are legal, valid and enforceable;
 - (ii) Beijing Longhu Shidai legally owns the land use rights of the property and is entitled to transfer, lease and mortgage the land use rights of the property during the term of the land use rights without additional payment of any land grant fee or premium;
 - (iii) the land use rights of a parcel of land with a site area of 41,768.65 sq m as stated in note (2) above are subject to mortgage and Beijing Longhu Shidai has to obtain the mortgagee’s prior written consent before transferring, leasing and mortgaging the land use rights of the property during the mortgage term;
 - (iv) Beijing Longhu Shidai has obtained from the relevant government authorities the permits and approvals required by the law for the construction of the property;
 - (v) Beijing Longhu Shidai is entitled to pre-sell the property in accordance with the pre-sale limits prescribed in the Pre-sale Permits for Commodity Housing mentioned in note (6) above;
 - (vi) Beijing Longhu Shidai can use the relevant Land Use Rights Certificates, Planning Permit for Construction Land, Planning Permit for Construction Works, Permit for Commencement of Construction Works and information on Examination of Completion of Buildings to apply for the relevant Building Ownership Certificate for the property. Upon Beijing Longhu Shidai obtaining the construction completion examination documents, there is no substantial legal impediment for Beijing Longhu Shidai to obtain the relevant Building Ownership Certificate; and
 - (vii) Beijing Longhu Shidai is a limited liability company established in accordance with the laws of the PRC and owned as to 99.29% by Chongqing Longhu Properties Co., Ltd. and 0.71% by Beijing Longhu Zhongbai Co. Ltd.

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VALUATION CERTIFICATE

Group III — Property interests held by the Group under development in the PRC

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 August 2009								
48.	Qujiang Glory (曲江盛景), North of Yunnan Second Road, Xi'an, Shanxi Province, PRC	The property, known as Qujiang Glory, comprises a parcel of land with a site area of approximately 34,795.10 sq m (374,534 sq ft). According to the latest development proposal provided by the Group, the property will be developed into a residential development with ancillary facilities and is scheduled to be completed by 2009. Upon completion, the property will provide a total gross floor area of 76,332.00 sq m (821,638 sq ft). Details of the uses and approximate gross floor areas of the property are as follows: <table><tr><th>Portion</th><th>Approximate gross floor area (sq m)</th></tr><tr><td>Residential</td><td>58,911.00</td></tr><tr><td>Ancillary facilities</td><td>17,421.00</td></tr><tr><td>Total:</td><td><u>76,332.00</u></td></tr></table> The land use rights of the property have been granted to the Group for a term of 70 years expiring on 13 December 2077 for residential uses.	Portion	Approximate gross floor area (sq m)	Residential	58,911.00	Ancillary facilities	17,421.00	Total:	<u>76,332.00</u>	The property is currently under construction.	RMB529,000,000 (82.17% interests attributable to the Group: RMB434,679,300)
Portion	Approximate gross floor area (sq m)											
Residential	58,911.00											
Ancillary facilities	17,421.00											
Total:	<u>76,332.00</u>											

Notes:

- Pursuant to the State-owned Land Use Rights Grant Contract No. (2007)33 entered into between Qu Jiang New Zone Substation of Xi An Land Resources Bureau (“Party A”) and Xi'an Longhu Jincheng Properties Co. Ltd. (西安龍湖錦城置業有限公司) (“Xi'an Longhu Jincheng”), Party A agreed to grant the land use rights of a piece of land with a site area of 34,795.10 sq m to Xi'an Longhu Jincheng at a land grant fee of RMB135,701,800 for a term of 70 years for residential uses.
- Pursuant to the State-owned Land Use Rights Certificate Shi Qu Jiang Guo Yong (2007 Chu) Di No. 072 (市曲江國用(2007出)第072號), the land use rights of a parcel of land with a site area of 34,795.10 sq m have been granted to Xi'an Longhu Jincheng for a term of 70 years expiring on 13 December 2077 for residential uses.
- Pursuant to the Planning Permit for Construction Land No. (2008) Qu 002 ((2008)曲002號) issued by Xi'an Planning Bureau, Xi'an Longhu Jincheng is permitted to use a parcel of land with a site area of 34,787.51 sq m for the development of the property.

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4. Pursuant to the Planning Permit for Construction Works No. (2008) Qu Zi 007 ((2008)曲字007號) issued by Xi'an Planning Bureau, the approved construction scale of the property is 76,332 sq m.
5. Pursuant to two Permits for Commencement of Construction Works Xi Qu Jian Shi 2008 Di Nos. 028 and 029 (西曲建施2008第028及029號) both issued by Xi'an Qujiang New Zone Administration Commission, the construction of the property has been permitted for a construction period from 15 June 2008 to October 2009 with a construction scale of 76,332 sq m.
6. Pursuant to the Pre-sale Permit for Commodity Housing Shou Zi Di No. 2008062 (市房預售字第2008062號) issued by Xian Building Administrative Bureau Shi Fang Yu, a gross floor area of 61,560 sq m of Qujiang Glory was permitted to be pre-sold.
7. As advised by the Group, the total construction cost expended for the property as at the date of valuation was approximately RMB169,020,000 whereas the outstanding construction cost was approximately RMB105,614,000. We have taken into account the said amount in our valuation
8. As advised by the Group, portion of the property with a total gross floor area of approximately 57,288.83 sq m have been pre-sold under various sales and purchases agreements at a total consideration of RMB712,040,000. We have taken into account the said consideration in our valuation.
9. The capital value of the property as if completed as at the date of valuation was RMB732,200,000.
10. We have been provided with a legal opinion on the title to the property issued by the Group's PRC legal advisers, which contains, inter alia, the following information:-
 - (i) Xi'an Longhu Jincheng legally owns the land use rights of the property;
 - (ii) Xi'an Longhu Jincheng is entitled to transfer, lease and mortgage the land use rights of the property during the term of the land use rights without additional payment of any land grant fee or premium;
 - (iii) Xi'an Longhu Jincheng has obtained from the relevant government authorities the permits and approvals required by the law for the construction of the property;
 - (iv) Xi'an Longhu Jincheng is entitled to pre-sell the property in accordance with the pre-sale limits prescribed in the Pre-sale Permits for Commodity Housing mentioned in note (6) above;
 - (v) Xi'an Longhu Jincheng can use the relevant Land Use Rights Certificates, Planning Permit for Construction Land, Planning Permit for Construction Works and Permit for Commencement of Construction Works to apply for the relevant Building Ownership Certificate for the property. Upon Xi'an Longhu Jincheng obtaining the construction completion examination documents, there is no substantial legal impediment for Xi'an Longhu Jincheng to obtain the relevant Building Ownership Certificate; and
 - (vi) Xi'an Longhu Jincheng is a limited liability company established in accordance with the laws of the PRC and owned as to 99.3% by Xi'an Longhu Properties Co. Ltd. and 0.7% by Xi'an Lifeng Property Management Co., Ltd.

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PROPERTY VALUATION

VALUATION CERTIFICATE

Group III — Property interests held by the Group under development in the PRC

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 August 2009										
49.	Shanghai Rose and Ginkgo Villa (上海麗瀾山), Between Fang Song Highway, Songtang River, Dianpu River, Qingpu District, Shanghai, PRC	The property, known as Shanghai Rose and Ginkgo Villa, comprises a parcel of land with a site area of approximately 144,495.50 sq m (1,555,350 sq ft). According to the latest development proposal provided by the Group, the property will be developed into a low-rise town house development in three phases and is scheduled to be developed in 2010. The total gross floor area of the property to be constructed is approximately 236,721.99 sq m (2,548,076 sq ft). Details of the gross floor area of the property are summarized as below: <table><thead><tr><th>Portion</th><th>Approximate gross floor area (sq m)</th></tr></thead><tbody><tr><td>Residential</td><td>144,685.99</td></tr><tr><td>Retail</td><td>4,894.00</td></tr><tr><td>Ancillary facilities</td><td>87,142.00</td></tr><tr><td>Total:</td><td><u>236,721.99</u></td></tr></tbody></table> The land use rights of the property have been granted for a term expiring on 8 January 2078 for residential uses.	Portion	Approximate gross floor area (sq m)	Residential	144,685.99	Retail	4,894.00	Ancillary facilities	87,142.00	Total:	<u>236,721.99</u>	The property is currently under construction.	RMB2,021,100,000 (45.65% interests attributable to the Group: RMB922,632,150)
Portion	Approximate gross floor area (sq m)													
Residential	144,685.99													
Retail	4,894.00													
Ancillary facilities	87,142.00													
Total:	<u>236,721.99</u>													

Notes:

- Pursuant to the State-owned Land Use Rights Grant Contract Hu Qing Fang Di (2007) Chu Rang He Tong Di No. 149 (滬青房地(2007)出讓合同第149號) and its supplementary agreement Hu Qing Fang Di 2008 Chu Rang He Tong Bu Zi Di No. 2 (滬青房地2008出讓合同補字第2號) dated 9 January 2008 and 18 February 2008 respectively, the land use rights of a parcel of land with a site area of 144,495.50 sq m have been agreed to be granted to Shanghai Hengrui Real Estate Co., Ltd. (上海恆睿房地產有限公司) (“Shanghai Hengrui”) for a term of 70 years for residential uses.

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PROPERTY VALUATION

2. Pursuant to two Realty Title Certificates, the land use rights of the property have been granted to Shanghai Hengrui. Details of the said certificates are, inter alia, summarized as below:

Certificate no.	Owner	Site area (sq m)	Use	Land use term expiry date
Hu Fang Di Qing Zi 2008 Di No. 005742 (滬房地青字2008第005742號)	Shanghai Hengrui	91,480.30	Residential	8 January 2078
Hu Fang Di Qing Zi 2008 Di No. 009796 (滬房地青字2008第009796號)	Shanghai Hengrui	53,015.20	Residential	8 January 2078
Total:		144,495.50		

3. Pursuant to the Planning Permit for Construction Land Di Zi Di Hu Qing Di (2008) No. 18080605E00645 (地字第滬青地(2008)18080605E00645號) issued by Shanghai Qingpu District Planning Administrative Bureau, Shanghai Hengrui is permitted to use a parcel of land with a site area of 191,902.70 sq m for residential development.

As advised by the Group, portion of the land as stipulated in the aforesaid Planning Permit for Construction Land with a site area of 144,495.50 is the land of the property and the remaining portion of the land with a site area of 47,407.20 sq m is for public uses.

4. Pursuant to four Planning Permits for Construction Works Jian Zi Di Hu Qing Jian (2008) Nos. 18080620F01431 18080905F02210, 18080927F02390 and 18081118F02861 (建字第滬青建(2008) 18080620F01431, 18080905F02210, 18080927F02390, 和 18081118F02861號) issued by Shanghai Qingpu District Planning Administrative Bureau, the approved construction scale of portion of the property is 230,188.6 sq m.
5. Pursuant to four Permits for Commencement of Construction Works Nos. 310118200802271619 D01 to D04 issued by Shanghai Construction Industry Administration Office, the construction of the property has been permitted for a construction period from 1 July 2008 to 12 December 2009 with a construction scale of 230,187.25 sq m.
6. Pursuant to seven Pre-sale Permits for Commodity Housing Qing Pu Fang Di (2008) Yu Zi Nos. 0000676, 0000918 and 0000796 (青浦房地(2008)預字0000676, 0000918和0000796號) and Qing Pu Fang Di (2009) Yu Zi Nos. 0000108, 0000234, 0000444 and 0000445 (青浦房地(2009)預字0000108, 0000234, 0000444和0000445號) issued by Shanghai Housing and Land Resources Administration Bureau, a total above grand gross floor area of approximately 83,871.91 sq m and below grand gross floor area of 26,194.46 sq m was permitted to be pre-sale.
7. As advised by the Group, the total construction cost expended for the property as at the date of valuation was approximately RMB353,330,000 whereas the outstanding construction cost was approximately RMB615,830,000. We have taken into account the said amounts in our valuation.
8. As advised by the Group, portion of the property with a total gross floor area of approximately 67,918.50 sq m has been pre-sold under various sales and purchases agreements at a total consideration of approximately RMB1,201,660,000. We have taken into account the said consideration in our valuation.
9. The capital value of the property as if completed as at the date of valuation was RMB3,374,800,000.
10. We have been provided with legal opinion on the title to the property issued by the Group’s PRC legal advisers, which contains, inter alia, the following information:-
- Shanghai Hengrui legally owns the land use rights of the property;
 - Shanghai Hengrui is entitled to transfer, lease or mortgage the land use rights of the property during the term of the land use rights without additional payment of any land grant fee or premium;

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PROPERTY VALUATION

- (iii) Shanghai Hengrui has obtained from the relevant government authorities the permits and approvals required by law for the construction of portion of the property as mentioned in notes (4) and (5) above;
- (iv) Shanghai Hengrui is entitled to pre-sell portion of the property in accordance with the pre-sale limits prescribed in the Pre-sale Permits mentioned in note (6) above;
- (v) Shanghai Hengrui can use the relevant State-owned Land Use Rights Certificates, Planning Permit for Construction Land, Planning Permit for Construction Works, Permit for Commencement of Construction Works and Examination of Completion of Buildings to apply for the relevant Building Ownership Certificate for the property. Upon Shanghai Hengrui obtaining the construction completion examination documents, there is no substantial legal impediment for Shanghai Hengrui to obtain the relevant Building Ownership Certificate; and
- (vi) Shanghai Hengrui is a limited liability company established in accordance with the laws of the PRC and owned as to 50% by Chongqing Longhu Properties Co. Ltd. and 50% by COF I SRL.

APPENDIX IV

PROPERTY VALUATION

VALUATION CERTIFICATE

Group III — Property interests held by the Group under development in the PRC

No.	Property	Description and tenure	Particulars of Occupancy	Market value in existing state as at 31 August 2009										
50.	Phase I of Sunshine City (鄞城), Yumin Road, Jiading New Town, Shanghai, PRC	The development, Sunshine City, comprises a parcel of land with a site area of approximately 178,248.20 sq m (1,918,664 sq ft). According to the latest development proposal provided by the Group, the development will be developed into a residential, SOHO and retail development in four phases. The property comprises Phase I of the development with an appointed site area of approximately 36,076.60 sq m (388,329 sq ft) and is scheduled to be completed in 2010. Upon completion, the property will provide a total gross floor area of approximately 99,780.00 sq m (1,074,032 sq ft). Details of both uses and approximate gross floor areas of the property are as follows: <table><thead><tr><th>Portion</th><th>Approximate gross floor area (sq m)</th></tr></thead><tbody><tr><td>Luxury house</td><td>54,777.00</td></tr><tr><td>Club house</td><td>9,945.00</td></tr><tr><td>Ancillary facilities</td><td>35,058.00</td></tr><tr><td>Total:</td><td><u>99,780.00</u></td></tr></tbody></table> The land use rights of the property have been granted to the Group for various terms. Please refer to note (2) for details.	Portion	Approximate gross floor area (sq m)	Luxury house	54,777.00	Club house	9,945.00	Ancillary facilities	35,058.00	Total:	<u>99,780.00</u>	The property is currently under construction.	RMB425,300,000 (93.48% interests attributable to the Group: RMB397,570,440)
Portion	Approximate gross floor area (sq m)													
Luxury house	54,777.00													
Club house	9,945.00													
Ancillary facilities	35,058.00													
Total:	<u>99,780.00</u>													

Notes:

- Pursuant to the State-owned Land Use Rights Grant Contract Hu Jia Fang Di 2008 Chu Rang He Tong Di No. 73 (滬嘉房地2008出讓合同第73號) and the supplementary agreement entered into on 31 July 2008 and 18 September 2008 respectively, the land use rights of a parcel of land with a site area of 178,248.20 sq m have been agreed to be granted to Shanghai Hengchi Real Estate Co., Ltd. (上海恆馳房地產有限公司) (“Shanghai Hengchi”) for three concurrent terms of 40, 50 and 70 years all commencing on 31 July 2008 for retail, office and residential uses respectively.

As advised by the Group, the land grant fee has been fully paid.

- Pursuant to the Realty Title Certificate Hu Fang Di Jia Zi (2009) Di No. 019992 (滬房地嘉字(2009)第019992號) issued on 27 July 2009, the land use rights of a parcel of land with a site area of 124,234.60 sq m have been granted to Shanghai Hengchi for two concurrent terms expiring on 30 July 2048 and 30 July 2058 for commercial and office respectively.

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As advised by the Group, the property is developing on a portion of the land with a site area of approximately 36,076.60 sq m covered by the aforesaid Realty Title Certificate.

3. Pursuant to Planning Permit for Construction Land Di Zi Di Hu Jia Di (2008) No. 14081105E01366 (地字第滬嘉地(2008)14081105E01366號) issued by Shanghai Jiading Planning Administration Bureau, Shanghai Hengchi is permitted to use a parcel of land with site area of 178,248 sq m for development.
4. Pursuant to the Planning Permit for Construction Works Jian Zi Di Hu Jia Jian (2009) No. FA31011420091785 (建字第滬嘉建(2009)FA31011420091785號) issued by Shanghai Jiading District Planning and Land Administration Bureau, Shanghai Hengchi is permitted to construct a development with a total planned gross floor area of 110,537 sq m.
5. Pursuant to the Permit for Commencement of Construction Works No. 310114200808191619 issued by Shanghai Jiading District Construction and Traffic Commission, Shanghai Hengchi is permitted to construct various buildings with a total gross floor area of 110,536.19 sq m.
6. Pursuant to the Pre-sale Permit for Commodity Housing of Shanghai Jia Ding Fang Guan (2009) Yu Zi No. 0000919 (嘉定房管(2009)預字0000919號) issued by Shanghai Jiading District Housing Protection and Building Administrative Bureau, a total gross floor area of 57,650.06 sq m of Sunshine City was permitted to be pre-sold.
7. As advised by the Group, the total construction cost expended for the property as at the date of valuation was approximately RMB65,710,000 whereas the outstanding construction cost was approximately RMB343,640,000. We have taken into account the said amounts in our valuation.
8. The capital value of the property as if completed as at the date of valuation was RMB1,090,300,000.
9. We have been provided with legal opinion on the title to the property issued by the Group’s PRC legal advisers, which contains, inter alia, the following information:-
 - (i) the State-owned Land Use Rights Grant Contract is legal, valid and enforceable;
 - (ii) Shanghai Hengchi legally owns the land use rights of the property;
 - (iii) Shanghai Hengchi is entitled to transfer, lease and mortgage the land use rights of the property during the term of the land use rights without additional payment of any land grant fee or premium;
 - (iv) Shanghai Hengchi has obtained from the relevant government authorities the permits and approvals required by the law for the construction of the property;
 - (v) Shanghai Hengchi is entitled to pre-sell portion of the property in accordance with the pre-sale limits prescribed in the Pre-sale Permit mentioned in note (6) above;
 - (vi) Shanghai Hengchi can use the relevant State-owned Land Use Rights Certificates, Planning Permit for Construction Land, Planning Permit for Construction Works and Permit for Commencement of Construction Works to apply for the relevant Building Ownership Certificate for the property. Upon Shanghai Hengchi obtaining the construction completion examination documents, there is no substantial legal impediment for Shanghai Hengchi to obtain the relevant Building Ownership Certificate; and
 - (vii) Shanghai Hengchi is a limited liability company established in accordance with the laws of the PRC and wholly-owned by Chongqing Tianzhuo Investment Ltd. (重慶天卓投資有限公司).

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PROPERTY VALUATION

VALUATION CERTIFICATE

Group III — Property interests held by the Group under development in the PRC

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 August 2009												
51.	Phase I of Xi'an Fairy Castle (西安紫都城), North of Qujiang Road and East of Qujiang Third Road, Xi'an, Shanxi Province, PRC	Xi'an Fairy Castle comprises a parcel of land with a site area of approximately 68,939.00 sq m (742,059 sq ft). According to the latest development proposal provided by the Group, the development will be developed into a residential development in two phases. The property comprises Phase I of the development and is scheduled to be completed in 2011. Upon completion, the property will provide a total gross floor area of approximately 82,006.13 sq m (882,714 sq ft). Details of the uses and approximate gross floor areas of the property are as follows: <table><thead><tr><th>Portion</th><th>Approximate gross floor area (sq m)</th></tr></thead><tbody><tr><td>Residential</td><td>65,363.13</td></tr><tr><td>Retail</td><td>1,176.00</td></tr><tr><td>Underground car park</td><td>13,442.00</td></tr><tr><td>Ancillary facilities</td><td>2,025.00</td></tr><tr><td>Total:</td><td><u>82,006.13</u></td></tr></tbody></table> The land use rights of the property have been granted to the Group for a term of 70 years expiring on 22 January 2078 for residential uses.	Portion	Approximate gross floor area (sq m)	Residential	65,363.13	Retail	1,176.00	Underground car park	13,442.00	Ancillary facilities	2,025.00	Total:	<u>82,006.13</u>	The property is currently under construction.	RMB35,000,000 (82.17% interests attributable to the Group: RMB28,759,500)
Portion	Approximate gross floor area (sq m)															
Residential	65,363.13															
Retail	1,176.00															
Underground car park	13,442.00															
Ancillary facilities	2,025.00															
Total:	<u>82,006.13</u>															

Notes:

- Pursuant to the State-owned Land Use Rights Grant Contract No. 2007-32 entered into between Qu Jiang New Zone Substation of Xi An Land Resources Bureau (“Party A”) and Xi'an Longhu Jincheng Properties Co. Ltd. (西安龍湖錦城置業有限公司) (“Xi'an Longhu Jincheng”), Party A agreed to grant the land use right of a parcel of land with a site area of 68,939.00 sq m to Xi'an Longhu Jincheng at a land grant fee of RMB217,158,900 for a term of 70 years for residential uses.
- Pursuant to the State-owned Land Use Rights Certificate Shi Qu Jiang Guo Yong (2008 Chu) Di No. 002 (市曲江國用(2008出)第002號), the land use rights of a parcel of land with a site area of 68,939.00 sq m have been granted to Xi'an Longhu Jincheng for a term expiring on 22 January 2078 for residential uses.

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3. Pursuant to the Planning Permit for Construction Land Xi Gui Qu Di Zi Di No. 023 (西規曲地字第023號) issued by Planning Bureau of Xi'an, Xi'an Longhu Jincheng was permitted to use a parcel of land with a site area of 112,042.72 sq m for residential uses.

As advised by the Group, the property comprises portion of the land as stated in the foresaid Planning Permit for Construction Land.
4. Pursuant to the Planning Permit Construction Works Xi Gui Qu Jian Zi Di No. 012 (西規曲建字第012號) issued by Planning Bureau of Xi'an, the approved construction scale of Phase I of Xi'an Fairy Castle is approximately 103,691 sq m for above ground level and 20,654 sq m for below ground level.
5. Pursuant to two Permits for Commencement of Construction Works Xi Qu Jian Shi [2009] Di No. 013 (西曲建施[2009] 013) and Xi Qu Jian Shi 2009 Di No. 014 (西曲建施[2009] 014) issued by Planning and Construction Bureau of Xi'an, portion of the property has been permitted to commence construction and the total approved construction scale is 124,344 sq m.
6. Pursuant to the Pre-sale Permit Shi Fang Yu Shou Zi Di No. 2009089 (市房預售字第2009089號) issued by Xi'an Building Management Bureau to Xi'an Longhu Jincheng, portion of the property with a total gross floor area of 68,512 sq m was permitted to be pre-sold.
7. As advised by the Group, the total construction cost expanded for the property as at the date of valuation was approximately RMB16,640,000 whereas the outstanding construction cost was approximately RMB252,820,000. We have taken into account the said amounts in our valuation.
8. As advised by the Group, portion of the property with a total gross floor area of approximately 45,589.00 sq m has been pre-sold under various sales and purchases agreements at a total consideration of approximately RMB213,930,000. We have taken into account the said consideration in our valuation.
9. The capital value of the property as if completed as at the date of valuation was RMB359,100,000.
10. We have been provided with legal opinion on the title to the property issued by the Group's PRC legal advisers, which contains, inter alia, the following information:-
 - (i) Xi'an Longhu Jincheng legally owns the land use rights of the property;
 - (ii) Xi'an Longhu Jincheng is entitled to transfer, lease or mortgage the land use rights of the property during the term of the land use rights without additional payment of any land grant fee or premium;
 - (iii) Xi'an Longhu Jincheng has obtained from the relevant government authorities the permits and approvals required by law for the construction of portion of the property as mentioned in notes (4) and (5) above;
 - (iv) Xi'an Longhu Jincheng is entitled to pre-sell portion of the property in accordance with the pre-sale limits prescribed in the Pre-sale Permit mentioned in note (6) above;
 - (v) Xi'an Longhu Jincheng can use the relevant Land Use Rights Certificates, Planning Permit for Construction Land, Planning Permit for Construction Works, Permit for Commencement of Construction Works and Examination of Completion of Buildings to apply for the relevant Building Ownership Certificate for the property. Upon Chengdu Jinghui, Cheng Tuosheng, Chengdu Huixin and Chengdu Jia'nan obtaining the construction completion examination documents, there is no substantial legal impediment for Xi'an Longhu Jincheng to obtain the relevant Building Ownership Certificate; and
 - (vi) Xi'an Longhu Jincheng is a limited liability company established in accordance with the laws of the PRC and owned as to 99.3% by Xi'an Longhu Properties Co. Ltd. And 0.7% by Xi'an Lifeng Property Management Co., Ltd.

APPENDIX IV

PROPERTY VALUATION

VALUATION CERTIFICATE

Group IV — Property interests held by the Group for future development in the PRC

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 August 2009												
52.	Portion of Phase III and Phases IV to VIII Bamboo Grove (江與城), Dazhulin Zutuan, Gaoxinyuan, Beibu New District, Chongqing, PRC	Bamboo Grove is a proposed large scale residential and commercial development to be developed in 8 phases. Portion of Phase III and Phases IV to VIII of the proposed development will comprise a site area of approximately 565,476.40 sq m (6,086,788 sq ft). The property comprises portion of Phase III and Phases IV to VIII of the proposed development. According to the latest development proposal provided by the Group, upon completion, the property will provide a total gross floor area of approximately 1,300,545.00 sq m (13,999,066 sq ft). Details of the approximate gross floor area of the property are as follows: <table><thead><tr><th>Portion</th><th>Approximate gross floor area (sq m)</th></tr></thead><tbody><tr><td>Residential</td><td>953,760.00</td></tr><tr><td>Retails</td><td>145,500.00</td></tr><tr><td>Underground car park</td><td>163,005.00</td></tr><tr><td>Ancillary facilities</td><td>38,280.00</td></tr><tr><td>Total:</td><td><u>1,300,545.00</u></td></tr></tbody></table> The land use rights of the property have been granted for two concurrent terms for commercial and residential uses respectively. Please refer to Note (1) for details.	Portion	Approximate gross floor area (sq m)	Residential	953,760.00	Retails	145,500.00	Underground car park	163,005.00	Ancillary facilities	38,280.00	Total:	<u>1,300,545.00</u>	The property is currently vacant.	RMB2,598,000,000 (49.57% interests attributable to the Group: RMB1,287,828,600)
Portion	Approximate gross floor area (sq m)															
Residential	953,760.00															
Retails	145,500.00															
Underground car park	163,005.00															
Ancillary facilities	38,280.00															
Total:	<u>1,300,545.00</u>															

APPENDIX IV

PROPERTY VALUATION

Notes:

- Pursuant to 10 Realty Title Certificates, the land use rights of the property have been granted to Longhu Land Ltd. (重慶興龍湖置地發展有限公司) (“Longhu Land”). Details of the said certificates are, inter alia, summarized as below:

Certificate no.	Owner	Site area (sq m)	Use	Land use term expiry date
100 Fang Di Zheng 2006 Zi Di No. 985 (100 房地證2006字第985號)	Longhu Land	87,315.50	Commercial service	5 July 2046
			Residential	5 July 2056
100 Fang Di Zheng 2006 Zi Di No. 986 (100房地證2006字第986號)	Longhu Land	17,372.80	Commercial service	5 July 2046
			Residential	5 July 2056
Bei Xin Gao 112 Fang Di Zheng 2007 Zi Di No. 07891 (北新高112房地證2007字第07891號)	Longhu Land	31,196.80	Commercial	6 July 2046
			Residential	6 July 2056
Bei Xin Gao 112 Fang Di Zheng 2007 Zi Di No. 08760 (北新高112房地證2007字第08760號)	Longhu Land	24,964.40	Commercial	6 July 2046
			Residential	6 July 2056
Bei Xin Gao 112 Fang Di Zheng 2008 Zi Di No. 06407 (北新高112房地證2008字第06407號)	Longhu Land	199,468.60	Commercial	15 September 2046
			Residential	15 September 2056
Bei Xin Gao 112 Fang Di Zheng 2009 Zi Di No. 00752 (北新高112房地證2009字第00752號)	Longhu Land	21,656.20	Commercial	6 July 2046
			Residential	6 July 2056
Bei Xin Gao 112 Fang Di Zheng 2009 Zi Di No. 00753 (北新高112房地證2009字第00753號)	Longhu Land	15,246.30	Commercial	6 July 2046
			Residential	6 July 2056
Bei Xin Gao 112 Fang Di Zheng 2009 Zi Di No. 00751 (北新高112房地證2009字第00751號)	Longhu Land	61,267.90	Commercial	6 July 2046
			Residential	6 July 2056
Bei Xin Gao 112 Fang Di Zheng 2009 Zi Di No. 01954 (北新高112房地證2009字第01954號)	Longhu Land	103,806.60	Commercial	6 July 2046
			Residential	6 July 2056
Bei Xin Gao 112 Fang Di Zheng 2008 Zi Di No. 06408 (北新高112房地證2008字第06408號)	Longhu Land	95,405,000	Commercial	15 September 2046
			Residential	15 September 2056
	Total:	<u>657,700.10</u>		

As advised by the Group, portion of Phase III and Phases IV to VIII of Bamboo Grove comprises portion of the land as stated in the aforesaid ten Realty Title Certificates with a site area of approximately 565,476.40 sq m.

- Pursuant to two Planning Permits for Construction Land Nos. Yu Gui Di Zheng (2006) Bei Xin Zi Di No. 0006 and Yu Gui Di Zheng (2007) Bei Xin Zi Di No. 0308 issued by Chongqing Bureau of Planning, Longhu Land is permitted to use two parcels of land with site areas of 482,482.00 sq m and 330,165.60 sq m for the development of Bamboo Grove.
- We have been provided with a legal opinion on the title to the property issued by the Group’s PRC legal advisers, which contains, inter alia, the following information:-
 - Longhu Land legally owns the land use rights of the property as mentioned in note (1) above and is entitled to transfer, lease and mortgage the land use rights of such portion of the property during the term of the land use rights without additional payment of any land grant fee or premium;
 - portion of the property with a total site area of 248,038.20 sq m is subject to various mortgages and Longhu Land has to obtain the mortgagee’s prior written consent before transferring, leasing or mortgaging such portion of the property during the mortgage term; and
 - Longhu Land is a Sino-foreign cooperative enterprise established in accordance with the laws of the PRC and owned as to 5% by Chongqing Longhu Properties Co. Ltd. and 95% by Jiaxun Land Company Limited.

APPENDIX IV

PROPERTY VALUATION

VALUATION CERTIFICATE

Group IV — Property interests held by the Group for future development in the PRC

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 August 2009
53.	Phases III to V of Chunsen Land (春森彼岸), Chenjiaguan, Jiangbei District, Chongqing, PRC	Chunsen Lands is a proposed large-scale commercial, office and residential development to be developed into 5 phases on various parcels of land with a total site area of approximately 160,191.00 sq m (1,724,296 sq ft). According to the latest development proposal provided by the Group, the property comprises Phases III to V of the development with a site area of approximately 88,845.00 sq m (956,328 sq ft) and will provide a total gross floor area of approximately 449,835.00 sq m (4,842,024 sq ft). Details of the approximate gross floor areas of the property are as follows:	Currently, there are some old and small bungalows erected on portion of the site. The demolition of such structures is in progress.	RMB985,000,000 (91.30% interests attributable to the Group: RMB899,305,000)
		Portion Approximate gross floor area (sq m) <i>Phase III</i> Apartment 179,991.00 Retail 17,112.00 Ancillary facilities 1,928.00 Underground car park 16,463.00 Total: 215,494.00 <i>Phase IV</i> Apartment 137,425.00 SOHO 3,144.00 Retail 7,583.00 Ancillary facilities 3,389.00 Underground car park 17,890.00 Total: 169,431.00		

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PROPERTY VALUATION

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 August 2009
		<i>Phase V</i>		
		SOHO	18,507.00	
		Retail	4,444.00	
		Office	32,637.00	
		Underground car park	9,322.00	
		Total:	<u>64,910.00</u>	
		The land use rights of portion of the property have been granted for two concurrent terms expiring on 23 August 2044 and 23 August 2054 for commercial and residential uses respectively.		

Notes:

- Pursuant to State-owned Land Use Rights Grant Contract Yu Di (2004) He Zi (Jiang Bei) Di No. 302 (渝地(2004)合字(江北)第302號) entered into between Chongqing Land Resources and House Administration Bureau (“Party A”) and Chongqing Beilonghu Property Co., Ltd. (重慶北龍湖置地發展有限公司) (“Chongqing Beilonghu”), Party A agreed to grant the land use rights of a parcel of land with a site area of 160,191 sq m to Chongqing Bei Longhu at a total land grant fee of RMB147,754,260 for two concurrent terms of 40 and 50 years for commercial and residential uses respectively.
- Pursuant to five Realty Title Certificates, the land use rights of the property have been granted to Chongqing Beilonghu Property Co., Ltd. (重慶北龍湖置地發展有限公司) (“Chongqing Beilonghu”). Details of the said certificates are, inter alia, summarized as below:

Certificate no.	Owner	Site area (sq m)	Use	Land use term expiry date
103 Fang Di Zheng 2007 Zi Di No. 20746 (103 房地證2007字第20746號)	Chongqing Beilonghu	7,836.10	Commercial	23 August 2044
			Residential	23 August 2054
103 Fang Di Zheng 2007 Zi Di No. 23674 (103房地證2007字第23674號)	Chongqing Beilonghu	23,487.20	Commercial	23 August 2044
			Residential	23 August 2054
103 Fang Di Zheng 2008 Zi Di No. 16805 (103房地證2008字第16805號)	Chongqing Beilonghu	28,163.30	Commercial	23 August 2044
			Residential	23 August 2054
103 Fang Di Zheng 2007 Zi Di No. 08712 (103房地證2007字第08712號)	Chongqing Beilonghu	17,489.70	Commercial	23 August 2044
			Residential	23 August 2054
103 Fang Di Zheng 2008 Zi Di No. 08254 (103房地證2008字第08254號)	Chongqing Beilonghu	20,315.30	Commercial	23 August 2044
			Residential	23 August 2054
	Total:	<u>97,291.60</u>		

As advised by the Group, the property comprises portion of the five parcels of land as stated in the aforesaid 5 Realty Title Certificates.

- Pursuant to the Planning Permit for Construction Land Yu Gui Di Zheng (2005) Jiang Zi Di No. 0015 (渝規地證(2005)江字第0015號) issued by Chongqing Planning Committee on 6 April 2005, Chongqing Beilonghu is permitted to use a parcel of land with a site area of 160,191 sq m for residential, club house, commercial and underground car park development.

APPENDIX IV

PROPERTY VALUATION

4. We have been provided with a legal opinion on the title to the property issued by the Group’s PRC legal advisers, which contains, inter alia, the following information:-
- (i) the State-owned Land Use Rights Grant Contract is legal, valid and enforceable;
 - (ii) Chongqing Beilonghu legally owns the land use rights of portion of the property as mentioned in note (2) above and is entitled to transfer, lease and mortgage the land use rights of such portion of the property during the term of the land use rights without additional payment of any land grant fee or premium;
 - (iii) there is no substantial legal impediment for Chongqing Beilonghu to obtain the relevant Realty Title Certificates for the remaining portion of the property in accordance with the relevant laws and regulations and the provisions of the State-owned Land Use Rights Grant Contract after Chongqing Beilonghu has paid the land grant fee and deed tax; and
 - (iv) Chongqing Beilonghu is a limited liability company established in accordance with the laws of the PRC and owned as to 51% by Chongqing Longhu Properties Co. Ltd. and 49% by Chongqing Longhu Development Co. Ltd.

APPENDIX IV

PROPERTY VALUATION

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Group IV — Property interests held by the Group for future development in the PRC

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 August 2009														
54.	Phases III to X of East Bridge County (東橋郡), Xi Yong Zu Tuan, Shapingba District, Chongqing, PRC	East Bridge County is a proposed residential and commercial development comprising 4 parcels of land with a total site area of approximately 615,175.00 sq m (6,621,744 sq ft). According to the latest development proposal provided by the Group, the development will be developed into a residential and commercial development plus ancillary facilities by 10 phases. The property comprises Phases III to X of the development. Upon completion, the property will provide a total gross floor area of approximately 866,279.85 sq m (9,324,636 sq ft). Details of the uses and gross floor areas of the property are as follows: <table><thead><tr><th>Portion</th><th>Approximate gross floor area (sq m)</th></tr></thead><tbody><tr><td>Residential</td><td>521,327.58</td></tr><tr><td>Retail</td><td>111,792.00</td></tr><tr><td>Underground car park</td><td>83,182.00</td></tr><tr><td>SOHO</td><td>7,000.00</td></tr><tr><td>Ancillary facilities</td><td>142,978.27</td></tr><tr><td>Total:</td><td><u>866,279.85</u></td></tr></tbody></table> The land use rights of portion of the property have been granted for two concurrent terms of 40 and 50 years for commercial and residential uses respectively. Please refer to notes (1) and (2) below for details.	Portion	Approximate gross floor area (sq m)	Residential	521,327.58	Retail	111,792.00	Underground car park	83,182.00	SOHO	7,000.00	Ancillary facilities	142,978.27	Total:	<u>866,279.85</u>	The property is currently vacant.	RMB1,089,000,000 (95.56% interests attributable to the Group: RMB1,040,648,400)
Portion	Approximate gross floor area (sq m)																	
Residential	521,327.58																	
Retail	111,792.00																	
Underground car park	83,182.00																	
SOHO	7,000.00																	
Ancillary facilities	142,978.27																	
Total:	<u>866,279.85</u>																	

Notes:

- Pursuant to the State-owned Land Use Rights Grant Contract Yu Di (2007) He Zi (Sha Qu) Di No. 69 (渝地(2007)合字(沙區)第69號) entered into between Chongqing State Land Resources and Housing Administrative Bureau (the “Grantor”) and Chongqing Longhu Kaian Real Estate Development Co., Ltd. (“Chongqing Longhu Kaian”) (重慶龍湖凱安地產發展有限公司) on 29 March 2007, the Grantor agreed to grant the land use rights of 6 parcels of land with a total site area of 721,865 sq m to Chongqing Longhu Kaian at a total land grant fee of RMB[700,000,000] for two concurrent terms of 40 and 50 years for commercial and residential uses respectively.

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PROPERTY VALUATION

As advised by the Group, the land of East Bridge County forms parts of the land as stated in the aforesaid State-owned Land Use Rights Grant Contract.

2. As advised by the Group, as at the date of valuation, the outstanding land grant fee is about RMB215,000,000. We have not taken into account of the outstanding land grant fee in our valuation.
3. Pursuant to the Realty Title Certificate Sha Ping Ba Qu D Fang Di Zheng 2009 Zi Di No. 000089 (沙坪壩區D房地證2009字第000089號), the land use rights of a parcel of land with a site area of 123,333.00 sq m have been granted to Chongqing Longhu Kaian for a term expiring on 28 March 2057 for residential uses.

As advised by the Group, portion of the land as stated in the aforesaid Realty Title Certificates forms part of the property.

4. Pursuant to the Planning Permit for Construction Land Di Zi Di Jian No. 500106200800366 (地字第建500106200800366號) issued by Chongqing Planning Bureau, Chongqing Longhu Kaian is permitted to use a parcel of land with a site area of 612,679.00 sq m for the development.
5. We have been provided with a legal opinion on the title to the property issued by the Group’s PRC legal advisers, which contains, inter alia, the following information:-
 - (i) the State-owned Land Use Rights Grant Contract is legal, valid and enforceable;
 - (ii) Chongqing Longhu Kaian legally owns the land use rights of portion of the property as mentioned in note (3) above and is entitled to transfer, lease and mortgage the land use rights of such portion of the property during the term of the land use rights without additional payment of any land grant fee or premium;
 - (iii) there is no substantial legal impediment for Chongqing Longhu Kaian to obtain the relevant Realty Title Certificates for the remaining portion of the property in accordance with the relevant laws and regulations and the provisions of the State-owned Land Use Rights Grant Contract after Chongqing Longhu Kaian has paid the land grant fee and deed tax; and
 - (iv) Chongqing Longhu Kaian is a limited liability company established in accordance with the laws of the PRC and owned as to 51% by Chongqing Longhu Properties Co. Ltd. and 49% by Jasmine Spread Investment Limited.

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PROPERTY VALUATION

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Group IV — Property interests held by the Group for future development in the PRC

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 August 2009															
55.	Crystal Magic (紫晶城), No. 174 Changjiang Er Road, Yuzhong District, Chongqing, PRC	The property, known as Crystal Magic, comprises a parcel of land with a site area of approximately 253,400.00 sq m (2,727,598 sq ft). According to the latest development proposal provided by the Group, the property will be developed into a residential and commercial development with ancillary facilities in 9 phases and will have a total gross floor area of approximately 1,328,159.78 sq m (14,296,312 sq ft). The approximate planned gross floor areas and uses of the property are summarized as follows: <table><thead><tr><th>Portion</th><th>Approximate gross floor area (sq m)</th></tr></thead><tbody><tr><td>Residential</td><td>486,041.63</td></tr><tr><td>SOHO</td><td>182,257.50</td></tr><tr><td>Office</td><td>35,100.00</td></tr><tr><td>Retail</td><td>347,592.09</td></tr><tr><td>Ancillary facilities</td><td>59,007.36</td></tr><tr><td>Underground car park</td><td>218,161.20</td></tr><tr><td>Total:</td><td><u>1,328,159.78</u></td></tr></tbody></table>	Portion	Approximate gross floor area (sq m)	Residential	486,041.63	SOHO	182,257.50	Office	35,100.00	Retail	347,592.09	Ancillary facilities	59,007.36	Underground car park	218,161.20	Total:	<u>1,328,159.78</u>	The property is currently occupied by a tertiary education institute and residential buildings. (91.30% interests attributable to the Group: RMB4,342,228,000)
Portion	Approximate gross floor area (sq m)																		
Residential	486,041.63																		
SOHO	182,257.50																		
Office	35,100.00																		
Retail	347,592.09																		
Ancillary facilities	59,007.36																		
Underground car park	218,161.20																		
Total:	<u>1,328,159.78</u>																		

Notes:

- Pursuant to the Military Land Use Rights Transferring Contract for the Site of College of Logistic Engineering at Majiabao Region (《後勤工程學院馬家堡校區軍用土地使用權轉讓協議》) entered into between College of Logistic Engineering, People's Liberation Army (“College of Logistic Engineering”) and Chongqing Longhu Properties Co. Ltd. (重慶龍湖地產發展有限公司) (“Chongqing Longhu Properties”) dated on 26 August 2007, the land use rights of a parcel of land with a total site area of approximately 253,400.00 sq m have been agreed to be transferred to Chongqing Longhu Properties for both commercial and residential uses on 30 April 2009 on the condition that Chongqing Longhu Properties shall pay College of Logistic Engineering a lump sum of RMB3,025,000,000 as the land transfer fee on or before 30 April 2009.

According to the information provided by the Group, Chongqing Longhu Properties has paid portion of the land transfer fee with an outstanding amount of RMB1,861,000,000 as at the date of valuation. In the course of our valuation, we have assumed all the land transfer fee or other onerous amount have been fully settled.

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2. Pursuant to the Confirmation Document relating to Transfer of Vacant Land of Army Jun Di Zi (2008) No. 0010 (軍地字(2008)0010號) issued by People’s Liberation Army Land Administration Bureau on 23 October 2008, People’s Liberation Army Land Administration Bureau agreed to transfer a parcel of land with a site area of 253,400 sq m to Chongqing Longhu Chengheng Real Estate Development Company Limited (“Chongqing Longhu Chengheng”).
3. We have been provided with a legal opinion on the title to the property issued by the Group’s PRC legal advisers, which contains, inter alia, the following information:-
 - (i) The Military Land Use Rights Transferring Contract for the Site of College of Logistic Engineering at Majiabao Region has been approved by the relevant land administration authority of the People’s Liberation Army. Chongqing Longhu Chengheng will enter into the relevant State-owned Land Use Rights Grant Contract with the Land Resources Bureau of Chongqing;
 - (ii) there is no substantial legal impediment for Chongqing Longhu Chengheng to obtain the relevant Land Use Rights Certificate after Chongqing Longhu Chengheng has performed its obligations under the relevant State-owned Land Use Rights Grand Contract; and
 - (iii) Chongqing Longhu Properties is a limited liability company established in accordance with the laws of the PRC and wholly owned by Chongqing Longhu Development Co. Ltd.

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Group IV — Property interests held by the Group for future development in the PRC

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 August 2009
56.	Phase V of Bridge County (長橋郡), Zhaofu Village, Zhangxiang Village and Xinshuang Village of Huayuan Town, Chengdu, Sichuan Province, PRC	Bridge County is a luxury house development to be erected on six parcels of land with a total site area of approximately 469,882.92 sq m (5,057,820 sq ft). According to the latest development proposal provided by the Group, the development will be developed in five phases. The property comprises Phase V of the development. Upon completion, the property will provide luxury houses with a total gross floor area of approximately 47,350.00 sq m (509,675 sq ft). The land use rights of the property have been granted to the Group for various terms. Please refer to note (1) for details.	The property is currently vacant.	RMB255,500,000 (91.07% interests attributable to the Group: RMB232,683,850)

Notes:

- Pursuant to six State-owned Land Use Rights Certificates Xin Jin Guo Yong 2008 Di Nos. 1549, 1551, 1553, 1554, 040841 and 040842 (新津國用(2008)第1549, 1551, 1553, 1554, 040841和040842號) issued by State Land Resources Bureau of Xinjin County, the land use rights of six parcels of land with a total site area of 469,882.92 sq m have been granted to Chengdu Longhu Jincheng Real Estate Co., Ltd. (成都龍湖錦城置業有限公司) (“Chengdu Longhu Jincheng”) for two concurrent terms expiring on 20 September 2070 and in March 2078 respectively for residential uses.

As advised by the Group, the property comprises portion of the six parcels of land as stated in the six state-owned Land Use Rights Certificates mentioned above.

- Pursuant to the Planning Permit for Construction Land Nos. Di Zi Di No. 510132200821019 (地字第510132200821019號) issued by Planning Bureau of Xinjin County on 27 August 2008, Chengdu Longhu Jincheng is permitted to use a parcel of land with site area of 469,882.92 sq m for residential development.

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PROPERTY VALUATION

3. We have been provided with a legal opinion on the title to the property issued by the Group’s PRC legal advisers, which contains, inter alia, the following information:-
- (i) Chengdu Longhu Jincheng legally owns the land use rights of the property and the land use rights are subject to mortgages;
 - (ii) Chengdu Longhu Jincheng is entitled to transfer lease and mortgage of the property during the term of the land use rights without additional payment of any land grant fee or premium but Chengdu Longhu Jincheng has to obtain the mortgagee’s prior written consent before transferring, leasing and mortgaging the land use rights of the property during the mortgage term;
 - (iii) Chengdu Longhu Jincheng is a limited liability company established in accordance with the laws of the PRC and owned as to 4.44% by Chengdu Longhu Jinhua Real Estate Co., Ltd. and 95.56% by Chongqing Longhu Development Co. Ltd.

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Group IV — Property interests held by the Group for future development in the PRC

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 August 2009										
57.	Jade Town (小院青城), Wuli Village and Datian Village of Qingchengshan Town, Dujiangyan, Sichuan Province, PRC	The property, known as Jade Town, comprises three parcels of land with a total site area of approximately 210,506.00 sq m (2,265,887 sq ft). According to the latest development proposal provided by the Group, the property will be developed into a residential and commercial development in three phases. Upon completion, the property will provide a total gross floor area of approximately 186,961.07 sq m (2,012,449 sq ft). Details of the uses and approximate gross floor areas of the property are as follows: <table><thead><tr><th>Portion</th><th>Approximate gross floor area (sq m)</th></tr></thead><tbody><tr><td>Luxury houses</td><td>173,392.11</td></tr><tr><td>Retail</td><td>6,264.00</td></tr><tr><td>Ancillary facilities</td><td>52,643.00</td></tr><tr><td>Total:</td><td><u>232,299.11</u></td></tr></tbody></table> The land use rights of the property have been granted for a term expiring on 4 September 2077 for residential uses.	Portion	Approximate gross floor area (sq m)	Luxury houses	173,392.11	Retail	6,264.00	Ancillary facilities	52,643.00	Total:	<u>232,299.11</u>	The property is currently vacant.	RMB807,000,000 (85.48% interests attributable to the Group: RMB689,823,600)
Portion	Approximate gross floor area (sq m)													
Luxury houses	173,392.11													
Retail	6,264.00													
Ancillary facilities	52,643.00													
Total:	<u>232,299.11</u>													

Notes:

- Pursuant to three State-owned Land Use Rights Grant Contracts Nos. Du 2007 Chu Rang He Tong Di No. 634 (都2007出讓合同第634號), Du 2007 Chu Rang He Tong Di No. 643 (都2007出讓合同第643號) and Du Chu Rang He Tong Di No. 635 (都2007出讓合同第635號) entered into between Dujiangyan Land Resources Bureau (“Party A”) and Sichuan Longhu Real Estate Development Co., Ltd. (四川龍湖地產發展有限公司) (“Sichuan Longhu”), Party A agreed to grant the land use rights of three pieces of land with a total site area of 210,506.00 sq m to Sichuan Longhu at a land grant fee of RMB766,045,000. The land use rights of the property have been granted to Sichuan Longhu for a term of 70 years for residential uses.

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PROPERTY VALUATION

2. Pursuant to three State-owned Land Use Rights Certificates Du Guo Yong (2007) Di Nos. 24894, 24900 and 24902 all issued by Dujiangyan State Land Resources Bureau on 27 December 2007, the land use rights of three parcels of land with a total site area of 210,506.00 sq m have been granted to Sichuan Xinglonghu Real Estate Company Limited (四川興龍湖地產發展有限公司) (“Sichuan Xinglonghu”) for a term expiring on 4 September 2077 for residential uses.
3. Pursuant to the Planning Permit for Construction Land Di Zi Di No. 510181200821001 (地字第510181200821001號) issued by Dujiangyan Planning and Administrative Bureau on 2 February 2008, Sichuan Xinglonghu is permitted to use a parcel of land with a site area of 210,506.00 sq m for residential development.
4. We have been provided with a legal opinion on the title to the property issued by the Group’s PRC legal advisers, which contains, inter alia, the following information:-
 - (i) Sichuan Xinglonghu legally owns the land use rights of the property;
 - (ii) the land use rights of the property are subject to a mortgage. Sichuan Xinglonghu is entitled to transfer, lease and mortgage the land use rights of the property during the term of the land use rights without additional payment of any land grant fee or premium but Sichuan Xinglonghu has to obtain the mortgagee’s prior written consent before transferring, leasing or mortgaging the land use rights of the property during the mortgage term; and
 - (iii) Sichuan Xinglonghu is a limited liability company established in accordance with the laws of the PRC and wholly-owned by Sichuan Longhu Real Estate Development. Co.

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Group IV — Property interests held by the Group for future development in the PRC

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 August 2009										
58.	Phases II and III of Century Peak View (世紀峰景), No. 1 Middle Section of Tianfu Avenue, Hi-Tech Zone, Chengdu, Sichuan Province, PRC	The development, known as Century Peak View, comprises four parcels of land with a total site area of approximately 48,061.78 sq m (517,337 sq ft). According to the latest development proposal provided by the Group, the development will be developed into a residential development in three phases. The property comprises Phases II and III of the development. Upon completion, the property will have a total gross floor area of approximately 438,579.65 sq m (4,720,871 sq ft). Details of the use and approximate gross floor areas are as follows: <table><tr><th>Portion</th><th>Approximate gross floor area (sq m)</th></tr><tr><td>Residential</td><td>357,401.57</td></tr><tr><td>Underground car park</td><td>59,949.09</td></tr><tr><td>Ancillary facilities</td><td>21,228.99</td></tr><tr><td>Total:</td><td><u>438,579.65</u></td></tr></table> The land use rights of the property have been granted for a term expiring on 27 December 2073 for residential uses.	Portion	Approximate gross floor area (sq m)	Residential	357,401.57	Underground car park	59,949.09	Ancillary facilities	21,228.99	Total:	<u>438,579.65</u>	The property is currently vacant.	RMB2,024,000,000 (9.13% interests attributable to the Group: RMB184,791,200)
Portion	Approximate gross floor area (sq m)													
Residential	357,401.57													
Underground car park	59,949.09													
Ancillary facilities	21,228.99													
Total:	<u>438,579.65</u>													

Notes:

- Pursuant to State-owned Land Use Rights Certificate Cheng Gao Guo Yong (2007) Di No. 5936 (成高國用(2007)第5936號) issued by the People’s Government of Chengdu to Chengdu Jinghui Real Estate Co. Ltd. (成都景滙置業有限公司) (“Chengdu Jinghui”), Chengdu Tuosheng Real Estate Co., Ltd. (成都拓晟置業有限公司) (“Chengdu Tuosheng”), Chengdu Huixing Real Estate Co., Ltd. (成都滙新置業有限公司) (“Chengdu Huixin”) and Chengdu Jia’nan Real Estate Co., Ltd. (成都嘉南置業有限公司) (“Chengdu Jia’nan”), the land use rights of four parcels of land with a total site area of 48,061.78 sq m have been granted to various companies for a term expiring on 27 December 2073 for residential uses. Details of the State-owned Land Use Rights Certificate are set out as follows:

Land Owner	Site area (sq m)
Chengdu Jinghui	10,545.08
Chengdu Tuosheng	14,720.37
Chengdu Huixin	12,889.49
Chengdu Jia’nan	<u>9,906.84</u>
Total:	<u>48,061.78</u>

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2. Pursuant to the Planning Permit for Construction Land Di Zi Di 510122200829038 issued by Planning Bureau of Chengdu, Chengdu Jinghui, Cheng Tuosheng, Chengdu Huixin and Chengdu Jia’nan are permitted to use four parcels of land with a total site area of 71,461.56 sq m for residential uses.

As advised by the Group, the property comprises portion of the land as stated in the foresaid Planning Permit for Construction Land.

3. We have been provided with a legal opinion on the title to the property issued by the Group’s PRC legal advisers, which contains, inter alia, the following information:-
- (i) Chengdu Jinghui, Chengdu Tuosheng, Chengdu Huixin and Chengdu Jia’nan legally own their respective land use rights of the property;
 - (ii) Chengdu Jinghui, Chengdu Tuosheng, Chengdu Huixin and Chengdu Jia’nan are entitled to transfer, lease or mortgage their respective land use rights of the property during the term of the land use rights without additional payment of any land grant fee or premium;
 - (iii) Chengdu Jinghui is a limited liability company established in accordance with the laws of the PRC and owned as to 95.41% by COFI (HK) Limited and 4.59% by Chengdu Jiaxun Investment Co., Ltd.;
 - (iv) Chengdu Tuosheng is a limited liability company established in accordance with laws of the PRC and owned as to 95.26% by Front Harbour Investments Limited and 4.74% to Chengdu Jiaxun Investment Co., Ltd.;
 - (v) Chengdu Huixin is a limited liability company established in accordance with laws of the PRC and owned as to 32.05% by Chengdu Jiaxun Investment Co., Ltd. and 67.95% by Sunny Champ Group Limited; and
 - (vi) Chengdu Jia’nan is a limited liability company established in accordance with laws of the PRC and owned as to 92.16% by ING COF I (HK) and 7.84% by Chengdu Jiaxun Investment Co., Ltd.

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Group IV — Property interests held by the Group for future development in the PRC

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 August 2009												
59.	Phases III to V of Chengdu Flamenco Spain (成都弗萊明戈), No. 6 She of Yili Village, Nos. 1 and 3 She of Shuangbo Village and No. 4 She of Shuyuan Village, Pitong Town, Pi County, Sichuan Province, PRC	The development, known as Chengdu Flamenco Spain, comprises two parcels of land with a total site area of approximately 126,137.16 sq m (1,357,740 sq ft). According to the latest development proposal provided by the Group, the property will be developed into a residential and commercial development in five phases. The property comprises Phases III to V of the development. Upon completion, the property will provide a total gross floor area of approximately 511,794.05 sq m (5,508,951 sq ft). Details of the uses and approximate gross floor areas of the property are as follows: <table><thead><tr><th>Portion</th><th>Approximate gross floor area (sq m)</th></tr></thead><tbody><tr><td>Residential</td><td>371,821.68</td></tr><tr><td>Retail</td><td>8,869.76</td></tr><tr><td>Ancillary</td><td>115,114.87</td></tr><tr><td>Underground car park</td><td>15,987.74</td></tr><tr><td>Total:</td><td><u>511,794.05</u></td></tr></tbody></table> The land use rights of the property have been granted to the Group for two concurrent terms of 70 years and 40 years expiring on 23 October 2047 and 23 October 2077 for commercial and residential uses respectively.	Portion	Approximate gross floor area (sq m)	Residential	371,821.68	Retail	8,869.76	Ancillary	115,114.87	Underground car park	15,987.74	Total:	<u>511,794.05</u>	The property is currently vacant.	RMB751,700,000 (91.30% interests attributable to the Group: RMB686,302,100)
Portion	Approximate gross floor area (sq m)															
Residential	371,821.68															
Retail	8,869.76															
Ancillary	115,114.87															
Underground car park	15,987.74															
Total:	<u>511,794.05</u>															

Notes:

- Pursuant to two State-owned Land Use Rights Grant Contracts Nos. 2007-00958 and 2007-00957 their supplementary agreements, the land use rights of two pieces of land with a total site area of 126,137.16 sq m have been agreed to be granted to Chengdu Xixi Real Estate Co., Ltd. (成都西溪置業有限公司) (“Chengdu Xixi”) and Chengdu Xixiang Real Estate Co., Ltd. (成都西祥置業有限公司) (“Chengdu Xixiang”) at a land grant fee of RMB772,037,200 for two concurrent terms of 70 years and 40 years for residential and commercial uses respectively.

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2. Pursuant to two State-owned Land Use Rights Certificates issued by Pi County State Land Resources Bureau, the land use rights of two parcels of land with a total site area of 126,137.16 sq m have been granted to Chengdu Xixi and Chengdu Xixiang for a term expiring on 23 October 2047 and 23 October 2077 for commercial and residential uses. Details of the State-owned Land Use Rights Certificates are set out as follows:

Certificate no.	Land owner	Site area (sq m)	Use	Land use term expiry date
Pi Guo Yong (2008) Di No. 22 (郫國用(2008)第22號)	Chengdu Xixi	51,921.26	Commercial	23 October 2047
			Residential	23 October 2077
Pi Guo Yong (2008) Di No. 43 (郫國用(2008)第43號)	Chengdu Xixiang	74,215.90	Commercial	23 October 2047
			Residential	23 October 2077

3. Pursuant to two Planning Permits for Construction Land Di Zi Di Nos. 510124200820021 and 510124200820020 (地字第510124200820021 和 510124200820020) issued by Pi County Planning Administration Bureau, Chengdu Xixi and Chengdu Xixiang are permitted to use two parcels of land with a total site area of 126,137.18 sq m for development.

4. We have been provided with a legal opinion on the title to the property issued by the Group’s PRC legal advisers, which contains, inter alia, the following information:-

- (i) Chengdu Xixi and Chengdu Xixiang legally own the land use rights of the property;
- (ii) the land use rights of the property are subject to mortgages. Chengdu Xixi and Chengdu Xixiang are entitled to transfer, lease and mortgage the land use rights of the property during the term of the land use rights without additional payment of any land grant fee or premium but Chengdu Xixi and Chengdu Xixiang have to obtain the mortgagee’s prior written consent before transferring, leasing or mortgaging the land use rights of the property during the mortgage term; and
- (iii) Chengdu Xixi and Chengdu Xixiang are limited liability company established in accordance with the laws of the PRC and both of them are wholly-owned by Chengdu Jiaxun Investment Co. Ltd. (成都佳遜投資有限公司).

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Group IV — Property interests held by the Group for future development in the PRC

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 August 2009
60.	Azure Chianti (蔚瀾香醍), Liyuan Town, Tongzhou District, Beijing, PRC	The property comprises a parcel of land with a site area of approximately 55,434.75 sq m (596,700 sq ft). According to the latest development proposal provided by the Group, the property will be developed into a residential development with ancillary facilities. The total gross floor area of the property to be constructed is approximately 171,047.00 sq m (1,841,150 sq ft).	The property is currently vacant.	RMB875,000,000 (91.30% interests attributable to the Group: RMB798,875,000)
		Portion Approximate gross floor area (sq m)		
		Residential	120,571.00	
		Retail	906.00	
		Underground car park	19,280.00	
		Ancillary facilities	30,290.00	
		Total:	<u>171,047.00</u>	
		The land use rights of the property have been agreed to be granted to the Group for two concurrent terms of 40 and 70 years both commencing on 3 April 2008 for commercial and residential uses.		

Notes:

- Pursuant to the State-owned Land Use Rights Grant Contract Jing Di Chu He Zi 2008 Di No. 0214 (京地出合字2008第0214 號) and its supplementary contract entered into between Beijing Land and Resources Bureau (the “Grantor”) and Beijing Longhu Tianxing Properties Co. Ltd. (“Beijing Longhu Tianxing”) (北京龍湖天行置業有限公司) on 3 April 2008, the Grantor has agreed to grant the land use rights of Lot A1-1, Xi Xiaoma with a site area of 55,434.75 sq m to Beijing Longhu Tianxing for two concurrent terms of 40 and 70 years both commencing on 3 April 2008 for commercial and residential uses respectively.
- As advised by the Group, as at the date of valuation, the outstanding land grant fee is about RMB457,540,000. We have not taken into account of the outstanding land grant fee in our valuation.

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PROPERTY VALUATION

3. Pursuant to the Planning Permit for Construction Land 2008 Gui (Tong) Di Zi No. 0021 (2008規(通)地字0021號), Beijing Longhu Tianxing is permitted to use the parcel of land with a site area of 55,434.75 sq m for the development.
4. We have been provided with a legal opinion on the title to the property issued by the Group’s PRC legal advisers, which contains, inter alia, the following information:-
 - (i) Beijing Longhu Tianxing has not obtained the State-owned Land Use Rights Certificate or commenced any construction works according to the State-owned Land Use Rights Grant Contract. According to the Supplementary Agreement of Development and Construction Compensation Agreement entered into with Beijing Land Coordination and Reserve Centre Tongzhou Branch on 3 August 2009, the demolition and resettlement works on the land mentioned in note (1) has not been completed within the prescribed time limit. As advised by Beijing Longhu Tianxing, due to the fact that the demolition and resettlement works has not been completed on time, Beijing Longhu Tianxing cannot obtain the State-owned Land Use Rights Certificate or apply for the approvals and permits for the planning and construction works. Beijing Longhu Tianxing is now applying for the State-owned Land Use Rights Certificate and going through the planning and construction procedures;
 - (ii) even though the above supplementary agreement has not amended the original date for commencing the construction works prescribed by the State-owned Land Use Rights Grant Contract, it is less likely for the relevant land administration bureau to designate the land as an idle land as the relevant land administration bureau has already understood that the delay is caused by the non-completion of the demolition and resettlement works; and
 - (iii) Beijing Longhu Tianxing is a limited liability company established in accordance with the laws of the PRC and owned as to 90% by Chongqing Longhu Properties Co. Ltd. and 10% by Beijing Longhu Zhongbai Co. Ltd.

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PROPERTY VALUATION

VALUATION CERTIFICATE

Group IV — Property interests held by the Group for future development in the PRC

			Particulars of occupancy	Market value in existing state as at 31 August 2009																	
No.	Property	Description and tenure																			
61.	Phases II to IV of Sunshine City (鄞城), Yumin Road, Jiading New Town, Shanghai, PRC	The development, Sunshine City, comprises a parcel of land with a site area of approximately 178,248.20 sq m (1,918,664 sq ft). According to the latest development proposal provided by the Group, the development will be developed into a residential, SOHO and retail development in four phases. The property comprises Phases II to IV of the development with an appointed site area of approximately 142,171.60 sq m (1,530,335 sq ft). Upon completion, the property will provide a total gross floor area of approximately 352,973.86 sq m (3,799,411 sq ft). Details of both uses and approximate gross floor areas of the property are as follows: <table><thead><tr><th>Portion</th><th>Approximate gross floor area (sq m)</th></tr></thead><tbody><tr><td>Apartment</td><td>170,845.00</td></tr><tr><td>Residential</td><td>13,716.36</td></tr><tr><td>Luxury House</td><td>26,786.00</td></tr><tr><td>SOHO</td><td>20,630.80</td></tr><tr><td>Retail</td><td>23,080.00</td></tr><tr><td>Underground car park</td><td>12,960.00</td></tr><tr><td>Ancillary facilities</td><td>84,955.70</td></tr><tr><td>Total:</td><td><u>352,973.86</u></td></tr></tbody></table> For the details of the land use rights of the property, please refer to note (1) and (2).	Portion	Approximate gross floor area (sq m)	Apartment	170,845.00	Residential	13,716.36	Luxury House	26,786.00	SOHO	20,630.80	Retail	23,080.00	Underground car park	12,960.00	Ancillary facilities	84,955.70	Total:	<u>352,973.86</u>	The property is currently vacant. RMB1,149,700,000 (93.48% interests attributable to the Group: RMB1,074,739,560)
Portion	Approximate gross floor area (sq m)																				
Apartment	170,845.00																				
Residential	13,716.36																				
Luxury House	26,786.00																				
SOHO	20,630.80																				
Retail	23,080.00																				
Underground car park	12,960.00																				
Ancillary facilities	84,955.70																				
Total:	<u>352,973.86</u>																				

Notes:

- Pursuant to the State-owned Land Use Rights Grant Contract Hu Jia Fang Di 2008 Chu Rang He Tong DI No. 73 (滬嘉房地2008出讓合同第73號) and the Supplemental Agreement entered into on 31 July 2008 and 18 September 2008 respectively, the land use rights of a parcel of land with a site area of 178,248.20 sq m have been agreed to be granted to Shanghai Hengchi Real Estate Co., Ltd. (上海恆馳房地產有限公司) (“Shanghai Hengchi”) for three concurrent terms of 40, 50 and 70 years all commencing on 31 July 2008 for retail, office and residential uses respectively.

As advised by the Group, the land grant fee has been fully paid.

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2. Pursuant to the Realty Title Certificate Hu Fang Di Jia Zi (2009) Di No. 019992 (滬房地嘉字(2009)第019992號) issued on 27 July 2009, the land use rights of a parcel of land with a site area of 124,234.60 sq m have been granted to Shanghai Hengchi for two concurrent terms expiring on 30 July 2048 and 30 July 2058 for commercial and office respectively.

As advised by the Group, the site area of the property is approximately 142,171.60 sq m of which portion of the land with a site area of approximately 88,158 sq m is covered by the aforesaid Realty Title Certificate.

3. Pursuant to the Planning Permit for Construction Land Di Zi Di Hu Jia Di (2008) No. 14081105E01366 (地字第滬嘉地(2008)14081105E01366號) issued by Shanghai Jiading Planning Administration Bureau, Shanghai Hengchi is permitted to use a parcel of land with site area of 178,248 sq m for development.
4. We have been provided with a legal opinion on the title to the property issued by the Group’s PRC legal advisers, which contains, inter alia, the following information:-
- (i) the State-owned Land Use Rights Grant Contract is legal, valid and enforceable;
 - (ii) Shanghai Hengchi legally owns the land use rights of portion of the property as mentioned in note (2) above;
 - (iii) There is no substantial legal impediment for Shanghai Hengchi to acquire the relevant Land Use Rights Certificate for the remaining portion of the property in accordance with the relevant laws and regulations and the provisions of State-owned Land Use Rights Grant Contract after Shanghai Hengchi has paid the land grant fee and deed tax;
 - (iv) Shanghai Hengchi is entitled to transfer, lease and mortgage portion of the property as mentioned in note (2) above during the term of the land use rights without additional payment of any land grant fee or premium; and
 - (v) Shanghai Hengchi is a limited liability company established in accordance with the laws of the PRC and wholly-owned by Chongqing Tianzhuo Investment Co. Ltd.

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Group IV — Property interests held by the Group for future development in the PRC

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 August 2009										
62.	Chang'an Wonder (夜長安), West of Furong West Road, South of Party School of Xi'an, Xi'an, Shanxi Province, PRC	The property, known as Chang'an Wonder, comprises a parcel of land with a site area of approximately 30,888.60 sq m (332,485 sq ft). According to the latest development proposal provided by the Group, the property will be developed into a commercial development with ancillary facilities. Upon completion, the property will provide a total gross floor area of 43,535.00 sq m (468,611 sq ft)]. Details of the approximate gross floor area of the property are as follows: <table><tr><th>Portion</th><th>Approximate gross floor area (sq m)</th></tr><tr><td>Retail</td><td>31,404.00</td></tr><tr><td>Underground car park</td><td>9,131.00</td></tr><tr><td>Ancillary facilities</td><td>3,000.00</td></tr><tr><td>Total:</td><td><u>43,535.00</u></td></tr></table> The land use rights of the property have been granted to the Group for a term of 40 years expiring on 25 December 2047 for commercial uses.	Portion	Approximate gross floor area (sq m)	Retail	31,404.00	Underground car park	9,131.00	Ancillary facilities	3,000.00	Total:	<u>43,535.00</u>	The property is currently vacant.	RMB145,000,000 (82.17% interests attributable to the Group: RMB119,146,500)
Portion	Approximate gross floor area (sq m)													
Retail	31,404.00													
Underground car park	9,131.00													
Ancillary facilities	3,000.00													
Total:	<u>43,535.00</u>													

Notes:

- Pursuant to the State-owned Land Use Rights Grant Contract No. (2007)35 entered into between Qu Jiang New Zone Substation of Xi An Land Resources Bureau (“Party A”) and Xi'an Longhu Jincheng Properties Co. Ltd. (西安龍湖錦城置業有限公司) (“Xi'an Longhu Jincheng”) on 26 October 2007, Party A agreed to grant the land use right of a piece of land with a site area of approximately 31,403.60 sq m to Xi'an Longhu Jincheng at a land grant fee of RMB87,809,123.38 for a term of 40 years for commercial uses.
- Pursuant to the State-owned Land Use Rights Certificate Shi Qu Jiang Guo Yong (2007 Chu) Di No. 074 (市曲江國用(2007出)第074號), the land use rights of a parcel of land with a site area of 30,888.60 sq m have been granted to Xi'an Longhu Jincheng for a term of 40 years expiring on 25 December 2047 for commercial uses.

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PROPERTY VALUATION

3. We have been provided with a legal opinion on the title to the property issued by the Group’s PRC legal advisers, which contains, inter alia, the following information:-
- (i) Xi’an Longhu Jincheng legally owns the land use rights of the property and is entitled to transfer, lease and mortgage the land use rights of the property during the term of the land use rights without additional payment of any land grant fee or premium;
 - (ii) the possibility of the property being imposed with any idle fees or repossessed by the government does not exist; and
 - (iii) Xi’an Longhu Jincheng is a limited liability company established in accordance with the laws of the PRC and owned as to 99.3% by Xi’an Longhu Properties Co. Ltd. and 0.7% by Xi’an Lifeng Property Management Co., Ltd.

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Group IV — Property interests held by the Group for future development in the PRC

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 August 2009												
63.	Xi'an Flamenco Spain (西安弗萊明戈), South of Changle Road, Baqiao District, Xi'an, Shanxi Province, PRC	The property, known as Xi'an Flamenco Spain, comprises a parcel of land with a site area of approximately 176,049.70 sq m ([1,894,999] sq ft). According to the latest development proposal provided by the Group, the property will be developed into a residential and commercial development with ancillary facilities in three phases. Upon completion, the property will provide a total gross floor area of 579,904.97 sq m (6,242,097 sq ft). Details of the uses and approximate gross floor areas of the property are as follows: <table><tr><th>Portion</th><th>Approximate gross floor area (sq m)</th></tr><tr><td>Residential</td><td>436,300.00</td></tr><tr><td>Retail</td><td>42,000.00</td></tr><tr><td>Underground car park</td><td>69,840.33</td></tr><tr><td>Ancillary facilities</td><td>31,764.64</td></tr><tr><td>Total:</td><td><u>579,904.97</u></td></tr></table> The land use rights of the property have been granted for a term expiring on 17 August 2073 for residential uses.	Portion	Approximate gross floor area (sq m)	Residential	436,300.00	Retail	42,000.00	Underground car park	69,840.33	Ancillary facilities	31,764.64	Total:	<u>579,904.97</u>	The property is currently vacant.	RMB603,000,000 (91.30% interests attributable to the Group: RMB550,539,000)
Portion	Approximate gross floor area (sq m)															
Residential	436,300.00															
Retail	42,000.00															
Underground car park	69,840.33															
Ancillary facilities	31,764.64															
Total:	<u>579,904.97</u>															

Notes:

- Pursuant to the State-owned Land Use Rights Certificate Xi Ba Guo Yong (2007 Chu) Di No. 1086 (西霸國用(2007出)第1086號) issued by the People's Government of Xi An, the land use rights of a parcel of land with a site area of 176,049.70 sq m have been granted to Xi'an Longhu Banpo Co. Ltd. (西安龍湖半坡置業有限公司) (“Xi'an Longhu Banpo”) for a term expiring on 17 August 2073 for residential uses.
- We have been provided with a legal opinion on the title to the property issued by the Group's PRC legal advisers, which contains, inter alia, the following information:
 - Xi'an Longhu Banpo legally owns the land use rights of the property;
 - Xi'an Longhu Banpo is entitled to transfer, lease and mortgage the land use rights of the property during the term of the land use rights without additional payment of any land grant fee or premium; and
 - Xi'an Longhu Banpo is a limited liability company established in accordance with the laws of the PRC and wholly owned by Xi'an Longhu Properties Co. Ltd.

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VALUATION CERTIFICATE

Group IV — Property interests held by the Group for future development in the PRC

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 August 2009												
64.	Xi'an Chianti (西安香醍漫步), Changle Road, Baqiao District, Xi'an, Shanxi Province, PRC	The property, known as Xi'an Chianti, comprises 2 parcels of land with a total site area of approximately 369,652.70 sq m (3,978,942 sq ft). According to the latest development proposal provided by the Group, the property will be developed into a residential and commercial development with ancillary facilities in four phases. Upon completion, the property will provide a total gross floor area of 956,099.57 sq m (10,291,456 sq ft). Details of the approximate gross floor area of the property are as follows: <table><thead><tr><th>Portion</th><th>Approximate gross floor area (sq m)</th></tr></thead><tbody><tr><td>Residential</td><td>712,400.00</td></tr><tr><td>Retail</td><td>55,300.00</td></tr><tr><td>Underground car park</td><td>102,378.00</td></tr><tr><td>Ancillary facilities</td><td>86,021.57</td></tr><tr><td>Total:</td><td><u>956,099.57</u></td></tr></tbody></table> The land use rights of the property have been granted to the Group for a term expiring on 17 August 2073 for residential uses.	Portion	Approximate gross floor area (sq m)	Residential	712,400.00	Retail	55,300.00	Underground car park	102,378.00	Ancillary facilities	86,021.57	Total:	<u>956,099.57</u>	The property is currently vacant.	RMB1,157,500,000 (91.30% interests attributable to the Group: RMB1,056,797,500)
Portion	Approximate gross floor area (sq m)															
Residential	712,400.00															
Retail	55,300.00															
Underground car park	102,378.00															
Ancillary facilities	86,021.57															
Total:	<u>956,099.57</u>															

Notes

- Pursuant to two State-owned Land Use Rights Certificates issued by Xi'an State Land Resources Bureau to Xi'an Longhu Xingcheng Real Estate Co. Ltd. (西安龍湖興城置業有限公司) (“Xi'an Longhu Xingcheng”), the land use rights of two parcels of land with a total site area of 369,652.70 sq m have been granted to Xi'an Longhu Xingcheng for a term expiring on 17 August 2073 for residential uses. Details of the State-owned Land Use Rights Certificates are set out as follows:

Certificate Number	Date of issue	Site area (sq m)	Issued to
Xi Ba Guo Yong (2007 Chu) No. 1085 西灋國用(2007出)第1085號	29 December 2007	265,362.40	Xi'an Longhu Xingcheng
Xi Ba Guo Yong (2007 Chu) No. 1084 西灋國用(2007出)第1084號	29 December 2007	104,290.30	Xi'an Longhu Xingcheng
Total		<u>369,652.70</u>	

- We have been provided with a legal opinion on the title to the property issued by the Group's PRC legal advisers, which contains, inter alia, the following information:

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- (i) Xi'an Longhu Xingcheng legally owns the land use rights of the property;
- (ii) Xi'an Longhu Xingcheng is entitled to transfer, lease and mortgage the land use rights of the property during the term of the land use rights without additional payment of any land grant fee or premium; and
- (iii) Xi'an Longhu Xingcheng is limited liability companies established in accordance with the laws of the PRC and wholly owned by Xi'an Longhu Properties Co. Ltd.

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Group IV — Property interests held by the Group for future development in the PRC

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 August 2009												
65.	Phase II of Xi'an Fairy Castle (西安紫都城), North of Qujiang Road and East of Qujiang Third Road, Xi'an, Shanxi Province, PRC	Xi'an Fairy Castle comprises a parcel of land with a site area of approximately 68,939.00 sq m (742,059 sq ft). According to the latest development proposal provided by the Group, the development will be developed into a residential development in two phases. The property comprises Phase II of the development. Upon completion, the property will provide a total gross floor area of approximately 192,332.00 sq m (2,070,262 sq ft). Details of the uses and approximate gross floor areas of the property are as follows: <table><thead><tr><th>Portion</th><th>Approximate gross floor area (sq m)</th></tr></thead><tbody><tr><td>Residential</td><td>172,963.00</td></tr><tr><td>Retail</td><td>1,700.00</td></tr><tr><td>Underground car park</td><td>10,754.00</td></tr><tr><td>Ancillary facilities</td><td>6,915.00</td></tr><tr><td>Total:</td><td><u>192,332.00</u></td></tr></tbody></table> The land use rights of the property have been granted to the Group for a term of 70 years expiring on 22 January 2078 for residential uses.	Portion	Approximate gross floor area (sq m)	Residential	172,963.00	Retail	1,700.00	Underground car park	10,754.00	Ancillary facilities	6,915.00	Total:	<u>192,332.00</u>	The property is currently vacant.	RMB245,300,000 (82.17% interests attributable to the Group: RMB201,563,010)
Portion	Approximate gross floor area (sq m)															
Residential	172,963.00															
Retail	1,700.00															
Underground car park	10,754.00															
Ancillary facilities	6,915.00															
Total:	<u>192,332.00</u>															

Notes:

- Pursuant to the State-owned Land Use Rights Grant Contract No. 2007-32 entered into between Qu Jiang New Zone Substation of Xi An Land Resources Bureau (“Party A”) and Xi'an Longhu Jincheng Properties Co. Ltd. (西安龍湖錦城置業有限公司) (“Xi'an Longhu Jincheng”), Party A agreed to grant the land use right of a parcel of land with a site area of 68,939.00 sq m to Xi'an Longhu Jincheng at a land grant fee of RMB217,158,900 for a term of 70 years for residential uses.
- Pursuant to the State-owned Land Use Rights Certificate Shi Qu Jiang Guo Yong (2008 Chu) Di No. 002 (市曲江國用(2008出)第002號), the land use rights of a parcel of land with a site area of 68,939.00 sq m have been granted to Xi'an Longhu Jincheng for a term of 70 years expiring on 22 January 2078 for residential uses.

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3. Pursuant to the Planning Permit for Construction Land Xi Gui Qu Di Zi Di No. 023 (西規曲地字第023號) issued by Planning Bureau of Xi'an, Xi'an Longhu Jincheng was permitted to use a parcel of land with a site area of 112,042.72 sq m for residential uses.

As advised by the Group, the property comprises portion of the land as stated in the foresaid Planning Permit for Construction Land.

4. We have been provided with legal opinion on the title to the property issued by the Group's PRC legal advisers, which contains, inter alia, the following information:-

- (i) Xi'an Longhu Jincheng legally owns the land use rights of the property;
- (ii) Xi'an Longhu Jincheng is entitled to transfer, lease or mortgage the land use rights of the property during the term of the land use rights without additional payment of any land grant fee or premium; and
- (iii) Xi'an Longhu Jincheng is a limited liability company established in accordance with the laws of the PRC and owned as to 99.3% by Xi'an Longhu Properties Co. Ltd. and 0.7% by Xi'an Lifeng Property Management Co., Ltd.

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Group IV — Property interests held by the Group for future development in the PRC

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 August 2009												
66.	Chianti Riverside (香醍溪岸), Binhe Road, Zhangzhuang Village, Niulanshan Town, Shunyi District, Beijing, PRC	The property, known as Chianti Riverside, comprises two parcels of land with a total site area of approximately 187,514.55 sq m (2,018,407 sq ft). According to the latest development proposal provided by the Group, the property will be developed into a residential development with ancillary facilities in two phases. Upon completion, the property will provide a total gross floor area of 305,860.00 sq m (3,292,277 sq ft). Details of the approximate gross floor area of the property are as follows: <table><thead><tr><th>Portion</th><th>Approximate gross floor area (sq m)</th></tr></thead><tbody><tr><td>Residential</td><td>283,687.62</td></tr><tr><td>Underground car park</td><td>12,557.00</td></tr><tr><td>Retail</td><td>1,000.00</td></tr><tr><td>Ancillary</td><td>8,615.38</td></tr><tr><td>Total</td><td><u>305,860.00</u></td></tr></tbody></table> The land use rights of the property have been granted to the Group for a term of 70 years expiring on 29 June 2079 for residential uses.	Portion	Approximate gross floor area (sq m)	Residential	283,687.62	Underground car park	12,557.00	Retail	1,000.00	Ancillary	8,615.38	Total	<u>305,860.00</u>	The property is currently vacant.	RMB975,000,000 (91.27% interests attributable to the Group: RMB889,882,500)
Portion	Approximate gross floor area (sq m)															
Residential	283,687.62															
Underground car park	12,557.00															
Retail	1,000.00															
Ancillary	8,615.38															
Total	<u>305,860.00</u>															

Notes:

- Pursuant to a State-owned Land Use Rights Grant Contract Jing Di Chu [He] Zi (2009) Di No. 0262 (京地出[合]字(2009)第0262號) entered into between Beijing Municipal Bureau Land and Resources (the “Grantor”) and Beijing Longhu Qinghua Properties Co., Ltd. (北京龍湖慶華置業有限公司) (“Beijing Longhu Qinghua”) on 30 June 2009, the Grantor has agreed to grant the land use rights of a parcel of land with a site area of 187,514.546 sq m to Beijing Longhu Qinghua at a land grant fee of RMB458,104,700 for 70 years for residential uses.
- As advised by the Group, as at the date of valuation, the outstanding land grant fee is about RMB40,880,000. We have not taken into account of the outstanding land grant fee in our valuation.

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3. Pursuant to two State-owned Land Use Rights Certificates issued by Beijing Municipal Bureau of Land and Resources to Beijing Longhu Qinghua, the land use rights of two parcels of land with a total site area of 187,514.55 sq m have been granted to Beijing Longhu Qinghua for a term expiring on 29 June 2079 for residential uses. Details of the State-owned Land Use Rights Certificates are set out as follows:

Certificate number	Date of issue	Site area (sq m)	Issued to
Jing Shun Guo Yong (2009 Chu) Zi Di No. 00107 (京順國用(2009 出) 字第00107號)	3 August 2009	77,251.27	Beijing Longhu Qinghua
Jing Shun Guo Yong (2009 Chu) Zi Di No. 00108 (京順國用(2009 出) 字第00108號)	3 August 2009	110,263.28	Beijing Longhu Qinghua

4. We have been provided with a legal opinion on the title to the property issued by the Group’s PRC legal advisers, which contains, inter alia, the following information:
- (i) Beijing Longhu Qinghua legally owns the land use rights of the property and is entitled to transfer, lease and mortgage the land use rights of the property during the term of the land use rights without additional payment of any land grant fee or premium; and
 - (ii) Beijing Longhu Qinghua is a limited liability company established in accordance with the laws of the PRC and owned as to 98% by Chongqing Longhu Development and 2% Beijing Longhu Properties.

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Group IV — Property interests held by the Group for future development in the PRC

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 August 2009												
67.	Portion of Phase III of Peace Hill County (悠山郡), Li Jia Central Zone Economic-Tech Park, Beibu New District, Chongqing PRC	Peace Hill County is a residential and commercial development comprising 4 parcels of land with a total site area of approximately 247,329.30 sq m (2,662,253 sq ft). According to the latest development proposal provided by the Group, Phases III of the development will be developed into a residential and commercial development plus ancillary facilities. Upon completion, the property will provide a total gross floor area of approximately 218,232.52 sq m (2,349,055 sq ft). Details of the uses and gross floor areas of the property is as follows: <table><thead><tr><th>Portion</th><th>Approximate gross floor area (sq m)</th></tr></thead><tbody><tr><td>Residential</td><td>178,027.00</td></tr><tr><td>Retail</td><td>11,455.00</td></tr><tr><td>Underground car park</td><td>16,360.57</td></tr><tr><td>Ancillary facilities</td><td>12,389.95</td></tr><tr><td>Total</td><td><u>218,232.52</u></td></tr></tbody></table> The land use rights of the property have been granted to Chongqing Longhu Properties Co., Ltd. Please refer to note (1) for details.	Portion	Approximate gross floor area (sq m)	Residential	178,027.00	Retail	11,455.00	Underground car park	16,360.57	Ancillary facilities	12,389.95	Total	<u>218,232.52</u>	The property is currently vacant sites.	RMB178,900,000 (91.30% interests attributable to the Group: RMB163,335,700)
Portion	Approximate gross floor area (sq m)															
Residential	178,027.00															
Retail	11,455.00															
Underground car park	16,360.57															
Ancillary facilities	12,389.95															
Total	<u>218,232.52</u>															

Notes:

- Pursuant to four Realty Title Certificates Nos. 113 Fang Di Zheng 2008 Zi Di Nos. 03656, 03657, 04232 and 04233 (113房地證2008字第03656, 03657, 04232 及 04233號), the land use rights of four parcels of land comprising a total site area of 247,329.30 sq m have been granted to Chongqing Longhu Properties Co., Ltd. (重慶龍湖地產發展有限公司) (“Chongqing Longhu Properties”) for two concurrent terms expiring on 11 December 2046 and 11 December 2056 for commercial and residential uses respectively.

As advised by the Group, the property comprises portion of the land as stated in the foresaid four Realty Title Certificates.

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2. Pursuant to the Planning Permit for Construction Land Di Zi Di Jian No. 500139200800013 (地字第建500139200800013號) issued by Chongqing Planning Bureau on 19 February 2008, Chongqing Longhu Properties is permitted to use a parcel of land with a site area of 246,951.00 sq m for construction.
3. We have been provided with legal opinion on the title to the property issued by the Group’s PRC legal advisers, which contains, inter alia, the following information:-
 - (i) Chongqing Longhu Properties legally owns the land use rights of the property;
 - (ii) Chongqing Longhu Properties is entitled to transfer, lease or mortgage the land use rights of the property during the term of the land use rights without additional payment of any land grant fee or premium; and
 - (iii) Chongqing Longhu Properties is a limited liability company established in accordance with the laws of the PRC and wholly owned by Chongqing Longhu Development Co. Ltd.

APPENDIX IV

PROPERTY VALUATION

VALUATION CERTIFICATE

Group IV — Property interests held by the Group for future development in the PRC

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 August 2009												
68.	Taike Yuan (太科園), South of Jinghui West Road and North of Hujing Road, Wuxi (Lake Tai) International Technology Park, Wuxi, Jiangsu Province, PRC	The property, known as Taike Yuan, comprises a parcel of land with a site area of approximately 188,496.20 sq m (2,028,973 sq ft). According to the latest development proposal provided by the Group, the property will be developed into a residential and commercial development with ancillary facilities in two phases. Upon completion, the property will provide a total gross floor area of approximately 270,657.00 sq m (2,913,352 sq ft). Details of the approximate gross floor area of the property are as follows: <table><thead><tr><th>Portion</th><th>Approximate gross floor area (sq m)</th></tr></thead><tbody><tr><td>Residential</td><td>202,333.00</td></tr><tr><td>Retail</td><td>3,260.00</td></tr><tr><td>Underground car park</td><td>5,000.00</td></tr><tr><td>Ancillary facilities</td><td>60,064.00</td></tr><tr><td>Total:</td><td><u>270,657.00</u></td></tr></tbody></table> The land use rights of the property have been agreed to be granted for two concurrent terms of 40 and 70 years for commercial and residential uses respectively.	Portion	Approximate gross floor area (sq m)	Residential	202,333.00	Retail	3,260.00	Underground car park	5,000.00	Ancillary facilities	60,064.00	Total:	<u>270,657.00</u>	The property is currently vacant.	RMB665,000,000 (91.30% interest attributable to the Group: RMB607,145,000)
Portion	Approximate gross floor area (sq m)															
Residential	202,333.00															
Retail	3,260.00															
Underground car park	5,000.00															
Ancillary facilities	60,064.00															
Total:	<u>270,657.00</u>															

Notes:

- Pursuant to a State-owned Land Use Rights Grant Contract No. 3202032009CR0058 entered into between Wuxi Land and Resources Bureau (the “Grantor”) and Chongqing Longhu Development Co. Ltd. (重慶龍湖企業拓展有限公司) (“Chongqing Longhu Development”) on 15 August 2009, the Grantor has agreed to grant the land use rights of a parcel of land with a site area of 188,496.20 sq m to Chongqing Longhu Development at a land grant fee of RMB644,000,000 for two concurrent terms of 40 and 70 years for commercial and residential uses respectively.
- As advised by the Group, the outstanding land grant fee is about RMB515,200,000. We have not taken into account of the outstanding land grant fee in our valuation.

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3. We have been provided with a legal opinion on the title to the property issued by the Group’s PRC legal advisers, which contains, inter alia, the following information: -
- (i) the State-owned Land Use Rights Grant Contract is legal, valid and enforceable; and
 - (ii) after Wuxi Longhu Real Estate Co. Ltd.(“Wuxi Longhu”) and the Grantor have signed a supplemental agreement to the State-owned Land Use Rights Grant Contract, there will be no substantial legal impediment for Wuxi Longhu to acquire the relevant Land Use Rights Certificate in accordance with the relevant laws and regulations and the provisions of the State-owned Land Use Rights Grant Contract after Wuxi Longhu has paid the land grant fee and deed tax.
 - (iii) Chongqing Longhu Development is a sino-foreign joint venture enterprise established in accordance with the laws of the PRC, owned as to 91.3% by Juntion Development Hong Kong (Holding) Limited and 8.7% by Chongqing Xuke Investment Co. Ltd. The profit sharing is in accordance with the percentage of share of the shareholders.

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Group IV — Property interests held by the Group for future development in the PRC

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 August 2009												
69.	Qinglong Project II (青龍項目 II), South of Beitang River, Changzhou, Jiangsu Province, PRC	The property, known as Qinglong Project II, comprises a parcel of land with a site area of approximately 143,965.00 sq m (1,549,639 sq ft). According to the latest development proposal provided by the Group, the property will be developed into a residential and commercial development with ancillary facilities in one phase. Upon completion, the property will provide a total gross floor area of approximately 345,430.00 sq m (3,718,209 sq ft). Details of the gross floor area of the property are as follows: <table><tr><th>Portion</th><th>Approximate gross floor area (sq m)</th></tr><tr><td>Residential</td><td>261,000.00</td></tr><tr><td>Retail</td><td>22,930.00</td></tr><tr><td>Car park</td><td>57,500.00</td></tr><tr><td>Ancillary facilities</td><td>4,000.00</td></tr><tr><td>Total:</td><td><u>345,430.00</u></td></tr></table> The land use rights of the property have been agreed to be granted for a term of 70 years for commodity housing uses.	Portion	Approximate gross floor area (sq m)	Residential	261,000.00	Retail	22,930.00	Car park	57,500.00	Ancillary facilities	4,000.00	Total:	<u>345,430.00</u>	The property is currently vacant.	RMB531,000,000 (85.07% interest attributable to the Group: RMB451,721,700)
Portion	Approximate gross floor area (sq m)															
Residential	261,000.00															
Retail	22,930.00															
Car park	57,500.00															
Ancillary facilities	4,000.00															
Total:	<u>345,430.00</u>															

Notes:

- Pursuant to a State-owned Construction Land Use Rights Grant Contract No. 3204012009CR0185 entered into between Changzhou State Land Resources Bureau (the “Grantor”) and Changzhou Jia’nan Properties Co., Ltd. (常州嘉南置業有限公司) (“Changzhou Jia’nan”) on 21 October 2009, the Grantor agreed to grant the land use rights of a parcel of land with a site area of 143,965.00 sq m to Changzhou Jia’nan at a land grant fee of RMB446,700,000 for a term of 70 years for commodity housing uses.
- As advised by the Group, the outstanding land grant fee is about RMB223,350,000. We have not taken into account of the outstanding land grant fee in our valuation.
- We have been provided with a legal opinion on the title to the property issued by the Group’s PRC legal advisers, which contains, inter alia, the following information:
 - the State-owned Construction Land Use Rights Grant Contract is legal, valid and enforceable;

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- (ii) there is no substantial legal impediment for Changzhou Jia’nan to obtain the relevant Land Use Rights Certificate for the property in accordance with the relevant laws and regulations and the provisions of the State-owned Construction Land Use Rights Grant Contract after Changzhou Jia’nan has paid the land grant fee and deed tax; and
- (iii) Changzhou Jia’nan is a limited liability company established in accordance with the laws of the PRC, owned as to 91% by Shanghai Hengchi Real Estate Co., Ltd., 8% by Changzhou Changfa Agricultural Equipment Co., Ltd. and 1% by Jiangsu Changfa Properties Co., Ltd.

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PROPERTY VALUATION

VALUATION CERTIFICATE

Group V — Property interest held for investment by the Group

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 August 2009
70.	North Paradise Walk Mall (北城天街商區), Guanyinqiao commercial area, Jiangbei District, Chongqing, PRC	The property comprises a 5-storey commercial building plus a basement erected upon a parcel of land with a site area of approximately 22,378.10 sq m (240,878 sq ft) completed in 2004. The property has a total gross floor area of approximately 146,262.06 sq m (1,574,365 sq ft). The land use rights have been granted for a term expiring on 31 December 2041 for commercial and ancillary uses.	Portion of the property with a total floor area of approximately 118,456 sq m was subject to various tenancies with a total monthly rental of about RMB10,200,000. The remaining portion of the property was vacant.	RMB2,859,000,000 (91.30% interests attributable to the Group: RMB2,610,267,000)

Notes:

- Pursuant to the Realty Title Certificate 103 Fang Di Zheng 2006 Zi Di No. 00995 (103房地證2006字第00995號), the land use rights of a parcel of land with a site area of 10,614.30 sq m have been granted to Chongqing Longhu Development Co. Ltd. (重慶龍湖企業拓展有限公司) (“Chongqing Longhu Development”) for a term expiring on 31 December 2041 for commercial and ancillary uses and the building ownership rights of the property with a gross floor area of 69,374.49 sq m are vested in Chongqing Longhu Development.
- Pursuant to the Realty Title Certificate 103 Fang Di Zheng 2006 Zi Di No. 00996 (103房地證2006字第00996號), the land use rights of a parcel of land with a site area of 11,250.27 sq m have been granted to Chongqing Longhu Development for a term expiring on 31 December 2041 for commercial and ancillary uses and the building ownership rights of the property with a gross floor area of 73,531.18 sq m are vested in Chongqing Longhu Development.
- Pursuant to the Realty Title Certificate 103 Fang Di Zheng 2006 Zi Di No. 01936 (103房地證2006字第01936號), the land use rights of a parcel of land with a site area of 513.53 sq m have been granted to Chongqing Longhu Development for a term expiring on 31 December 2041 for commercial and ancillary uses and the building ownership rights of the property with a gross floor area of 3,356.39 sq m are vested in Chongqing Longhu Development.
- We have been provided with a legal opinion on the title to the property issued by the Group's PRC legal advisers, which contains, inter alia, the following information:
 - Chongqing Longhu Development legally owns the land use rights and building ownership rights of the property;
 - portion of the property with a total site area of about 21,864.57 sq m and with a total gross floor area of about 142,905.67 sq m is subject to various mortgages;

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PROPERTY VALUATION

- (iii) Chongqing Longhu Development is entitled to transfer, lease and mortgage the property during the term of the land use rights without additional payment of any land grant fee or premium but Chongqing Longhu Development has to obtain the mortgagee’s prior written consent before transferring, leasing and mortgaging the mortgaged portion of the property during the mortgage term; and
- (iv) Chongqing Longhu Development is a Sino-foreign joint equity enterprise established in accordance with the laws of the PRC, owned as to 91.3% by Juntion Development Hong Kong (Holding) Limited and 8.7% by Chongqing Xuke Investment Co., Ltd. The profit sharing is in accordance to the percentage of share of the shareholders.

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PROPERTY VALUATION

VALUATION CERTIFICATE

Group V — Property interest held for investment by the Group

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 August 2009
71.	Crystal Constellation (晶鄴館) of Crystal Town (水晶鄴城), K27 Building, No. 162 Xinnan Road, Renhe Town, Beibu New District, Chongqing, PRC	Crystal Town is a large-scale residential and commercial development completed in 2006. The property comprises a 3-storey commercial podium and 2-level car parking basement (known as Crystal Constellation, Phase II of Crystal Town). The commercial area and basement car park have respective gross floor areas of approximately 17,647.64 sq m (189,959 sq ft) and 26,866.27 sq m (289,189 sq ft) (682 car parking spaces). The land use rights of the property have been granted for a term expiring on 28 February 2043 for commercial uses.	Whole of the commercial area of the property was subject to various tenancies at a total monthly rental receivable of about RMB540,000. The remaining portion of the property was vacant.	RMB191,900,000 (91.30% interests attributable to the Group: RMB175,204,700)

Notes:

- Pursuant to the State-owned Land Use Right Certificate Yu Guo Yong (2004) Zi Di No. 308 (渝國用(2004)字第308號) issued by Chongqing State Land Resources and Housing Administration Bureau, the land use rights of a parcel of land with a site area of 18,230.90 sq m have been granted to Chongqing Jiachen Economic Development Limited (重慶佳辰經濟發展有限公司) for two concurrent terms expiring on 28 February 2043 and 28 February 2073 for commercial and residential uses respectively.

According to the information provided by the Group, Chongqing Jiachen Economic Development Limited is renamed as Chongqing Longhu Development Co. Ltd. (重慶龍湖企業拓展有限公司) (“Chongqing Longhu Development”).

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PROPERTY VALUATION

2. Pursuant to two Realty Title Certificates both issued by Chongqing State Land Resources and Housing Administrative Bureau on 26 April 2006 and 28 April 2006 respectively, the building ownership rights of the 3-storey commercial podium and 2-level car parking basement of Phase II of Crystal Town are held by Chongqing Longhu Development. Details of the said certificates are inter alia, summarized as below:

Certificate no.	Site area (sq m)	Gross floor area (sq m)	Land use	Location of building	Land use term expiry date
Bei Xin Gao 112 Fang Di Zheng 2006 Zi Di No. 01225 (北新高112房地證2006字 第01225號)	8,254.20	17,647.64	Commercial service	Commercial podium	28 February 2043
Bei Xin Gao 112 Fang Di Zheng 2006 Zi Di No. 01224 (北新高112房地證2006字 第01224號)	11,490.20	26,866.27	Commercial service	Car park basement	28 February 2043
Total:	<u>19,744.40</u>	<u>44,513.91</u>			

3. We have been provided with a legal opinion on the title to the property issued by the Group’s PRC legal advisers, which contains, inter alia, the following information:-
- (i) the legal owner as stated in the aforesaid State-owned Land Use Rights Certificate is Chongqing Jiachen Economic Development Limited. There is no substantial legal impediment for Chongqing Longhu Development to change the owner’s name of the said certificate;
 - (ii) Chongqing Longhu Development legally owns the land use rights and the building ownership rights of the property;
 - (iii) the property is subject to mortgages. Chongqing Longhu Development is entitled to transfer, lease and mortgage the property during the term of the land use rights without additional payment of any land grant fee or premium but Chongqing Longhu Development has to obtain the mortgagee’s prior written consent before transferring or leasing the property during the mortgage term; and
 - (iv) Chongqing Longhu Development is a Sino-foreign joint equity enterprise established in accordance with the laws of the PRC, owned as to 91.3% by Juntion Development Hong Kong (Holding) Limited and 8.7% by Chongqing Xuke Investment Co., Ltd. The profit sharing is in accordance to the percentage of share of the shareholders.

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PROPERTY VALUATION

VALUATION CERTIFICATE

Group V — Property interest held for investment by the Group

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 August 2009
72.	Phase III-Commercial District (紫都商區) of Chongqing Fairy Castle (重慶紫都城), No. 13 Yusong One Ancillary Road, Longshan Jiedao, Yubei District, Chongqing, PRC	The property comprises a single storey commercial building plus a basement level erected upon a parcel of land with a site area of approximately 17,014.00 sq m (183,139 sq ft) completed in 2006. The property has a total gross floor area of approximately 29,412.69 sq m (316,598 sq ft). The land use rights of the property have been granted for a term expiring on 8 July 2044 for commercial service uses.	The property was subject to two tenancies with the latest one expiring on 20 December 2021 at a total monthly rental of about RMB859,000.	RMB376,300,000 (91.30% interests attributable to the Group: RMB343,561,900)

Notes:

- Pursuant to the Realty Title Certificate 201 Fang Di Zheng 2007 Zi Di No. 03702 (201房地證2007字第03702), the land use rights of a parcel of land with a site area of 17,014.00 sq m have been granted to Chongqing Longhu Properties Co., Ltd. (重慶龍湖地產發展有限公司) (“Chongqing Longhu Properties”) for a term expiring on 8 July 2044 for commercial service uses and the building ownership rights of the property with a total gross floor area of 29,412.69 sq m are vested in Chongqing Longhu Properties.
- We have been provided with a legal opinion on the title to the property issued by the Group’s PRC legal advisers, which contains, inter alia, the following information:-
 - Chongqing Longhu Properties legally owns the land use rights and the building ownership rights of the property;
 - the property is subject to mortgage. Chongqing Longhu Properties is entitled to transfer, lease and mortgage the property during the term of the land use rights without additional payment of any land grant fee or premium but Chongqing Longhu Properties has to obtain the mortgagee’s prior written consent before transferring, leasing or mortgaging the property during the mortgage term; and
 - Chongqing Longhu Properties is a limited liability company established in accordance with the laws of the PRC and wholly owned by Chongqing Longhu Development Co. Ltd.

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PROPERTY VALUATION

VALUATION CERTIFICATE

Group V — Property interest held for investment by the Group

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 August 2009
73.	West Paradise Walk (西城天街) No. 48 Zhujiang Road, Yangjiaping, Jiulongpo District, Chongqing, PRC	The property comprises the commercial portion and the basement car park of a residential/commercial/office development known as West Paradise Walk Mall. The development was completed in 2007. The property has a total gross floor area of approximately 111,654.44 sq m (1,201,848 sq ft). The land use rights of the property have been granted for a term expiring in May 2044 for commercial uses.	Portion of the property with a floor area of approximately 54,600 sq m was subject to various tenancies with a total monthly rental of about RMB4,240,000.	RMB1,168,000,000 (91.30% interests attributable to the Group: RMB1,066,384,000)

Notes:

- Pursuant to three Realty Title Certificates 105 Fang Di Zheng 2008 Di Nos. 14133, 14135 and 14364 (105房地證2008第14133號, 14135號及14364號) all issued by Chongqing State Land Resources and Housing Administrative Bureau, the land use rights of 3 parcels of land with a total site area of 8,556.92 sq m have been granted to Chongqing Longhu Xijie for a term expiring in May 2044 for commercial uses and the building ownership rights of various buildings with a total gross floor area of 111,654.44 sq m are vested in Chongqing Longhu Xijie.
- We have been provided with a legal opinion on the title to the property issued by the Group’s PRC legal advisers, which contains, inter alia, the following information:
 - Chongqing Longhu Xijie legally owns the land use rights and building ownership rights of the property which is subject to a mortgage;
 - Chongqing Longhu Xijie is entitled to transfer, lease or mortgage the land use rights and building ownership rights of the property during the term of the land use rights without additional payment of any land grant fee or premium but Chongqing Longhu Xijie has to obtain the mortgagee’s prior written consent before transferring, leasing or mortgaging the land use rights and building ownership rights of the property during the mortgage term; and
 - Chongqing Longhu Xijie is a limited liability company established in accordance with the laws of the PRC and owned as to 97.79% by Chongqing Longhu Properties Co. Ltd. and 2.21% by Chongqing Longhu Development Co. Ltd.

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PROPERTY VALUATION

VALUATION CERTIFICATE

Group VI — Property interest rented by the Group in the PRC

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 August 2009
74.	The third floor of Fortune Tower Phase I (富盛大廈一期), No. 4 Huixin East Road, Chaoyang District, Beijing, PRC	Fortune Tower Phase I is a 30-storey office building completed in December 2006. The property comprises 10 office units on the Level 3 of Fortune Tower Phase I with a total gross floor area of approximately 2,190.00 sq m (23,573 sq ft).	The property is currently occupied by the Group for office uses.	No commercial value

Notes:

1. The property is rented by Beijing Longhu Properties Co. Ltd. (北京龍湖置業有限公司) (“Beijing Longhu Properties”) (a 89.93% owned subsidiary of the Company) from an independent third party for a term of three years commencing on 1 March 2007 and expiring on 9 May 2013 at an annual rental of RMB3,357,270 including management fee. As advised by the Group, the lessor of the building has not obtained the relevant building ownership certificate of the property.
2. We have been provided with a legal opinion on the lease agreement of the property issued by the Group’s PRC legal advisers, which contains, inter alia, the following information:
 - (i) as the relevant Building Ownership Certificate is not available, the Group’s PRC legal advisers are not able to determine whether the lessor is entitled to let the property to Beijing Longhu Properties and whether Beijing Longhu Properties can legally lease the property;
 - (ii) the tenancy agreement is legal and valid. Evidence of registration of the tenancy agreement is not available. However, non-registration of the tenancy agreement will not result in Beijing Longhu Properties being unable to lease the property legally;
 - (iii) if Beijing Longhu Properties could not occupy the property due to the reason mentioned in note (i) above, Beijing Longhu Properties will have to move out from the property. However, as the property is for office uses, it will not have any major adverse effect on the business of the Company; and
 - (iv) Beijing Longhu Properties is a limited liability company established in accordance with the laws of the PRC and owned as to 98.5% by Chongqing Longhu Development Co. Ltd., 0.3% by He Tiantao and 1.2% by Beijing Huachuan Xinrun Investment Co. Ltd.

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PROPERTY VALUATION

VALUATION CERTIFICATE

Group VI — Property interest rented by the Group in the PRC

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 August 2009
75.	Level 6 of Fortune Tower Phase II (富盛大廈二期), No. 4 Huixin East Road, Chaoyang District, Beijing, PRC	Fortune Tower Phase II is a 13-storey office building completed in 2007. The property comprises the whole of Level 6 of Fortune Tower Phase II with a total gross floor area of approximately 1,977.00 sq m (21,280 sq ft).	The property is currently occupied by the Group for office uses.	No commercial value

Notes:

- The property is rented by Chongqing Longhu Development Co. Ltd. (重慶龍湖企業拓展有限公司) (“Chongqing Longhu Development”) (a 91.3% owned subsidiary of the Company) from an independent third party for a term of 5 years commencing on 1 April 2008 and expiring on 31 March 2013 at an annual rental of about RMB3,391,544 excluding management fee.
- We have been provided with a legal opinion on the lease agreement of the property issued by the Group’s legal advisers, which contains, inter alia, the following information:
 - as the relevant Building Ownership Certificate is not available, the Group’s PRC legal advisers are not able to determine whether the lessor is entitled to let the property to Chongqing Longhu Development and whether Chongqing Longhu Development can legally lease the property;
 - the tenancy agreement is legal and valid. Evidence of registration tenancy of the agreement is not available. However, non-registration of the tenancy agreement will not result in Chongqing Longhu Development being unable to lease the property legally;
 - if Chongqing Longhu Development could not occupy the property due to the reason mentioned in note (i) above, Chongqing Longhu Development will have to move out from the property. However, as the property is for office uses, it will not have any major adverse effect on the business of the Company; and
 - Chongqing Longhu Development is a limited liability company established in accordance with the laws of the PRC and owned as to 91.3% by Juntion Development and 8.7% by Chongqing Xuke.

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PROPERTY VALUATION

VALUATION CERTIFICATE

Group VI — Property interest rented by the Group in the PRC

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 August 2009
76.	Rooms 2501-2512 on 23rd Floor of Shanghai Mart (上海世貿商城), No. 2299 Yan'an West Road, Shanghai, PRC	Shanghai Mart is a 30-storey office and exhibition building completed in October 1999. The property comprises 12 office units of Shanghai Mart with a total gross floor area of approximately 1,975.39 sq m (21,263 sq ft).	The property is currently occupied by the Group for office use.	No commercial value

Notes:

1. The property is rented by Shanghai Longhu Properties Co. Ltd. (“Shanghai Longhu Properties”) (上海龍湖置業發展有限公司), a 91.30% owned subsidiary of the Company, from an independent third party, for a term of three years commencing on 1 November 2007 and expiring on 25 November 2010 at an annual rental of RMB4,542,409 exclusive of management fee. As advised, the lessor of the building has obtained the relevant building ownership certificate of the property.
2. We have been provided with a legal opinion on the lease agreement of the property issued by the Group’s PRC legal advisers, which contains, inter alia, the following information:-
 - (i) as the relevant approval from the relevant Land Administration Bureau for the grant of the tenancy is not available, the Group’s PRC legal advisers are not able to determine whether the lessor is entitled to let the property to Shanghai Longhu Properties and whether Shanghai Longhu Properties can legally lease the property;
 - (ii) the tenancy agreement is legal and valid. Evidence of registration of the tenancy agreement is not available. However, non-registration of the tenancy agreement will not result in Shanghai Longhu Properties being unable to lease the property legally;
 - (iii) if Shanghai Longhu Properties could not occupy the property due to the reason mentioned in note (i) above, Shanghai Longhu Properties will have to move out from the property. However, as the property is for office uses, it will not have any major adverse effect on the business of the Company; and
 - (iv) Shanghai Longhu Properties is a limited liability company established in accordance with the laws of the PRC and wholly owned by Chongqing Longhu Properties Co. Ltd.

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PROPERTY VALUATION

VALUATION CERTIFICATE

Group VI — Property interest rented by the Group in the PRC

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 August 2009
77.	Level 3, Block No. 8-1 Taike Garden, No. 77 Jinghui Dong Road, Wuxi, Jiangsu Province, PRC	The property comprises the 3rd level of a 6-storey office/commercial building completed in 2008. The property has a total gross floor area of approximately 2,300.00 sq m (24,757 sq ft).	The property is currently occupied by the Group for office and sales office uses.	No commercial value

Notes:

1. The property is rented by Wuxi Longhu Real Estate Co., Ltd. (無錫龍湖置業有限公司) (“Wuxi Longhu”) (a 91.30% owned subsidiary of the Company) from an independent third party for a term of 6 years commencing on 15 July 2009 and expiring on 14 July 2015. The rental for the 1st and 2nd years is zero and that for the 3rd to 6th years is RMB1,242,000 per annum, excluding management fee.
2. We have been provided with a legal opinion on the lease agreement of the property issued by the Group’s legal advisers, which contains, inter alia, the following information:
 - (i) as the relevant Building Ownership Certificate is not available, the Group’s PRC legal advisers are not able to determine whether the lessor is entitled to let the property to Wuxi Longhu and whether Wuxi Longhu can legally lease the property;
 - (ii) the tenancy agreement is legal and valid. Evidence of registration of the tenancy agreement is not available. However, non-registration of the tenancy agreement will not result in Wuxi Longhu being unable to lease the property legally;
 - (iii) if Wuxi Longhu could not occupy the property due to the reason mentioned in note (1) above, Wuxi Longhu will have to move out from the property. However, as the property is for office uses, it will not have any major adverse effect on the business of the Company; and
 - (iv) Wuxi Longhu is a limited liability company established in accordance with laws of the PRC and wholly owned by Chongqing Longhu Development.

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PROPERTY VALUATION

VALUATION CERTIFICATE

Group VI — Property interest rented by the Group in the PRC

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 August 2009
78.	12 office units, Level 2, No. 3 Erhuan Road Dong 2 Section, Chengdu, Sichuan Province, PRC	The property comprises 12 office units on Level 2 of a 3-storey office building completed in 1985. The property has a gross floor area of approximately 200 sq m (2,153 sq ft).	The property is currently occupied by the Group for office uses.	No commercial value

Notes:

1. The property is rented by Chengdu Longhu Tongjin Real Estate Co., Ltd. (“Chengdu Longhu Tongjin”) (成都龍湖同晉置業有限公司) from an independent third party, for a term commencing on 15 February 2009 and expiring on 15 February 2010 at a monthly rental of RMB4,200 exclusive of management fee. The lessor of the building has obtained the building ownership certificate of the property.
2. We have been provided with a legal opinion on the lease agreement of the property issued by the Group’s PRC legal advisers, which contains, inter alia, the following information:
 - (i) the lessor legally owns the building ownership rights of the property and has the right to let the property to Chengdu Longhu Tongjin;
 - (ii) The tenancy agreement is legal and valid and Chengdu Longhu Tongjin is entitled to use the property during the term of the tenancy agreement. Evidence of registration of the tenancy agreement is not available. However, there is no law providing that non-registration of a tenancy agreement will invalidate the tenancy agreement; and
 - (iii) Chengdu Longhu Tongjin is a limited liability company established in accordance with laws of the PRC and owned as to 51% by Chongqing Longhu Development Co. Ltd, 25% by ING COF IV SRL and 24% by Chengdu Jiaxun Investment Co., Ltd.

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Group VII — Property interest rented by the Group in Hong Kong

No.	Property	Description and tenancy particulars	Particulars of occupancy	Market value in existing state as at 31 August 2009
79.	15th Floor, No. 1 Duddell Street, Central, Hong Kong	The property comprises the 15th floor of a 26-storey office building erected over a basement completed in 1983. The property has a gross floor area of approximately 340.02 sq m (3,660 sq ft). The property is currently leased by Juntion Development Hong Kong (Holding) Limited (a wholly-owned subsidiary of the Company) from an independent third party for a term commencing on 15 February 2008 and expiring on 14 February 2011 at a monthly rental of HK\$146,400 exclusive of rates and service charges.	The property is currently occupied by the Group for office uses.	No commercial value

APPENDIX IV

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VALUATION CERTIFICATE

Group VIII — Other property interests held by the Group

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 August 2009												
80.	Niushan III (牛山三期) Zhangzhuang Village, Niulanshan Town, Shunyi District, Beijing, PRC	The property comprises one parcel of land with a site area of approximately 374,736.00 sq m (4,033,658 sq ft). According to the latest development proposal provided by the Group, the property will be developed into a residential and commercial development with ancillary facilities. The total planned gross floor area of the property is approximately 858,318.07 sq m (9,238,936 sq ft). Details of the uses and approximate gross floor area are as follows: <table><tr><th>Portion</th><th>Approximate gross floor area (sq m)</th></tr><tr><td>Residential</td><td>472,510.00</td></tr><tr><td>Retail</td><td>221,095.00</td></tr><tr><td>Ancillary facilities</td><td>47,100.00</td></tr><tr><td>Car park</td><td>117,613.07</td></tr><tr><td>Total:</td><td>858,318.07</td></tr></table>	Portion	Approximate gross floor area (sq m)	Residential	472,510.00	Retail	221,095.00	Ancillary facilities	47,100.00	Car park	117,613.07	Total:	858,318.07	There are buildings erected on the land of the property pending for demolition.	No commercial value
Portion	Approximate gross floor area (sq m)															
Residential	472,510.00															
Retail	221,095.00															
Ancillary facilities	47,100.00															
Car park	117,613.07															
Total:	858,318.07															

Notes:

1. Beijing Longhu Properties Co. Ltd. (北京龍湖置業有限公司)(“Beijing Longhu Properties”) is a 89.93% owned subsidiary of the Group.
2. We have attributed no commercial value to the property which has not obtained the relevant title certificates. For reference purpose, we are of the opinion that the capital value of the property as at the date of valuation would be RMB1,987,000,000 assuming all relevant title certificates have been obtained and the property could be freely transferred;
3. We have been provided by a legal opinion on the title to the property issued by the Group’s PRC legal advisers, which contains, inter alia, the following information: -

Pursuant to the Appendix to Planning Opinion 2006 Gui Yi Xuan Zi No. 0223 (2006規意選字0223號) issued by Beijing Planning Committee on 16 August 2006, it is agreed that Beijing Longhu Properties can proceed with the project planning, land and planning design of a parcel of land with a site area of 374,736 sq m.

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Group VIII — Other property interests held by the Group

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 August 2009												
81.	Huishan Project (輝山項目), Huishan Development Zone, Shenbei New District, Shenyang, Liaoning Province, PRC	The property, known as Huishan Project, comprises a parcel of land with a site area of approximately 84,086.00 sq m (905,102 sq ft). According to the latest development proposal provided by the Group, the property will be developed into a residential and commercial development with ancillary facilities. Upon completion, the property will provide a total gross floor area of approximately 85,137.00 sq m (916,415 sq ft). Details of the approximate gross floor area of the property are as follows: <table><tr><th>Portion</th><th>Approximate gross floor area (sq m)</th></tr><tr><td>Residential</td><td>75,987.00</td></tr><tr><td>Retail</td><td>7,070.00</td></tr><tr><td>Underground car park</td><td>950.00</td></tr><tr><td>Ancillary facilities</td><td>1,130.00</td></tr><tr><td>Total:</td><td><u>85,137.00</u></td></tr></table> The land use rights of the property have been agreed to be granted to the Group for residential and commercial uses respectively.	Portion	Approximate gross floor area (sq m)	Residential	75,987.00	Retail	7,070.00	Underground car park	950.00	Ancillary facilities	1,130.00	Total:	<u>85,137.00</u>	The property is currently vacant.	No commercial value
Portion	Approximate gross floor area (sq m)															
Residential	75,987.00															
Retail	7,070.00															
Underground car park	950.00															
Ancillary facilities	1,130.00															
Total:	<u>85,137.00</u>															

Notes:

- Chongqing Longhu Development Co. Ltd. (重慶龍湖企業拓展有限公司) (“Chongqing Longhu Development”) is a 93.48% owned subsidiary of the Group.
- Pursuant to the Transaction Confirmation of South of Puhe Avenue No. 6 Lot No. PH07-049 dated 9 September 2009, Chongqing Longhu Development has won the auction for a parcel of land with a total site area of 84,086.00 sq m at a total land grant fee of RMB 81,983,850. Chongqing Longhu Development will execute the relevant State-owned Land Use Rights Grant Contract with Shenyang Planning and Land Resources Bureau Shenbei Sub-Branch.
- We have attributed no commercial value to the property which has not obtained the relevant title certificates. For reference purpose, we are of the opinion that the capital value of the property as at the date of valuation would be RMB87,000,000 assuming all relevant title certificates have been obtained and the property could be freely transferred;

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4. We have been provided with a legal opinion on the title to the property issued by the Group’s PRC legal advisers, which contains, inter alia, the following information:
- (i) pursuant to the Transaction Confirmations as stated in note(2), Chongqing Longhu Development won the auction for a parcel of land with a site area of 84,086.00 sq m for residential and commercial uses; and
 - (ii) Chongqing Longhu Development will execute the relevant State-owned Land Use Rights Grant Contract with the relevant Shenyang land administrative department .After the contract has been signed, there is no substantial legal impediment for Chongqing Longhu Development to obtain the relevant Land Use Rights Certificates for the property in accordance with the relevant laws and regulations after the obligations under the State-owned Land Use Rights Grant Contract have been performed.

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Group VIII — Other property interests held by the Group

No.	Property	Description and tenure	Particulars of Occupancy	Market value in existing state as at 31 August 2009										
82.	Daoyi Project (道義項目), Daoyi Development Zone, Shenbei New District, Shenyang, Liaoning Province, PRC	The property, known as Daoyi Project, comprises four parcels of land with a site area of approximately 684,420.00 sq m (7,367,097 sq ft). According to the latest development proposal provided by the Group, the property will be developed into a residential and commercial development with underground car parking spaces. Upon completion, the property will provide a total gross floor area of approximately 1,620,689.38 sq m (17,445,100 sq ft). Details of the approximate gross floor area of the property are as follows: <table><tr><th>Portion</th><th>Approximate gross floor area (sq m)</th></tr><tr><td>Residential</td><td>1,269,000.00</td></tr><tr><td>Car park</td><td>104,689.38</td></tr><tr><td>Retail</td><td>247,000.00</td></tr><tr><td>Total:</td><td><u>1,620,689.38</u></td></tr></table> The land use rights of the property have been agreed to be granted to the Group for residential and commercial uses respectively.	Portion	Approximate gross floor area (sq m)	Residential	1,269,000.00	Car park	104,689.38	Retail	247,000.00	Total:	<u>1,620,689.38</u>	The property is currently vacant.	No commercial value
Portion	Approximate gross floor area (sq m)													
Residential	1,269,000.00													
Car park	104,689.38													
Retail	247,000.00													
Total:	<u>1,620,689.38</u>													

Notes:

- Chongqing Longhu Development Co. Ltd. (重慶龍湖企業拓展有限公司) (“Chongqing Longhu Development”) is a 91.3% owned subsidiary of the Group.
- Pursuant to four Transaction Confirmations of Nos. Shen Bei Jiao Zi 2009 Di Nos.110, 111, 112 and 113 (沈北交字2009第110,111,112,及113號) dated on 13 October 2009, Chongqing Longhu Development has won the auction of four parcels of land with a total site area of 684,420.00 sq m at a total land grant fee of RMB 641,442,945. Chongqing Longhu Development will execute the relevant State-owned Land Use Rights Grant Contract with Shenyang Planning and Land Resources Bureau Shenbei Sub-Branch.
- We have attributed no commercial value to the property which has not obtained the relevant title certificates. For reference purpose, we are of the opinion that the capital value of the property as at the date of valuation would be RMB747,000,000 assuming all relevant title certificates have been obtained and the property could be freely transferred;

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4. We have been provided with a legal opinion on the title to the property issued by the Group’s PRC legal advisers, which contains, inter alia, the following information:
- (i) pursuant to the Transaction Confirmations as stated in note(2), Chongqing Longhu Development won the auction for four parcels of land with a site area of 684,420.00 sq m for residential and commercial uses; and
 - (ii) Chongqing Longhu Development or its subsidiary will execute the relevant State-owned Land Use Rights Grant Contract with the relevant Shenyang land administrative department .After the contract has been signed, there is no substantial legal impediment for Chongqing Longhu Development or its subsidiary to obtain the relevant Land Use Rights Certificates for the property in accordance with the relevant laws and regulations after the obligations under the State-owned Land Use Rights Grant Contract have been performed.

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Group VIII — Other property interests held by the Group

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 August 2009														
83.	Mopan Shan (磨盤山), Shizishan Village, Shimahe Road, Jiangbei District, Chongqing, PRC	The property, known as Mopan Shan, comprises a parcel of land with a site area of approximately 224,378.00 sq m (2,415,205 sq ft). According to the latest development proposal provided by the Group, the property will be developed into a residential and commercial development with ancillary facilities in four phases. Upon completion, the property will provide a total gross floor area of approximately 1,170,392.20 sq m (12,598,102 sq ft). Details of the approximate gross floor area of the property are as follows: <table><thead><tr><th>Portion</th><th>Approximate gross floor area (sq m)</th></tr></thead><tbody><tr><td>Residential</td><td>539,640.00</td></tr><tr><td>Retail</td><td>81,300.00</td></tr><tr><td>SOHO</td><td>318,000.00</td></tr><tr><td>Underground car park</td><td>157,000.20</td></tr><tr><td>Ancillary facilities</td><td>74,452.00</td></tr><tr><td>Total:</td><td><u>1,170,392.20</u></td></tr></tbody></table>	Portion	Approximate gross floor area (sq m)	Residential	539,640.00	Retail	81,300.00	SOHO	318,000.00	Underground car park	157,000.20	Ancillary facilities	74,452.00	Total:	<u>1,170,392.20</u>	The property is currently vacant.	No commercial value
Portion	Approximate gross floor area (sq m)																	
Residential	539,640.00																	
Retail	81,300.00																	
SOHO	318,000.00																	
Underground car park	157,000.20																	
Ancillary facilities	74,452.00																	
Total:	<u>1,170,392.20</u>																	

Notes:

- Chongqing Juntion Real Estate Development Inc. (重慶嘉遜地產開發有限公司) (“Chongqing Juntion”) is a 93.48% owned subsidiary of the Group.
- Pursuant to the Transaction Confirmation of State-owned Construction Land Use Rights No. Yu Di Jiao Yi Chu 2009 No.91, Chongqing Juntion has won the auction for a parcel of land with a total site area of 224,378.00 sq m at a total land grant fee of RMB 2,280,000,000. Chongqing Juntion will execute the relevant State-owned Land Use Rights Grant Contract with Chongqing State Land Resources and Housing Administrative Bureau.
- We have attributed no commercial value to the property which has not obtained the relevant title certificates. For reference purpose, we are of the opinion that the capital value of the property as at the date of valuation would be RMB2,370,000,000 assuming all relevant title certificates have been obtained and the property could be freely transferred;

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4. We have been provided with a legal opinion on the title to the property issued by the Group’s PRC legal advisers, which contains, inter alia, the following information:
- (i) pursuant to the Transaction Confirmations as stated in note(2), Chongqing Juntion won the auction for a parcel of land with a site area of 224,378.00 sq m for residential, commercial, finance and greenery uses; and
 - (ii) Chongqing Juntion will execute the relevant State-owned Land Use Rights Grant Contract with the relevant Chongqing land administrative department. After the contract has been signed, there is no substantial legal impediment for Chongqing Juntion to obtain the relevant Land Use Rights Certificates for the property in accordance with the relevant laws and regulations after the obligations under the State-owned Land Use Rights Grant Contract have been performed.

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Group VIII — Other property interests held by the Group

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 August 2009												
84.	University Town (大學城), Xi Yong Zu Tuan, Shapingba District, Chongqing, PRC	The property, known as University Town, comprises a parcel of land with a site area of approximately 588,220.00 sq m (6,331,600 sq ft). According to the latest development proposal provided by the Group, the property will be developed into a residential and commercial development with ancillary facilities in five phases. Upon completion, the property will provide a total gross floor area of approximately 1,774,955.46 sq m (19,105,621 sq ft). Details of the approximate gross floor area of the property are as follows: <table><tr><th>Portion</th><th>Approximate gross floor area (sq m)</th></tr><tr><td>Residential</td><td>1,217,775.00</td></tr><tr><td>Retail</td><td>160,026.00</td></tr><tr><td>Underground car park</td><td>265,109.46</td></tr><tr><td>Ancillary facilities</td><td>132,045.00</td></tr><tr><td>Total:</td><td><u>1,774,955.46</u></td></tr></table> The land use rights of the property have been agreed to be granted to the Group for two concurrent terms of 40 and 50 years for commercial and residential uses respectively.	Portion	Approximate gross floor area (sq m)	Residential	1,217,775.00	Retail	160,026.00	Underground car park	265,109.46	Ancillary facilities	132,045.00	Total:	<u>1,774,955.46</u>	The property is currently vacant.	No commercial value
Portion	Approximate gross floor area (sq m)															
Residential	1,217,775.00															
Retail	160,026.00															
Underground car park	265,109.46															
Ancillary facilities	132,045.00															
Total:	<u>1,774,955.46</u>															

Notes:

- Chongqing Longhu Kaian Real Estate Development Co., Ltd. (重慶龍湖凱安地產發展有限公司) (“Chongqing Longhu Kaian”) is a 95.56% owned subsidiary of the Group.
- Pursuant to the Transaction Confirmation of State-owned Construction Land Use Rights Yu Di Jiao Yi Chu [2009] No.114 (渝地交易出[2009] 114號) dated on 29 September 2009, Chongqing Longhu Kaian won the auction of a parcel of land with a total site area of 588,220.00 sq m at a total land grant fee of RMB1,060,000,000. Chongqing Longhu Kaian will execute the relevant State-owned Land Use Rights Grant Contract with Chongqing State Land Resources and Housing Administrative Bureau.
- We have attributed no commercial value to the property which has not obtained the relevant title certificates. For reference purpose, we are of the opinion that the capital value of the property as at the date of valuation would be RMB1,109,000,000 assuming all relevant title certificates have been obtained and the property could be freely transferred;

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4. We have been provided with a legal opinion on the title to the property issued by the Group’s PRC legal advisers, which contains, inter alia, the following information: -
- (i) pursuant to the Transaction Confirmation of State-owned Construction Land Use Rights as stated in note (1), Chongqing Longhu Kaian won the auction for a parcel of land with a site area of 588,220.00 sq m for residential and commercial uses; and
 - (ii) Chongqing Longhu Kaian will execute the relevant State-owned Land Use Rights Grant Contract with the relevant Chongqing land administrative department. After the contract has been signed, there is no substantial legal impediment for Chongqing Longhu Kaian to obtain the relevant Land Use Rights Certificates for the property in accordance with the relevant laws and regulations after the obligations under the State-owned Land Use Rights Grant Contract have been performed.

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Group VIII — Other property interests held by the Group

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 August 2009														
85.	Wukuai Shi Project (五塊石項目), Junction of Wangjie Avenue and Rongbei, Shangmao Avenue, Jingniu District, Chengdu, Sichuan Province, PRC	The property, known as Wukuai Shi Project, comprises a parcel of land with a site area of approximately 184,487.41 sq m (2,028,878 sq ft). According to the latest development proposal provided by the Group, the property will be developed into a residential and commercial development with ancillary facilities in four phases. Upon completion, the property will provide a total gross floor area of approximately 901,812.89 sq m (9,707,114 sq ft). Details of the approximate gross floor area of the property are as follows: <table><thead><tr><th>Portion</th><th>Approximate gross floor area (sq m)</th></tr></thead><tbody><tr><td>Residential</td><td>350,990.94</td></tr><tr><td>SOHO</td><td>101,836.00</td></tr><tr><td>Retail</td><td>223,474.00</td></tr><tr><td>Office</td><td>74,480.00</td></tr><tr><td>Underground car park</td><td>151,031.95</td></tr><tr><td>Total:</td><td><u>901,812.89</u></td></tr></tbody></table> The land use rights of the property have been agreed to be granted to the Group for residential and commercial uses.	Portion	Approximate gross floor area (sq m)	Residential	350,990.94	SOHO	101,836.00	Retail	223,474.00	Office	74,480.00	Underground car park	151,031.95	Total:	<u>901,812.89</u>	The property is currently vacant.	No commercial value
Portion	Approximate gross floor area (sq m)																	
Residential	350,990.94																	
SOHO	101,836.00																	
Retail	223,474.00																	
Office	74,480.00																	
Underground car park	151,031.95																	
Total:	<u>901,812.89</u>																	

Notes:

- Chengdu Jiaxun Investment Co. Ltd. (成都佳遜投資有限公司) (“Chengdu Jiaxun”) is a 91.3% owned subsidiary of the Group.
- Pursuant to the Transaction Confirmation of State-owned Construction Land Use Rights No.2009-039 (第2009-039號) dated on 29 September 2009, Chengdu Jiaxun has won the auction for a parcel of land with a total site area of 184,487.41 sq m at a total land grant fee of RMB 2,103,156,360. Chengdu Jiaxun will execute the relevant State-owned Land Use Rights Grant Contract with Chengdu Land Resources and Housing Administrative Bureau.
- We have attributed no commercial value to the property which has not obtained the relevant title certificates. For reference purpose, we are of the opinion that the capital value of the property as at the date of valuation would be RMB2,197,000,000 assuming all relevant title certificates have been obtained and the property could be freely transferred;

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4. We have been provided with a legal opinion on the title to the property issued by the Group’s PRC legal advisers, which contains, inter alia, the following information:
- (i) pursuant to the Transaction Confirmation of State-owned Construction Land Use Rights as stated in note (1), Chengdu Jiaxun won the auction for a parcel of land with a site area of 184,487.41 sq m for residential and commercial uses; and
 - (ii) Chengdu Jiaxun or its subsidiary will execute the relevant State-owned Land Use Rights Grant Contract with the relevant Chengdu land administrative department. After the contract has been signed, there is no substantial legal impediment for Chengdu Jiaxun or its subsidiary to obtain the relevant Land Use Rights Certificates for the property in accordance with the relevant laws and regulations after the obligations under the State-owned Land Use Rights Grant Contract have been performed.

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Group VIII — Other property interests held by the Group

			Particulars of occupancy	Market value in existing state as at 31 August 2009												
No.	Property	Description and tenure														
86.	Qinglong Project (青龍項目), Qinglong Living Zone, Changzhou, Jiangsu Province, PRC	The property, known as Qinglong Project, comprises a parcel of land with a site area of approximately 164,855.00 sq m (1,774,499 sq ft). According to the latest development proposal provided by the Group, the property will be developed into a residential and commercial development with ancillary facilities in four phases. Upon completion, the property will provide a total gross floor area of approximately 418,000.00 sq m (4,499,352 sq ft). Details of the approximate gross floor area of the property are as follows: <table><tr><th>Portion</th><th>Approximate gross floor area (sq m)</th></tr><tr><td>Residential</td><td>301,000.00</td></tr><tr><td>Retail</td><td>48,000.00</td></tr><tr><td>Underground car park</td><td>65,000.00</td></tr><tr><td>Ancillary facilities</td><td>4,000.00</td></tr><tr><td>Total:</td><td>418,000.00</td></tr></table>	Portion	Approximate gross floor area (sq m)	Residential	301,000.00	Retail	48,000.00	Underground car park	65,000.00	Ancillary facilities	4,000.00	Total:	418,000.00	The property is currently vacant.	No commercial value
Portion	Approximate gross floor area (sq m)															
Residential	301,000.00															
Retail	48,000.00															
Underground car park	65,000.00															
Ancillary facilities	4,000.00															
Total:	418,000.00															

Notes:

- Chongqing Longhu Development Co. Ltd. (重慶龍湖企業拓展有限公司) (“Chongqing Longhu Development”) is a 91.3% owned subsidiary of the Group.
- Pursuant to the Transaction Confirmation No.20090803(第20090803號) dated on 9 October 2009, Chongqing Longhu Development Co. Ltd. (重慶龍湖企業拓展有限公司) (“Chongqing Longhu Development”) has won the auction for a parcel of land with a total site area of 164,855 sq m at a total land grant fee of RMB 508,930,000. Chongqing Longhu Development will execute the relevant State-owned Land Use Rights Grant Contract with Changzhou Land Resources Bureau.
- We have attributed no commercial value to the property which has not obtained the relevant title certificates. For reference purpose, we are of the opinion that the capital value of the property as at the date of valuation would be RMB642,000,000 assuming all relevant title certificates have been obtained and the property could be freely transferred;

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4. We have been provided with a legal opinion on the title to the property issued by the Group’s PRC legal advisers, which contains, inter alia, the following information:
- (i) pursuant to the Transaction Confirmation as stated in note (1), Chongqing Longhu Development won the auction for a parcel of land with a site area of 164,855.00 sq m for residential uses; and
 - (ii) Chongqing Longhu Development or its subsidiary will execute the relevant State-owned Land Use Rights Grant Contract with the relevant Changzhou land administrative department. After the contract has been signed, there is no substantial legal impediment for Chongqing Longhu Development or its subsidiary to obtain the relevant Land Use Rights Certificates for the property in accordance with the relevant laws and regulations after the obligations under the State-owned Land Use Rights Grant Contract have been performed.

APPENDIX V SUMMARY OF PRINCIPAL PRC LEGAL AND REGULATORY PROVISIONS

I. LEGAL FRAMEWORK REGULATING THE PRC PROPERTY MARKET

A. Establishment of a property development enterprise

Pursuant to the “Law of the People’s Republic of China on Administration of Urban Property” (the “Urban Property Law”) (中華人民共和國城市房地產管理法) enacted by the Standing Committee of the National People’s Congress on July 5, 1994 and enforced on January 1, 1995 and revised on August 30, 2007, a property developer is defined as “an enterprise which engages in the development and operation of property for the purposes of making profits”. Under the “Regulations on Administration of Development and Operation of Urban Property” (the “Development Regulations”) (城市房地產開發經營管理條例) enacted by the State Council and enforced on July 20, 1998, a property development enterprise must satisfy the following requirements: (1) have a registered capital of not less than RMB1 million and (2) have four or more full-time professional property/construction technicians and two or more full-time accounting officers, each of whom shall hold the relevant qualifications. The Development Regulations also stipulated that people’s governments of the provinces, autonomous regions and/or municipalities directly under the central government may impose more stringent requirements regarding the registered capital and qualifications of professional personnel of a property development enterprise according to the local circumstances. Pursuant to the “Regulations on Real Estate Developments and Operations of Chongqing Municipality” (重慶市城市房地產開發經營管理條例), revised by the Standing Committee of Chongqing Municipal People’s Congress and enforced on August 1, 2005, the registered capital of a real estate development enterprise in the Chongqing shall not be less than RMB2 million, and the Minimum Standards are different on real estate development enterprises with different qualification classifications. Real estate development enterprises with different qualification classifications should accord to their respective requirements of full-time professional technicians. Pursuant to the “Notice on Clearing and Renewal of Qualification Certificate of a Real Estate Development Enterprise” (關於開展房地產開發企業清理和換發資質證書工作的通知) which applies to those real estate enterprises established in Chengdu, issued by Sichuan Provincial Construction Department and enforced on June 13, 2000, the registered capital of a property development enterprise in the Sichuan Province shall not be less than RMB5 million, and the Minimum Standards are different on real estate development enterprises with different qualification classifications. Real estate development enterprises with different qualification classifications should accord to their respective requirements of full-time professional technicians. Pursuant to the “Notice of Beijing Municipal Construction Committee on Forwarding the Provisions of Ministry of Construction on Administration of Qualification Certificates of Real Estate Developers” (北京市建設委員會關於轉發建設部《房地產開發企業資質管理規定》的通知), issued by Beijing Municipal Construction Committee and enforced on Sep 4 2000, the registered capital of a real estate development enterprise in the Beijing shall not be less than RMB10 million, and the Minimum Standards are different on real estate development enterprises with different qualification classifications. Real estate development enterprises with different qualification classifications should accord to their respective requirements of full-time professional technicians.

Pursuant to the Development Regulations, application for registration has to be submitted to the department of administration of industry and commerce for the establishment of property development enterprise. The property development enterprise must file for record with the property development authority in the location of the registration authority, within 30 days of the receipt of its Business License.

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Under the “Notice on Adjusting the Portion of Capital Fund for Fixed Assets Investment of Certain Industries” (國務院關於調整部分行業固定資產投資專案資本金比例的通知) issued by the State Council on April 26, 2004, the proportion of capital fund of real estate development projects (excluding economically affordable housing projects) has been increased from 20% or above to 35% or above.

On May 25, 2009, a Notice on Adjusting the Proportion of Capital Fund for Fixed Assets Investment Project (國務院關於調整固定資產投資項目資本金比例的通知) was issued by the State Council. The Notice stipulates that the minimum proportion of capital fund for ordinary residential property development projects and social security housing development projects is decreased to 20% while that for the other real estate development projects is decreased to 30%.

B. Foreign-invested property development enterprises

Pursuant to the “Foreign Investment Industrial Guidance Catalogue (2004 Revision)” (the “2004 Industrial Guidance Catalogue”) (外商投資產業指導目錄(2004年修訂)) jointly enacted by the Ministry of Commerce (“MOFCOM”) and the National Development and Reform Commission (“NDRC”) on November 30, 2004 and enforced on January 1, 2005, the development and construction of ordinary residential units falls within the category of “encouraged industry”; the development of large scale of land lots which shall be operated only by sino-foreign equity joint venture or sino-foreign co-operative joint venture, and the construction and operation of high-end hotels, villas, premium office buildings, international conference centers and large theme parks fall within the category of “restricted industry”; other types of property development fall within the category of “permitted industry”. Foreign-invested property development enterprises can be established in the form of sino-foreign equity joint venture, sino-foreign co-operative joint venture or wholly owned foreign enterprise according to the 2004 Industrial Guidance Catalogue and other laws and administrative regulations relating to foreign investment enterprises. Prior to the application for registration to the department of administration of industry and commerce, the enterprise must be approved by the authorities of commerce and obtain an Approval Certificate for a Foreign Investment Enterprise.

Pursuant to the new “Foreign Investment Industrial Guidance Catalogue (2007 Revision)” (the “2007 Catalogue”) (外商投資產業指導目錄(2007年修訂)) jointly enacted by MOFCOM and NDRC on October 31, 2007 and enforced on December 1, 2007, which repealed the 2004 Industrial Guidance Catalogue upon its enactment, the development and construction of ordinary residential houses has been removed from the encouraged category to the permitted category; the restricted category has been adjusted as the following: (i) the development of large scale of land lots which shall be operated only by sino-foreign equity joint venture or sino-foreign co-operate joint venture; (ii) the construction and operation of high-end hotels, villas, premium office buildings, international conference centers; (iii) housing agents, brokerages and the second-tier real estate market; the construction and operation of large scale theme park has been removed from the Real Estate industry to the Culture, Sports and Entertainment Industries which is still in the restricted category. It means that the enterprise investing in such projects will not be regarded as a real estate development company; the construction and operation of golf courts has been removed from the restricted category to the prohibited category. Our directors consider that the 2007 catalog has no material impact on the Group’s business and operations.

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On July 11, 2006, the PRC Ministry of Construction (“MOC”), MOFCOM, NDRC, the People’s Bank of China (“PBOC”), the State Administration of Industry and Commerce (“SAIC”) and the State Administration for Foreign Exchange (“SAFE”) jointly enacted the “Circular on Standardising 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) (Jianzhufang [2006] 171). According to this Circular, the admittance and administration of the foreign capital in property market must comply with the following requirements:

- (a) Foreign institutions or individuals purchasing property in China not for their own use shall follow the principle of commercial existence and apply for establishment of foreign investment enterprises under the regulations of foreign investment in property. The foreign institutions and individuals can only carry on their business within the approved business scope after obtaining the approvals from the relevant authorities and upon completion of the relevant registrations.
- (b) If the total investment of a foreign-invested real estate enterprise exceeds or equals to USD10 million, the registered capital must not be less than 50% of the total investment. If the total investment is less than USD10 million, the amount of the registered capital shall follow the existing regulations.
- (c) For the establishment of a foreign-invested real estate enterprise, the commerce authorities and the department of administration of industry and commerce are in charge of granting approval for establishment and effecting registration of the foreign invested property development enterprise and issuing the Approval Certificate for a Foreign Investment Enterprise and the Business License which are only effective for one year. After settlement of the land premiums, the enterprises should apply for the Grant of State-owned Land Use Rights certificate by presenting the above-mentioned certificate and license. With the land use rights certificate, the enterprises will receive an official Approval Certificate for a Foreign Investment Enterprise from the commerce authorities, and shall replace the Business License with one that has the same operation term as the formal Approval Certificate for Foreign Investment Enterprise in the department of administration of industry and commerce, and then it shall apply for tax registration with the tax authorities.
- (d) Transfers of projects of or shares in foreign-invested real estate enterprises, and the acquisitions of domestic real estate enterprises by foreign investors should follow strictly the relevant laws, regulations and policies to obtain the approvals. The investor should submit: (a) the guarantee letters for the performance of the Grant of State-owned Land Use Right, The Planning Permit for Construction Land and Construction Work Planning Permit; (b) Certificate of Land Use Right; (c) the certification on alteration of archival files issued by construction authorities; and (d) the certification on the payment of tax issued by the relevant tax authorities.
- (e) While merging and acquiring domestic real estate enterprises by way of share transfer or other means, or the purchase of shares from the Chinese party in a sino-foreign equity joint venture, the foreign investors shall properly resettle the employees, settle the bank loans and pay all the consideration at a time with its internal fund. The foreign investors with unfavourable record shall not be allowed to conduct any of the aforesaid activities.

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On May 23, 2007, MOFCOM and SAFE jointly issued the “Notice Concerning Further Strengthening and Regulating the Examination, Approval and Supervision of Direct Foreign Investment in Real Estate” (the “Notice 50”) (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) (Shang Zi Han [2007] No. 50). The Notice 50 provides stricter controlling measures including, among others:

- (a) Foreign investment in the real estate sector in the PRC relating to high-end properties should be strictly controlled.
- (b) When the application is filed for establishment of foreign invested real estate enterprise, the Grant of State-owned Land Use Right, the ownership of the property should be obtained first, or the pre-granting/purchase agreement has already been concluded with the land administration authority, land developer/owner of the property. If the above requirements have not been satisfied, the approval authority shall not approve the application.
- (c) Acquisition of or investment in domestic real estate enterprises by way of return investment (including the same actual controlling person) shall be strictly controlled. Overseas investors may not avoid approval for foreign investment in property by way of changing the actual controlling person of the domestic real estate enterprise. Once the foreign exchange authority has found the foreign-invested property enterprise established by way of deliberately avoiding and false representation, it shall take action against the enterprise’s conduct of remittance of capital and interest accrued without approval, and the enterprise shall bear the liability for cheated purchase and evasion of foreign exchange.
- (d) Both Chinese and non-Chinese parties in a foreign-invested real estate enterprises are prohibited from guaranteeing a fixed return or the same effect to the other party in any way.
- (e) If foreign-invested enterprises engage in real estate development or operation business or if foreign-invested real estate enterprises engage in new real estate project development and/or operations, they must apply to the relevant examination and approval authorities for their expansion of scope of business or scale of operation in accordance with the laws and regulations related to foreign investments.
- (f) Local examination and approval authorities must report to MOFCOM for record their approvals of establishment of foreign-invested real estate enterprises.
- (g) Local SAFE administrative authorities and designated foreign exchange banks shall not conduct foreign exchange purchase and settlement process for any foreign-invested real estate enterprises who fail to satisfy MOFCOM for filing requirement or annual review procedure. With regard to the foreign invested real estate enterprises examined and approved by local authority hereof against the law, MOFCOM shall investigate and rectify it, the authority of foreign exchange administration shall not handle such procedures as foreign exchange registration hereto.

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On July 10, 2007, SAFE promulgated “Notice of the list of first batch of foreign-invested real estate projects that have been filed with MOFCOM” (國家外匯管理局綜合司關於下發第一批通過商務部備案的外商投資房地產項目名單的通知) (Hui Zong Fa [2007] No. 130), which imposes some restrictions on foreign exchange and foreign debts registration of the foreign-invested real estate enterprises which are incorporated after June 1, 2007, the details are as following:

- (a) For a foreign-invested real estate enterprise (both newly established and through capital increase, same below) which has obtained the approval certificate from the competent commercial department and filed with MOFCOM after and including June 1, 2007 (same below), the local Administration of Foreign Exchange will not conduct the foreign debt registration and foreign debts settlement approval process.
- (b) For a foreign-invested real estate enterprise which has obtained the approval certificate from the local competent commercial department but failed to file with MOFCOM after and including June 1, 2007, the local Administration of Foreign Exchange will not conduct foreign exchange (or change the registration) and the settlement and sales process for capital projects.

On June 18, 2008, MOFCOM issued the Notice on Proper Handling of Archiving Documents for Foreign investment in the Real Estate Industry (商務部關於做好外商投資房地產業備案工作的通知). According to the Notice, the competent departments of commerce at the provincial level are authorized to verify the materials for archiving submitted by the foreign invested real estate enterprise, and MOFCOM together with other departments of the State Council shall conduct spot-checks over the above enterprises.

On December 20, 2008, the State Council General Affairs Office issued Several Opinions on Promoting the Sound Development of the 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) in order to speed up the development of social security housing, encourage purchases of properties for self-use and upgrade purposes, and direct real estate developers to cope with the changing market.

According to the Opinions, the following measures will be adopted to facilitate the development of real estate developers:

- (i) increasing credit financing support to ordinary residential housing developments of low to medium level prices or of small to medium sizes, particularly those under construction;
- (ii) providing financial support and other related services to real estate developers with good credit standing for their merger and acquisition activities;
- (iii) conducting housing accumulation fund’s trial test and providing various funding channels;
- (iv) supporting bond issuance by real estate developers with good credit and financial positions; and
- (v) eliminating urban real estate tax, and unifying the real estate taxes applicable to domestic and foreign-funded enterprises and individuals, who will all be subject to the PRC Tentative Regulations on Real Estate Tax.

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C. Qualifications of a property developer

(a) *Classifications and assessment of a property development enterprises’ qualification*

Under the Development Regulations, a property developer must file for record its establishment to the property development authority in the location of the registration authority within 30 days after receiving its business license. The property development authority shall assess the qualification classification of the property developer which is filing for record by considering its assets, professional personnel and development and operation records. A property development enterprise shall only engage in property development projects in compliance with its approved qualification.

Under the “Provisions on Administration of Qualifications of Property Developers” (the “Provisions on Administration of Qualifications”) (房地產開發企業資質管理規定) enacted by the Ministry of Construction and entered into force on March 29, 2000, a property developer shall apply for registration of its qualifications according to the Provisions on Administration of Qualifications. An enterprise may not engage in the development and operation of property without a qualification classification certificate for property development.

In accordance with the Provisions on Administration of Qualifications, qualifications of a property development enterprise are classified into four classes: class 1, class 2, class 3 and class 4. Different classes of qualification should be examined and approved by the corresponding authorities. The class 1 qualification shall be subject to preliminary examination by the construction authority under the people’s government of the relevant province, autonomous region or municipality directly under the central government and final approval by the construction authority under the State Council. Procedures for assessing class 2 or lower qualifications developers shall be formulated by the construction authority under the people’s government of the relevant province, autonomous region or municipality directly under the central government. A developer which passes the qualification examination will be issued a qualification certificate of the relevant class by the qualification assessment authority. After a newly established property developer reports its establishment to the property development authority, the latter shall issue a provisional qualification certificate to make the developer eligible within 30 days of receipt of the report. The provisional qualification certificate shall be effective for one year from the date of its issuance. The property development authority can extend the validity period for not more than two years after considering the actual business situation of the enterprise. The property developer shall apply for qualification classification by the property development authority within one month before the expiry of the provisional qualification certificate.

According to the “Regulations on Real Estate Developments and Operations of Chongqing Municipality” (重慶市城市房地產開發經營管理條例), the qualifications of real estate development enterprises are classified into four classes: class 1, class 2, class 3 and class 4. The class 1 qualification shall be subject to preliminary assessment by the real estate development authority under the municipal people’s government and final approval by the MOC; Classes 2 and 3 qualifications shall be approved by the real estate development authority under the municipal people’s government; Class 4 qualification shall be approved by the real estate development authority under the local people’s government where the property development enterprise is located and reported to the real estate development authority under the municipal people’s government for record.

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Under the “Notice on Clearing and Renewal of Qualification Certificate of a Real Estate Development Enterprise” (關於開展房地產開發企業清理和換發資質證書工作的通知) issued by Sichuan Provincial Construction Department which applies to those real estate enterprises established in Chengdu, a real estate development enterprise should obtain an approval from the construction authority under the provincial or city people’s government (class 1 qualification shall be final approval by MOC), and shall apply for issue of qualification certificate in accordance with the rules. The qualifications of real estate development enterprises are classified into four classes: class 1, class 2, class 3 and class 4.

According to the “Notice of Beijing Municipal Construction Committee on Forwarding the Provisions of Ministry of Construction on Administration of Qualification Certificates of Real Estate Developers” (北京市建設委員會關於轉發建設部《房地產開發企業資質管理規定》的通知), the qualifications of real estate development enterprises are classified into four classes: class 1, class 2, class 3 and class 4. The class 1 qualification shall be subject to preliminary assessment by Beijing Municipal Construction Committee and final approval by the MOC; classes 2, 3 and 4 qualifications shall be approved by Beijing Municipal Construction Committee.

(b) *The business scope of a real estate developer*

Under the “Provisions on Administration of Qualifications”, a developer of any qualification classification may engage in the development and operation of property within its approved scope of business and is not allowed to engage in ultra vires business. A class 1 real estate developer may undertake a real estate development project anywhere in the country without any limit of the scale of property project. A property developer of class 2 or lower may undertake a project with a gross floor area of less than 250,000 sq.m. and the specific scope of business shall be determined by the construction authority the relevant province, autonomous region or municipality.

Under the “Regulations on Real Estate Developments and Operations of Chongqing Municipality” (重慶市城市房地產開發經營管理條例), the gross floor area of a project to be developed by a class 1 real estate developer is not restricted. The gross floor area of a project to be developed by a class 2 real estate developer should be less than 250,000 sq.m. A class 3 real estate developer may undertake a project with a gross floor area of less than 100,000 sq.m. The gross floor area of a project to be developed by a class 4 real estate developer should be less than 20,000 sq.m.

The “Notice on Clearing and Renewal of Qualification Certificate of a Real Estate Development Enterprise” (關於開展房地產開發企業清理和換發資質證書工作的通知) which applies to those real estate enterprises established in Chengdu have not set out any express provision concerning the scope of a property developer.

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Under the “Notice of Beijing Municipal Construction Committee on Forwarding the Provisions of Ministry of Construction on Administration of Qualification Certificates of Real Estate Developers” (北京市建設委員會關於轉發建設部《房地產開發企業資質管理規定》的通知), the gross floor area of a project to be developed by a class 1 real estate developer is not restricted. The gross floor area of a project to be developed by a class 2 real estate developer should be less than 250,000 sq.m. A class 3 real estate developer may undertake a project with a gross floor area of less than 200,000 sq.m. The gross floor area of a project to be developed by a class 4 real estate developer should be less than 100,000 sq.m.

(c) *The annual review of a property developer’s qualification*

Pursuant to “Provisions on Administration of Qualifications”, the qualification of a property developer should be annually reviewed. The construction authority under the State Council or the entrusted institution is responsible for carrying out the annual review of class 1 property developer’s qualification. Procedures for annual review of developers of class 2 or lower qualifications shall be formulated by the construction authority under the people’s government of the relevant province, autonomous region or municipality.

The regulations relating to qualifications of a real estate developer in Chongqing, Sichuan and Beijing have not set out any express provision concerning annual review.

D. Development of a property project

(a) *Land for property development*

Under the “Interim Regulations of the People’s Republic of China on Granting and Transfer of the Right to Use State-owned Land in Urban Areas” (the “Interim Regulations on Granting and Transfer”) (中華人民共和國城鎮國有土地使用權出讓和轉讓暫行條例) promulgated and enforced by the State Council on May 19, 1990, a system of granting and transfer of the right to use State-owned land is adopted. A land user shall pay a premium to the State as consideration for the Grant of State-owned Land Use Rights within certain terms, and a land user may transfer, lease, mortgage or otherwise commercially exploit the Grant of State-owned Land Use Right within his terms of use. Under the Interim Regulations on Granting and Transfer and the Urban Property law, the land administration authority under the local government of the relevant city or county shall enter into an granting contract with the land user for the Grant of State-owned Land Use Right. The land user shall pay the granting price as stipulated in the granting contract. After paying the granting price in full, the land user shall register with the land administration authority and obtain a The State-owned Land Use Rights Certificate. The Certificate is an evidence of the acquisition of Grant of State-owned Land Use Rights. The Development Regulations provide that the Grant of State-owned Land Use Rights for a site intended for real estate development shall be obtained by way of a grant except for those Grant of State-owned Land Use Rights which may be obtained by way of allocation pursuant to the PRC laws or the stipulations of the State Council.

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Under the “Regulations on the Granting of State-Owned Land Use Right 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) enacted by the Ministry of Land and Resources on May 9, 2002 and enforced on July 1, 2002, land for commercial use, tourism, entertainment and commodity housing development shall be granted by way of public tender, auction and listing-for-bidding. In cases where there are two or more applicants for one parcel of land, the Grant of State-owned Land Use Right shall also be granted by way of public tender, auction and listing-for-bidding. The procedures are as follows:

- i. The land authority under the people’s government of the city and county (the “grantor”) shall make an announcement at least 20 days prior to the date of the proposed public tender, auction and listing-for-bidding. The announcement should include basic particulars such as land parcel, qualification requirement of the bidder and auction applicants, methods and criteria on confirming the winning tender or winning bidder, and other conditions such as the deposit of the bid.
- ii. The grantor shall conduct a qualification verification of the bidding applicants and auction applicants, inform the applicants who satisfy the requirements set out in the announcement and invite them to attend the competitive public tender, auction or listing-for-bidding.
- iii. After determining the winning tender or the winning bidder by the competitive public tender, auction or listing-for-bidding, the grantor and the winning tender or winning bidder shall then enter into a confirmation. The grantor should return the remaining bidding or tender deposits to their original applicants.
- iv. The grantor and the winning tender or winning bidder shall enter into a contract for Grant of State-owned Land Use Right granted according to the time and venue set out in the confirmation. The deposit of the bid paid by the winning tender or winning bidder will be used to set off part of the granting price of the Grant of State-owned Land Use Rights.
- v. The winning tender or winning bidder should apply for the land registration after paying off the granting price in accordance with the Grant of State-owned Land Use Right. The people’s government above the city and county level should issue the “Land Use Right Certificate for State-Owned Land”.

According to the “Notice of the Ministry of Land and Resources on Relevant Issues Concerning the Strengthening of Examination and Approval of Land Use in Urban Construction” (the “Land Use Approval Notice”) (關於加強城市建設用地審查報批工作有關問題的通知) enacted by the Ministry of Land and Resources on September 4, 2003, commencing from the day of distribution of the Land Use Approval Notice, land use for luxurious commodity houses shall be stringently controlled, and applications for land use for building villas shall be stopped. On May 30, 2006, the Ministry of Land and Resources issued the “Urgent Notice of Further Strengthening the Administration of the Land” (關於當前進一步從嚴土地管理的緊急通知) (the “Urgent Notice”). It is expressly prescribed in this Urgent Notice that land for real estate development must be granted by way of public tender, auction and listing-for-bidding; the rules of stopping the development project for villas should be strictly enforced; and all supply of land for such purpose and handling of related land use procedures will be ceased from the day of the Urgent Notice’s issuance.

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Under the Urgent Notice, the land authority should rigidly execute the “Model Text of the State-owned Land Use Right Granting Contract” and “Model Text of the State-owned Land Use Right Granting Supplementary Agreement (for Trial Implementation)” jointly enacted by the Ministry of Land Resources and SAIC. The documents of the land granting should ascertain the requirement of planning, construction and land use such as the restriction of the dwelling size, plot ratio and the time limit of starting and completion. All these should be agreed in the Land Use Right Granting Contract.

On September 8, 2007, the Ministry of Land and Resources promulgated a “Notice on Strengthening the Disposing of Idle Land” 《關於加大閒置土地處置力度的通知》 providing that the Grant of State-owned Land Use Right shall be granted by ways of “Cultivated Land”. It means that the Grant of State-owned Land Use Right can only be transferred after the payment of compensation fees for landing and settlement and completion of the land development at the earlier stage. The notice also prescribes that the State-owned Land Use Rights Certificate shall not be issued before the land grant premium for acquisition of land has been paid in full, nor be issued separately according to the ratio of payment of land grant premium.

On September 28, 2007, the Ministry of Land Resources promulgated the Regulation on Bidding, Auction and Listing Required for Granting of State-Owned Construction Land (《招標拍賣掛牌出讓國有建設用地使用權規定》) (“this Regulation”) which enforced on November 1, 2007. This Regulation specifies that the grantee of State-owned construction land use rights shall fully pay up the premium for the Grant of State-owned Land Use Right in accordance with the State-owned land granting contract before it could proceed with the relevant procedures for Grant of State-owned Land Use Right registration and apply for a State-owned Construction Land Use Rights Certificate. No grantee could be granted a State-owned Construction Land Use Rights Certificate for the land in proportion to the partial payment of the premium that the grantee has paid.

On February 27, 2007, the Ministry of Land and Resources and the Ministry of Finance jointly promulgated the Provisional Measures on Financial Administration of Reserve Land Funds 《土地儲備資金財務管理暫行辦法》 for the purpose of perfecting the land reserve system, strengthening land regulation and control, regulating the operation of the land market, strengthening land administration and regulating land reserve administrative behaviors.

On November 19, 2007, the Ministry of Land and Resources, the Ministry of Finance and the PBOC jointly promulgated the Measures for the Administration of Reserved Land 《土地儲備管理辦法》 (“Reserved Land Measures”). As defined in the Reserved Land Measures, reserved land refers to the pro-phased development of land, and the reserving of land for such projects by departments responsible for land under county or city governments. The purpose of reserving such land is to control the property market and promote the appropriate use of land resources.

Under the Reserved Land Measures, the above-mentioned departments should draft plans for the implementation of such projects, and strictly accord with the plans. Before departments implement such plans, they must obtain appropriate governmental approval.

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On December 30, 2007, the Notice of the General Office of the State Council on Strictly Enforcement of Regulations and Policies Regarding to Rural Collective Construction Land 《國務院辦公廳關於嚴格執行有關農村集體建設用地法律和政策的通知》 was issued to introduce a series of measures for strictly strengthening administration and management of rural collective construction land.

The State Council issued the Circular on Saving Intensive-use Land 《國務院關於促進節約集約用地的通知》 on land conservation and improving the efficiency of land use on January 3, 2008, in order to better protect arable land. The circular called on relevant government agencies to map out large-scale “scientific infrastructure” programs, tighten land use approval in both rural and urban areas and step up land market monitoring. The circular prescribed that, if land approved for development remains unused for more than two years, it should be recovered by the government according to laws and regulations. If the land remains idle for more than one year and less than two years, land developers should pay a 20 percent non-usage fee. More than 70 percent of the land used for construction of urban housing should be designated for residential purposes for low-rent units, affordable housing, price-limited housing and smaller units of less than 90 square meters. The circular also stipulates that lending and financing services will not be provided for illegally used land. Moreover, financial institutions should be very prudent when they provide loans and/or when they examine financing for real estate projects that exceed one year from the start date listed in the land use right granting contract, for which less than 1/3 of the development area has been completed, or for which less than 1/4 of the investment has been made.

(b) *Resettlement*

Pursuant to the Administration Rules of Demolition and Removal of Housing in Urban Areas 《城市房屋拆遷管理條例》 promulgated by the State Council on June 13, 2001, the party responsible for resettlement (the “Resettling Party”) should apply for a resettlement permit and provide monetary compensation or alternative residence for the residents to be resettled. The real estate administration authority will issue a resettlement notice after granting the resettlement permit, detailing the parties concerned, the properties affected and the period of the resettlement. The Resettling Party will then enter into written agreements with the relevant residents detailing, among other things, the compensation to be provided to the residents, which will be determined on the basis of, among other things, the property’s location, permitted use and gross floor area. If the Resettling Party and the residents fail to reach agreement, either party may apply to the relevant authority for a ruling. A ruling will be given within 30 days of the application, following which either party may initiate proceedings in the People’s court within three months of the ruling if they contest the ruling.

In order to prevent illegal demolition and removal, and overheating investment in some areas, the General Office of the State Council issued the Notice on Controlling the Scale of Demolition and Removal and Strengthening Administration of Demolition and Removal 《關於控制城鎮房屋拆遷規模嚴格拆遷管理的通知》 on June 6, 2004. The notice addresses issues including, but not limited to, the following: (i) strictly controlling the area of demolition and removal to ensure that the total area of demolition and removal is less than that of the previous year; (ii) strictly administering the procedures

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of demolition and removal so that the process is carried out in an open, fair and just manner; (iii) strengthening the supervision and administration of the compensation costs incurred for the demolition and removal, and ensuring the completion of the relocation; and (iv) strictly punishing certain illegal actions in relation to demolition and removal.

(c) *Development of a real estate project*

i. *Commencement of a real estate project and the idle land*

Under the Urban Property Law, those who have obtained the Grant of State-owned Land Use Right through a granting must develop the land in accordance with the terms of use and within the period of commencement prescribed in the contract for the Grant of State-owned Land Use Rights granting. According to the “Measures on Disposing Idle Land” (閒置土地處置辦法) enacted and enforced by the Ministry of Land and Resources on April 28, 1999, the land can be defined as idle land under any of the following circumstances:

- development and construction of the land is not commenced within the prescribed time limit after obtaining the Grant of State-owned Land Use Right without consent from the people’s government who approved the use of the land;
- where the “Contract on Paid Use of the Right to Use State-Owned Land” or the “Approval Letter on Land Used for Construction” has not prescribed the date of commencing the development and construction, the development and construction of the land is not commenced at the expiry of one year from the date when the “Contract on Paid Use of the Right to Use State-Owned Land” became effective or when the administrative department of land issued the “Approval Letter on Land Used for Construction”;
- the development and construction of the land has been commenced but the area of the development and construction that has been commenced is less than one-third of the total area to be developed and constructed or the invested amount is less than 25% of the total amount of investment, and the development and construction have been continuously suspended for one year or more without an approval; and
- other circumstances prescribed by the laws and the administrative regulations.

The municipality or county-level municipality administrative department shall, after a piece of land being ascertained as idle land, notify the concerned land user and draft a proposal on methods of disposal of the idle land including but not limited to the extension of the time period for development and construction (provided that the extension shall be no longer than one year), changing the use of the land, arranging for temporary use, the government may grant the idle land with the same value or other construction land to the land user, ascertaining a new land user by such ways as public tender, auction; and the land user may sign a reclaiming agreement with the government to return such Grant of State-owned Land Use Right to the government. The administrative department of land under the people’s government of city or county level shall, after the proposal on disposal has been approved by the original people’s government who

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approved the use of the land, arrange for implementation of the proposal. To the idle land which is obtained by granting the real estate development and is within the scope of city planning, if the work has not been commenced after one year from the prescribed date of commencement, a surcharge on idle land equivalent to less than 20% of the granting price may be levied; if the work has not been commenced after two years from the prescribed date of commencement, the land can be confiscated without any compensation. However, the preceding stipulations shall not apply if the delay is caused by force majeure; acts of government or acts of other relevant departments under the government; or by the indispensable preliminary work.

The “Notice on Strengthening the Disposing of Idle Land” 《關於加大閒置土地處置力度的通知》 issued by the Ministry of Land Resources on September 8, 2007 emphasizing that the disposal of idle land shall be speeded up. The land regulatory authority may impose an idle land penalty of up to 20% of the land premium; the land regulatory authority shall reclaim the idle land without compensation as required by the relevant regulations. For land that becomes idle as a result of illegal approval, such land shall be reclaimed before the end of 2007.

On September 30, 2007, the Ministry of Land Resources issued the “Notice On Implementation of the <Several Opinions of the State Council of the PRC on Solving Housings Shortage with respect to Urban Low-Income Household> and Further Strengthening Control on 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) for strictly strengthening disposal of idle land. In cases where such land remains undeveloped one year after the construction commencement date as stated in the relevant Grant of State-owned Land Use Right, an idle land penalty on the real estate developer may be levied by the land regulatory authority, and the real estate developer would be required by the land regulatory authority to rectify the situation with prescribed time. The land regulatory authority may impose an idle land penalty of up to 20% of the land premium. In cases where such land remains undeveloped for two years, the land regulatory authority may reclaim the land. If the development of such land has commenced, development has been suspended without approval for one year, and the portion of the land that has been developed is less than 1/3 of the total area to be developed, or the amount of capital directly invested in the construction of the building is less than 1/4 of the total investment, such land shall be handled as a idle land. Since all of our projects which obtained the certificates of the land use right have commenced construction or are at the maintaining stage, our directors consider that this notice has no material impact on the Group’s business and operation.

Since currently the domestic affiliated companies are free from the above situation, the Notice will not have any impact on portions of land which the domestic affiliated companies have legal rights to use

ii. *Planning of a property project*

According to the “Urban and Rural Planning Law of the People’s Republic of China” (中華人民共和國城鄉規劃法) enacted by the Standing Committee of the National People’s Congress on October 28, 2007 and as shall come into force as of January 1, 2008, which repealed the “City Planning Law of the People’s Republic of China” (中華人民共和國城市規劃法) enacted by the Standing Committee of the National People’s Congress on December 26, 1989 and

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enforced on April 1, 1990, and the “Measures for Planning Administration of Granting and Transfer of Right to Use Urban State-owned Land” (國有土地使用權出讓轉讓規劃管理辦法) enacted by the Ministry of Construction on December 4, 1992 and enforced on January 1, 1993 and the “Notice of the Ministry of Construction on Strengthening the Planning Administration of Granting and Transferring 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) enacted and enforced by the Ministry of Construction on December 26, 2002, after signing a Grant of State-owned Land Use Right, a property developer shall apply for a The Planning Permit for Construction Land (建設用地規劃許可證) from the city and county planning authority under the people’s government with the granting contract and the relevant documents of approval, assessment, record for the proposed real estate project. The granting contract without any provisions relating to land planning will be invalidated. In cases where the construction site of buildings, roads, pipelines or other types is located in a planning zone of a city or county, the construction enterprises or individuals shall apply for a Planning Permit for Construction Works (建設工程規劃許可證) from the city/county planning authority or a people’s government at village level designated by the provincial people’s governments.

Under the “Urban and Rural Planning Law of the People’s Republic of China”, governments above the county level are entitled to withdraw the relevant approval documents when any permit for access to or use of the land is granted to the developer before obtaining the land planning permit; land occupied shall be returned immediately and the compensation shall be paid when damages to parties concerned have resulted. This law also emphasizes the preservation of natural resources and historical and cultural estates, and the maintenance of local and national characteristics and tradition.

iii. *Construction of a property project*

After obtaining the Permit for Construction Work Planning, a property developer shall apply for a Permit for Commencement of Construction Works (施工許可證) from the construction authority under the local people’s government above the county level 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) enacted by the Ministry of Construction on October 15, 1999 and revised and enforced on July 4, 2001. However, in cases where the investment amount is less than RMB300,000 or the construction area is less than 300 sq.m., such property projects are not required to obtain a Construction Permit. For a property project which shall be applied for a Construction Permit as required by the aforesaid regulations, the real estate developer shall not start to construct without a Construction Permit.

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Construction Safety

On November 1, 1997, the Construction Law of the People’s Republic of China 《中華人民共和國建築法》 was promulgated by the 28th Meeting of the Standing Committee of the Eighth National People’s Congress, which became effective as of March 1, 1998. A summary of the important provisions in respect of construction production safety management in the Construction Law is set forth below:

- Construction project production safety management must adhere to the policy of safety first and prevention first, and must establish and perfect a system of production safety. Construction project design shall conform to the construction safety procedures and technical standards formulated in accordance with state provisions to ensure the safe execution of the project.
- A building construction enterprise shall work out corresponding safety technical measures according to the characteristics of each construction project when developing its construction plans; for specialty-intensive items of the project, special-purpose designs for safe construction shall be compiled and safety technical measures taken. A building construction enterprise shall take such measures as the maintenance of safety and precautions against danger and fire prevention at the construction site. A building construction enterprise shall take safety protection measures in the case of the construction site causing possible damage to its adjoining buildings, structures or special operational environment.
- A construction unit shall, pursuant to the relevant state provisions, go through the formalities of application for approval in case of any of the following circumstances:
 - (1) need to temporarily occupy sites beyond the approved planned scope;
 - (2) possibility of damaging such public facilities as roads, pipes and cables, electricity, postal service and telecommunications;
 - (3) need to temporarily suspend the water supply, electricity supply or road traffic;
 - (4) need to conduct explosion operations; and
 - (5) other circumstances requiring going through the formalities of application for approval as prescribed by laws and regulations.
- The competent department of construction administration shall be responsible for the administration of construction safety in production and subject to the guidance and supervision of the competent department of labour in construction safety in production in accordance with law.
- The building construction enterprise shall be responsible for the construction site safety. The general contracting unit shall be responsible for the construction site safety

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of the project under general contract for construction. Subcontracting units shall be responsible to the general contracting unit and subordinate themselves to the management of the general contracting unit for construction site safety in production.

- In the event of an accident in the process of construction, the building construction enterprise shall take emergency measures to reduce casualties of personnel and losses caused by the accident, and submit a report in time to the departments concerned pursuant to relevant state provisions.

On February 1, 2004, the State Council promulgated the Administrative Regulations on Safety in Construction Projects 《建設工程安全生產管理條例》, which set up sound regulations and rules to curb illegal operations, and make clear the obligations of each participant for construction safety. In addition, the regulations reinforce legal punishment for illegal operation.

iv. *Completion of a property project*

According to the Development Regulation, the “Regulation on the Quality Management of Construction Projects” (建設工程質量管理條例) enacted and enforced by the State Council on January 30, 2000, the “Interim Measures for Reporting Details Regarding Acceptance Examination Upon Completion of Buildings and Municipal Infrastructure” (房屋建設工程和市政基礎設施工程竣工驗收備案管理暫行辦法) enacted and enforced by the Ministry of Construction in April 2000 and the “Interim Provisions on Acceptance Examination Upon Completion of Buildings and Municipal Infrastructure” (房屋建設工程和市政基礎設施工程竣工驗收暫行規定) enacted and enforced by the Ministry of Construction on June 30, 2000, after completion of work for a project, with 15 days after passing the acceptance examination, a real estate developer shall apply for the archival filling upon completion to the real estate development authority under the people’s government on or above the county level and, upon which the “Record of acceptance examination upon project completion” will be issued. For a housing project or other building complex project, an acceptance examination shall be conducted upon completion of the whole project and where such a project is developed in phases, separate acceptance examinations may be carried out for each completed phase.

v. *Environmental Protection*

The laws and regulations governing the environmental requirements for real estate development in the PRC include the Environmental Protection Law 《中華人民共和國環境保護法》, the Prevention and Control of Noise Pollution Law 《中華人民共和國環境噪聲污染防治法》, the Environmental Impact Assessment Law 《中華人民共和國環境影響評價法》 and the Administrative Regulations on Environmental Protection for Development Projects 《建設項目環境保護管理條例》. Pursuant to these laws and regulations, depending on the impact of the project on the environment, an environmental impact study report, an environmental impact analysis table or an environmental impact registration form must be submitted by a developer before the relevant authorities will grant approval for the commencement of construction of the property development. In addition, upon completion of the property development, the relevant environmental authorities will also inspect the property to ensure compliance with the applicable environmental standards and regulations before the property can be delivered to the purchasers.

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E. Property Transactions

(a) *Transfer of property*

According to the “Urban Property Law” and the “Provisions on Administration of Transfer of Urban Property” (城市房地產轉讓管理規定) enacted by the Ministry of Construction on August 7, 1995 and revised on August 15, 2001, a property owner may sell, give or otherwise legally transfer a property to another person or legal entity. When transferring a building, the ownership of the building and the Grant of State-owned Land Use Rights attached to the site on which the building is situated are transferred simultaneously. The parties to a transfer shall enter into a property transfer contract in writing and register the transfer with the property administration authority having jurisdiction over the location of the property within 90 days of the execution of the transfer contract.

Where the Grant of State-owned Land Use Rights were originally obtained by granting, the real property may only be transferred on the condition that: (a) the granting price has been paid in full for the granting of the Grant of State-owned Land Use Rights as provided by the granting contract and a the State-owned Land Use Rights Certificate has been obtained; (b) if development is to be carried out according to the granting contract and is a project in which buildings are being developed, development representing more than 25% of the total investment has been completed; where the development involves a large scale of land lots, conditions for use of the land for industrial or other construction purposes have been satisfied; where the construction of buildings has been completed, the Building Ownership Certificate must has been obtained.

If the Grant of State-owned Land Use Rights were originally obtained by granting, the term of the Grant of State-owned Land Use Rights after transfer of the property shall be the remaining portion of the original term provided by the Grant of State-owned Land Use Rights granting contract after deducting the time that has been used by the former land users. In the event that the transferee intends to change the use of the land provided in the original granting contract, consent shall first be obtained from the original grantee and the planning administration authority under the local government of the relevant city or county and an agreement to amend the Grant of State-owned Land Use Right granting contract or a new Grant of State-owned Land Use Right granting contract shall be signed in order to, inter alia, adjust the Grant of State-owned Land Use Right granting price accordingly.

If the land rights were originally obtained by allocation, transfer of the real property shall be subject to the approval of the government vested with the necessary approval power as required under the regulations of the State Council. If the people’s government vested with the necessary approval power approves such a transfer, the transferee shall complete the formalities for transfer of the Grant of State-owned Land Use Rights, unless the relevant statutes require no transfer formalities, and pay the transfer price according to the relevant statutes.

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(b) *Sale of commodity properties*

Under the “Regulatory Measures on the Sale of Commodity Properties” (商品房銷售管理辦法) enacted by the Ministry of Construction on April 4, 2001 and enforced on June 1, 2001, sale of commodity properties can include both pre-completion and post-completion sales.

i. *Permit of pre-completion sale of commodity properties*

According to the Development Regulations and the “Administrative Measures Governing the Pre-sale of Urban” (the “Pre-completion Sale Measures”) (城市商品房預售管理辦法) enacted by the Ministry of Construction on November 15, 1994 and revised on August 15, 2001 and July 20, 2004 respectively, the pre-completion sale of commodity properties shall be subject to a permit system, under which a property developer intending to sell a commodity building before its completion shall make the necessary pre-completion sale registration with the property development authority of the relevant city or county to obtain a permit of pre-completion sale of commodity properties. A commodity building may only be sold before completion provided that: (a) the land premium has been paid in full for the granting of the concerned Grant of State-owned Land Use Rights and a land use rights certificate has been issued; (b) a Planning Permit for Construction Works and a Permit for Commencement of Construction Works have been obtained; (c) the funds invested in the development of the commodity properties put to pre-completion sale represent 25% or more of the total investment in the project and the development schedule and the completion and delivery dates have been ascertained; and (d) the pre-completion sale has been registered and a Permit for Pre-completion Sale of Commodity Properties has been obtained. The administrative departments of construction or the administrative departments of land and building at the provincial level may further set up their implementation rules in accordance with the Pre-completion Sale Measures.

In addition, according to the “Regulations on Urban and Rural Real Estate Trade of Chongqing Municipality” (重慶市城鎮房地產交易管理條例) issued by Chongqing Municipal People’s Congress on June 7, 2002 and enforced on August 1, 2002, the following conditions shall be fulfilled for registration of pre-completion sale of commodity properties in Chongqing: (a) the relevant certificates such as business license and qualification certificate of real estate enterprise has been obtained; (b) the approval documents of Grant of State-owned Land Use Right has been obtained, for the Grant of State-owned Land Use Right obtained by granting, the land premium shall be paid in full in accordance with the relevant land administrative laws and regulations, and the State-owned Land Use Rights Certificate has been obtained; (c) the Planning Permit for Construction Works and the Permit for Commencement of Construction Works have been obtained; (d) the capital funds, at least 25% of total investment of the project, has been injected into the development of the project, for low rise buildings, the structural construction and the topping-out must have been completed, for high rise buildings, at least a-third of the structural construction must have been completed; (e) the proposal of pre-sale of commodity properties has been finished; (f) an escrow account of pre-sale proceeds in a commercial bank of the same locality as the commodity properties shall be opened, and an escrow agreement shall be signed; (g) in cases involving resettlement, a resettlement permit has been obtained from the housing resettlement administrative authority; (h) the pre-sale properties and the relevant Grant of State-owned Land Use Right are not mortgaged; (i) other conditions prescribed by laws and regulations. Besides, pursuant to the Notice by Chongqing Municipal Land and Resources Bureau

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on Further Strengthening the Registration of Mortgage on Real Estate and Examination for Permission of Pre-Sale of Commodity Properties (重慶市國土房管局關於進一步做好房地產抵押登記和商品房預售許可審核工作的通知) issued on January 25, 2005, a real estate development enterprise shall obtain a written consent from the planning authority and pay the land premium or land revenue as required by the relevant laws and regulations before obtaining the Pre-sale Permit for Commodity Housing for the part of commodity properties which is beyond the scope of original permit.

In accordance with the “Sichuan Construction Committee’s Opinions Forwarded by the People’s Government of Sichuan Province on Strengthening Administration of Pre-completion Sale of Commodity Properties” (四川省人民政府批轉省建委關於加強城市商品房預售管理實施意見的通知) effective from March 10, 2000 issued by the people’s government of Sichuan Province, the following conditions shall be fulfilled for pre-completion sale of commodity properties in Sichuan province: (a) the land premium has been paid in full (except allocated Grant of State-owned Land Use Right), and the State-owned Land Use Rights Certificate has been obtained; (b) the Planning Permit for Construction Works has been obtained; (c) project progress and the date of completion of project for use must have been ascertained; (d) the infrastructure and the main construction must have been completed in respect of commodity residence properties of not more than six stories (including six stories); (e) in respect of non-residential properties of not more than six stories (including six stories) and commodity properties of more than six stories, the infrastructure and the first story construction must have been completed for properties which have underground construction, on the other hand, for properties which has not underground construction, the infrastructure and the sixth story construction must have been completed.

Pursuant to the “Regulations on Administration of Urban Real Estate Trade of Beijing Municipality” (北京市城市房地產轉讓管理辦法) issued by Beijing Municipal People’s Congress on September 2, 2003 and enacted on December 1, 2003, the following conditions shall be fulfilled for registration of pre-completion sale of commodity properties in Beijing: (a) the land premium has been paid in full and the State-owned Land Use Rights Certificate has been obtained, for economic affordable housing, a Approval of the Urban and Rural Construction Land (城鎮建設用地批准書) must have been obtained; (b) the Planning Permit for Construction Works and the Permit for Commencement of Construction Works have been obtained; (c) at least 25% of the total investment of the project has been injected into the development of the project; (d) the date of completion of construction has been ascertained, and is in compliance with the maximum period of pre-sale announced by the land and housing bureau of Beijing municipality. In addition, according to the Notice on Strengthening Administration of Pre-sale Permit of Commodity Properties (關於加強商品房預售許可證管理有關問題的通知) issued by the land and housing bureau of Beijing municipality on June 18, 2004, If there is a construction area discrepancy between Beijing Land Grant Contract and Construction Planning Permit, a real estate developer who intends to apply the Pre-sale Permit for Commodity Housing based on Construction Planning Permit, shall modify the land grant contract and pay land premium of the discrepant part accordingly. For the Beijing Land Grant Contract signed before July 1, 2004, after deducting the deposit of land grant contract, in cases where the amount of land premium can not cover a whole building, the Pre-sale Permit for Commodity Housing may not be obtained unless the land premium of the discrepant part has been paid up.

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ii. *Management of pre-completion sale proceeds of commodity properties*

According to the Pre-completion Sale Measures, the proceeds obtained by a property developer from the advance sale of commercial houses must be used for the construction of the relevant projects. The specific measures for the supervision on proceeds from the advance sale of commodity properties shall be formulated by the property administrative departments.

Under the “Regulations on Urban and Rural Real Estate Trade of Chongqing Municipality” (重慶市城鎮房地產交易管理條例) issued by Chongqing Municipal People’s Congress on June 7, 2002 and enforced on August 1, 2002, pre-sale proceeds shall be deposited to a escrow account opened by a real estate developer in a commercial bank, and the purchaser may obtain an invoice from the real estate developer by presenting a bank payment voucher. The relevant bank shall be responsible for monitoring the use of pre-sale proceeds of commodity properties. The pre-sale proceeds should be used to develop the relevant properties that have been pre-sold. The relevant bank can transfer the pre-sale proceeds to the pre-seller with a written consent from a certified project supervision origination. The relevant bank shall not transfer the pre-sale proceeds without such written consent.

Under the “Sichuan Construction Committee’s Opinions Forwarded by the People’s Government of Sichuan Province on Strengthening Administration of Pre-completion Sale of Commodity Properties” (四川省人民政府批轉省建委關於加強城市商品房預售管理實施意見的通知), the proceeds from pre-sale of commodity properties must be deposited in an escrow account opened by a real estate developer which shall be submitted to the local construction authority for record, and should be used to develop the relevant properties that have been pre-sold. The relevant bank shall be responsible for monitoring the use of pre-sale proceeds of commodity properties to ensure that all pre-sale proceeds are used to the related construction expenses.

As of the Latest Practicable Date, there were no detailed rules on the administration of pre-sale proceeds in Beijing.

iii. *Conditions of the sale of post-completion commodity properties*

Under the “Regulatory Measures on the Sale of Commodity Properties” (商品房銷售管理辦法), commodity properties may be put to post-completion sale only when the following preconditions have been satisfied: (a) the property development enterprise offering to sell the post-completion properties shall have a enterprise legal person business license and a qualification certificate of a property developer; (b) the enterprise has obtained a the State-owned Land Use Rights Certificate or other approval documents of land use; (c) the enterprise has the Planning Permit for Construction Works and the Permit for Commencement of Construction Works; (d) the commodity properties have been completed and been inspected and accepted as qualified; (e) the relocation of the original residents has been well settled; (f) the ancillary infrastructure facilities for supplying water, electricity, heating, gas, communication, etc. have been made ready for use, and other ancillary essential facilities and public facilities have been made ready for use, or the schedule of construction and delivery date of have been specified; (g) the property management plan has been completed.

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Before the post-completion sale of a commodity building, a property developer shall submit the Property Development Project Manual and other documents showing that the preconditions for post-completion sale have been fulfilled to the property development authority for making a record.

iv. *Regulations on sale of commodity properties*

According to the Development Regulations and the Pre-completion Sale Measures, for the pre-completion sale of a commodity building, the developer shall sign a contract on the pre-sale of the commodity building with the purchaser. The developer shall, within 30 days upon signing the contract, apply for registration and record of contract for the pre-completion sale commodity building to the relevant administrative departments governing the property and land administration department of the city or country governments. Property administrative department shall take the initiative to apply network information technology to gradually implement web-based registration of pre-sale contracts.

Pursuant to the “Circular of the General Office of the State Council on Forwarding the Opinion of the Ministry of Construction and Other Department on Doing a Good Job of Stabilizing House Prices” (關於做好穩定住房價格工作的意見) promulgated on April 30, 2005, there are several regulations concerning commodity properties sale:

- The buyer of a commodity building is prohibited from conducting any transfer of the pre-sale of the commodity building that he has bought but is still under construction. Before completion and delivery of an pre-sale commodity building to the advance buyer, and before the advance buyer obtains the individual Building Ownership Certificate, the administrative department of property shall not handle any transfer of the commodity building. If there is discrepancy in the name of the applicant for property ownership and the name of the advance buyer in the pre-sale contract, the property ownership registration administration shall not accept the application of property ownership;
- Apply a real name system for house purchase; carry out an immediate archival filing network system for pre-sale contracts of commodity properties.

On July 6, 2006, the Ministry of Construction, NDRC, and the SAIC jointly enacted a “Notice on Reorganizing and Regulating Order in the Property Transactions” (進一步整頓規範房地產市場交易秩序的通知), the details of which are as follows:

- The developer should start to sell the commodity properties within 10 days after receiving the “Permit for Pre-completion Sale of commodity properties”. Without this permit, the pre-completion sale of commodity properties, as well as subscription (including reservation, registration and number-selecting) and acceptance of any kind of pre-sale payments, is forbidden;
- The property administration authority should immediately establish an immediate network system for pre-sale contracts of commodity properties and a system for the

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publication of property transaction information. The basic situation of the commodity building, the schedule of the sale and the title status should be duly, truly and fully published in the network system and on the locale of sale. The advance buyer of a pre-sale commodity building is prohibited from conducting any transfer of the sale of the commodity building that he has bought but is still under construction;

- Without the “Permit for Pre-completion Sale of commodity properties”, no advertisement of the pre-completion sale of commodity properties can be published;
- Property development enterprises with a record of serious irregularity or enterprises which do not satisfy the requirements of pre-completion sale of commodity properties is not allowed to take part in sale activities;
- The property administration authority should strictly carry out the regulations of the pre-completion sale contract registration and records and apply the real name system for property purchase.

Nevertheless our directors consider that this notice has no material impact on the Group’s business and operations.

According to the “Notice on Furthering the Administrative Measures on the Pre-sale of Commodity Residential Property” (關於進一步規範我市商品房預銷售管理的通知) issued by the Construction Commission of Beijing, commodity property programme should open the quotation and start to sell publicly as a whole within three days of obtaining the Pre-sale Permit. Real estate developer should not sell any pre-sale real property reserved by itself until such developer obtains certificate of real property.

(c) *Mortgages of Property*

Under the “Urban Property Law” and the “The Security Law of the People’s Republic of China” (中華人民共和國擔保法) enacted by the Standing Committee of the National People’s Congress on June 30, 1995 and enforced on October 1, 1995, and the “Measures on the Administration of Mortgage of Buildings in Urban Areas” (城市房地產抵押管理辦法) enacted by the Ministry of Construction in May 1997 and revised on August 15, 2001, mortgage refers to the act of a debtor, or a third party, who, without transferring the occupancy of the properties, charge those properties as security for the creditor’s rights. When the debtor fails to pay his debt, the creditor has a right to obtain compensation, in accordance with the stipulations of this law, by converting the properties into money or seek preferential payments from the proceeds from the auction or sale of the concerned properties. The secured debt shall not exceed the value of the properties mortgaged. After being mortgaged, the balance of value of the properties that exceeded the secured debt can be mortgaged for a second time, but the total sum of secured debt shall not exceed the value of the balance. When a mortgage is created on the ownership of a building on state-owned land legally obtained, a mortgage shall be simultaneously created on the Grant of State-owned Land Use Right of the land on which the building is erected. When the Grant of State-owned Land Use Rights acquired through means of granting is mortgaged, the buildings on the land shall also be mortgaged at the same time. The Grant of State-owned Land Use Rights of town and village enterprises cannot be mortgaged individually. When the buildings of the

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town and village enterprises are mortgaged, the Grant of State-owned Land Use Rights occupied by the buildings shall also be mortgaged at the same time. The mortgager and the mortgagee shall sign a mortgage contract in writing. Within 30 days after a property mortgage contract has been signed, the parties to the mortgage shall register the mortgage with the property administration authority at the location where the property is situated. A property mortgage contract shall become effective on the date of registration of the mortgage. If a mortgage is created on the property in respect of which a Building Ownership Certificate has been obtained legally, the registration authority shall make a record under the “third party rights” item on the original Building Ownership Certificate and then issue a Certificate of Third Party Rights to Property to the mortgagee. If a mortgage is created on the commodity building put to pre-completion sale or under construction, the registration authority shall record the details on the mortgage contract. If construction of a real property is completed during the term of a mortgage, the parties involved shall re-register the mortgage of the real property after issuance of the certificates evidencing the ownership of the property.

The “Property Rights Law of the People’s Republic of China” (中華人民共和國物權法) has been adopted at the fifth session of the Tenth National People’s Congress on March 16, 2007 and came into effective as of October 1, 2007, provides that the mortgage registration of buildings and other objects fixed to land, the right to use construction land, and a building under construction shall be gone through, such mortgage right shall be established as of the date of registration. The buildings newly constructed on the land after the mortgage of the right to use construction land may not belong to the mortgaged properties. Such newly constructed buildings can be disposed of together with the disposal of the aforesaid right to use construction land so as to realize the mortgage right, however, the mortgagee has no right to seek preferred payments from the money generated from the disposal of these newly constructed buildings.

The Ministry of Land and Resources (MLR), on December 30, 2007, issued the Administrative Measures on Land Registration 《土地登記辦法》. The measures are scheduled to take effect on February 1, 2008.

According to the measures, land registration refers to the recording of land-use rights on land registered for public review. The measures stipulate that the administrative department of land and resources must conclude land registrations within 20 days after receiving an application. If the case is complex, a 10-day extension can be approved by the principal of land and resources’ administrative department.

On April 9, 2008, the MLR released the Circular on Implementing the Land Registration Measures and Further Strengthening Land Registration Work 《關於貫徹實施〈土地登記辦法〉進一步加強土地登記工作的通知》 (the “**Circular**”), which calls for stringent land registration according to laws, cessation of illegal registration, and prohibition of legalizing illegal land through land registration.

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The Circular points out that the registrations will not be granted to cases involving unresolved land disputes, as well as cases where the full contract price has not been paid or where the use of land has been changed illegally. In addition, the Circular stipulates that personnel without a Land Registration Qualification Certificate must not be engaged in land ownership investigation and examination. Any person responsible for incorrect registration or incomplete registrations must bear the consequences.

On February 15, 2008, the Ministry of Construction (MOC) released Procedures for Property Registration (《房屋登記辦法》) (the “**Procedures**”). The Procedures are scheduled to take effect on July 1, 2008. Measures on Administration of Urban Houses Registration and Decisions by the MOC to Revise Measures on Administration of Urban Houses Registration will be revoked on that day. The Procedures stipulate that in property registrations, the owners of the housing property rights should correspond with the owners of the land use rights. Based on Property Rights Law, the Procedures specifically regulate the pre-registration, registration of mortgage rights for construction work in process, registration for maximum mortgage amount, registration of rectification, registration for objection and registration for easement, which make property registrations more operable.

(d) *Lease of Properties*

Under the “Urban Property Law” and the “Measures for Administration of Leases of Buildings in Urban Areas” (城市房屋租賃管理辦法) enacted by the Ministry of Construction on May 9, 1995 and enforced on June 1, 1995, the parties to a lease of a building shall enter into a lease contract in writing. A system is adopted for leases of buildings registration. When a lease contract is signed, amended or terminated, the parties shall register the details with the property administration authority under the local government of the city or county in which the building is situated.

(e) *New Property Law*

On March 16, 2007, the 5th Session of the 10th National People’s Congress of China adopted the Law of the People’s Republic of China on Property Rights (《物權法》) (the “**New Property Law**”), which took effect as of October 1, 2007.

The New Property Law applies to both realties and chattels and regulates the civil relationships generated from the attribution and utilization of the realties and chattels. There are five parts and 247 clauses in the New Property Law, which makes a series of detailed rules regarding the following kinds of important property rights:

- the right of ownership, which refers to the right to possess, use, seek profits from, and dispose of the realty or chattel owned by the owner according to the laws;
- the right of usufruct, which refers to the right to possess, use, and seek proceeds from the realty or chattel owned by someone else to the extent prescribed by the laws; and
- security rights, which refers to the right of priority to be repaid with respect to the secured property in accordance with laws when the debtor fails to perform its outstanding debt or under the circumstances of realization of security rights as agreed by parties concerned.

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A summary of the important legislation innovations in the New Property Law is set forth below:

- The New Property Law makes the principle that the rights of the state, companies, social organizations, individual, or any other property right holders shall be equal under the protection of law. In particular, the New Property Law emphasizes that the legal properties of private individuals shall be protected by laws and any entity or individual shall be prohibited from encroachment, cheating, dividing privately, intercepting or destroying such properties.
- Article 149 of the New Property Law clearly states that “the term of the residential construction land use rights shall be renewed automatically upon its expiration.” The “automatic renewal” requirement in the New Property Law embodies the principle that the state will protect the citizen’s legal private property. However, it shall be noted that it is still not very clear from the New Property Law regarding the renewal of the non-residential construction land use rights. The New Property Law only regulates that “the renewal upon the expiration of the term for non-residential construction land use rights shall be handled in accordance with laws.”
- There are various clauses in the New Property Law to strengthen the protection on the rights of the house owners: i) Article 89 of the New Property Law requests that “the construction of a building shall not violate the relevant provisions of the State on project construction, nor obstruct the air circulation, sunlight or daylight of any neighboring building.” This clause protects house owners’ right to enjoy sunlight and prevents house developers from illegal constructions; ii) Article 81 of the New Property Law grants house owners the right to manage by themselves the building and its ancillary facilities(and) replace the property management company or any other manager engaged by the house developer. This clause reinforces the independent rights of house owners to manage their own community.
- The New Property Law enlarges the scope of the allowable mortgaged properties and pledged rights. All properties which are not forbidden to be mortgaged as prescribed by the laws and administrative regulations are allowed to be mortgaged. In particular, the properties which are permitted to be mortgaged include but are not limited to the following:
 - Any building and other land appurtenances.
 - Any construction land use right.
 - The right to contracted management of barren land and other lands as obtained by means of bid invitation, auction, public consultation, etc.
 - Any manufacturing equipment, raw materials, semi-finished products and products.
 - Any building, vessel or aircraft under construction.
 - Any tools of transportations.

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F. Property financing

According to the “Notice of the People’s Bank of China on Regulating Home Financing Business” (中國人民銀行關於規範住房金融業務的通知) enacted by the People’s Bank of China (the “PBOC”) on June 19, 2001, all banks must comply with the following requirements before granting residential development loans, individual home mortgage loans and individual commercial flat loans:

- (a) Residential development loans from banks shall only be granted to real estate development enterprises with approved development qualifications and high credit ratings. Such loans shall be offered to residential projects with good market potential. While the borrowing enterprise must have an amount of internal fund no less than 30% of the total investment required of the project, the project itself must have been issued with a Land Use Rights Certificate, The Planning Permit for Construction Land, Planning Permit for Construction Works and Permit for Commencement of Construction Works.
- (b) In respect of the grant of individual home mortgage loans, the ratio between the loan amount and actual value of the security (the “Mortgage Ratio”) shall never exceed 80%. Where an individual applies for a home purchase loan to buy a pre-completion property, the said property must have achieved the stage of “topping-out of the main structure completed” for multi-story buildings or “two-thirds of the total investment completed” for high-rise buildings.
- (c) In respect of the grant of individual commercial flat loans, the Mortgage Ratio under the application for commercial flat loans shall not exceed 60% with a maximum loan period of 10 years and the subject commercial properties have already 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 real estate development and individual home mortgage as follows:

- (a) The real estate loan by commercial banks to real estate development enterprises shall be granted only under the title of real estate development loan and it is strictly forbidden to extent such loans as current capital loan for real estate development project or other loan item. No lending of any type shall be granted to enterprises which have not obtained the State-owned Land Use Rights Certificate, Planning Permit for Construction Land, Planning Permit for Construction Works and Permit for Commencement of Construction Works;
- (b) Commercial banks shall not grant loans to real estate developers to pay off land premium; and
- (c) Commercial banks may only provide mortgage loans to individual buyers when the main structural buildings have been topped out. When a borrower applies for individual home loans for his first residential unit, the down payment remains to be 20%. In respect of his loan application for his second or more (including the second) residential unit(s), the percentage of the first installment shall be increased.

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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 China Banking Regulatory Commission on September 2, 2004, any real estate developer applying for real estate development loans shall have at least 35% of capital funds required for the development.

According to the “Notice of the People’s Bank of China on the Adjustment of Commercial Bank Housing Loan 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準備金存款利率的通知) enacted by PBOC on March 16, 2005, starting from March 17, 2005, the down payment of individual home increased loan from 20% to 30% in cities and areas where property prices grow too quickly. The commercial banks can independently determine scope of such property price rise according to specific situations in different cities or areas.

On May 24, 2006, the State Council forwarded the “Opinion of the Ministry of Construction and Other Departments on Adjusting the Housing Supply Structure and Stabilizing the Property Prices” (關於調整住房供應結構穩定住房價格的意見). The regulations provide the following:

- (a) Tightening the control of real estate advancing loan facilities. The commercial banks are not allowed to advance their loan facilities to real estate developers who do not have the required 35% or more of the total capital for the construction projects. The commercial banks should be prudent in granting loan facilities and/or revolving credit facilities in any form to the real estate developers who have a large number of idle lands and unsold commodity properties. Banks shall not accept mortgages of commodity properties remaining unsold for three years or longer.
- (b) From June 1, 2006 and onward, individual purchasers need to pay a minimum of 30% of the purchase price as down payment. However, if individual purchasers purchase apartments with a floor area of 90 sq.m. or less for residential purposes, the existing requirement of 20% of the purchase price as down payment remains unchanged.

According to “Circular on Standardizing the Admittance and Administration of Foreign Capital in Property Market” (關於規範房地產市場外資進入和管理的意見) enforced on July 11, 2006, foreign-invested real estate development enterprises which have not paid up their registered capital fund fully, or failed to obtain the State-owned Land Use Rights Certificate, or with under 35% of the total investment for the project, will not be allowed to obtain a loan in or outside China, and foreign exchange administration departments shall not approve any settlement of foreign loans by such enterprises.

On July 22, 2006, the China Banking Regulatory Commission issued the “Circular on Further Strengthening the Management of Real Estate Credit” (關於進一步加強房地產信貸管理的通知), provided that granting development loans to a real estate developer that do not satisfy the conditions for loans, such as that capital funds paid for real estate project (except economy affordable house) have not reached 35% of the total investment to the project, or the State-owned Land Use Rights Certificate, Planning Permit for Construction Land, Planning Permit for Construction Works, and Permit for Commencement of Construction Works have not been obtained, shall be strictly forbidden. Granting new real estate loans to real estate developers that stock up lands or property resources, or disturb the normal market order shall be strictly restricted. Arbitraging real estate loans of real estate developers by means such as dividing up a project or developing it on a revolving basis shall be specially prevented.

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On September 27, 2007, the PBOC and CBRC jointly issued the “Notice on Strengthening the Administration of Commercial Real Estate Credit Loans” (《關於加強商業性房地產信貸管理的通知》), which further stipulates stringent requirements to the grant of loans in respect to the second and subsequent purchases of housing by individuals. For those who have used credit loans to purchase housing and have applied for purchasing a second (inclusive) or more housing, the down payment shall not be less than 40% of the total purchase price, while the interest rate of such loan shall not be lower than 1.1 times the benchmark interest rate of the same grade for the same period as announced by the PBOC. Moreover, the ratio of the down payment and the level of the interest rate of the loan shall be substantially adjusted upwards according to the number of purchases. The specific increase range will be determined by commercial banks at their own discretion based on the relevant principles of credit risk management, however, the monthly expense for paying housing loan by the individual purchaser shall not be more than 50% of its monthly income.

On October 22, 2008, the PBOC issued the Notice on Extending the Downward Movement of Interest Rates for Loans for Residential Premises of a Commercial Nature for Individuals in Support of First-time Purchase of Ordinary Residential Premises by Residents (中國人民銀行關於擴大商業性個人住房貸款利率下浮幅度等有關問題的通知) to reduce the down payment requirements from 30% to 20%, and to adjust the lower limit of the lending rate for residential properties of a commercial nature for individuals to 70% of the benchmark lending rate.

G. Insurance of a property project

There are no mandatory provisions in the PRC laws, regulations and government rules which require a real estate developer to take out insurance policies for its property projects.

In light of the “Construction Law of the People’s Republic of China” (中華人民共和國建築法) enacted by the Standing Committee of the National People’s Congress on November 1, 1997 and enforced on March 1, 1998, construction enterprises must take out accident and casualty insurance for workers engaged in dangerous operations and pay insurance premium. In the “Opinions of the Ministry of Construction on Strengthening the Insurance of Accidental Injury in Construction Work” (建設部關於加強建築意外傷患保險工作的指導意見) by the Ministry of Construction on May 23, 2003, the Ministry of Construction further emphasizes the importance of the insurance of accidental injury in the construction work and put forward the detailed opinions of guidance. The Notice regarding insurance of accidental injury in construction work (Yu Lao She Ban Fa [2006] No.102) (渝勞社辦發[2006] 102號) issued by the labor and social security bureau of Chongqing Municipality on June 21, 2006 prescribes the scope, object, term, coverage, amount and premium of insurance for accidental injury. According to the common practice of the property industry in Chongqing, Chengdu and Beijing, except for the accidental injury insurance, construction companies are usually required to submit insurance proposals in the course of tendering and bidding for construction projects. Construction companies shall pay for the insurance premium at their own costs and take out various types of insurance to cover their liabilities, such as property risks, third party’s liability risk, performance guarantee in the course of construction and all-risks associated with the construction and installation work throughout the construction period. The insurance cover for all the aforementioned risks shall cease immediately after the completion and acceptance upon inspection of construction.

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H. Major taxes applicable to property developers

(a) *Enterprise Income tax*

According to the “Income Tax Law of The People’s Republic of China for Enterprises with Foreign Investment 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) enacted by National People’s Congress on April 9, 1991 and enforced on July 1, 1991 and its detailed rules enacted by the State Council on June 30, 1991, the rate of enterprise income tax for foreign investment enterprises and enterprise income tax for entities and premises engaged in production and operation by foreign enterprises in China shall be 30%, and the rate of local income tax shall be 3%. The above-mentioned law and rules were repealed by the New Income Tax Law as of January 1, 2008.

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 its Implementation Rules enacted by the Ministry of Finance on February 4, 1994, the income tax rate applicable to Chinese enterprises other than foreign investment enterprises and foreign enterprises is 33%. The above-mentioned rules were repealed by the New Income Tax Law as of January 1, 2008.

According to the “Income Tax Law of The People’s Republic of China” (中華人民共和國企業所得稅法) (the New Income Tax Law) enacted by the National People’s Congress on March 16, 2007 and the Rules on the Implementation of Enterprise Income Tax Law of PRC (中華人民共和國企業所得稅法實施條例) (the Rules on the Implementation) enacted by the State Council on December 6, 2007 and the foresaid law and regulation enforced from January 1, 2008 onwards, a uniform income tax rate of 25% will be applied towards foreign investment enterprise and foreign enterprises which have set up production and operation facilities in the PRC as well as PRC enterprises. Under the New Tax Law and the Rules on the Implementation, enterprises established under the laws of or within the territory of the PRC, or established under the laws of a foreign country (region), but whose “de facto management body” is located in the PRC are treated as resident enterprises for PRC tax purposes. If an entity is treated as a resident enterprise for PRC tax purposes, it will be subject to PRC tax on its worldwide income at the 25% uniform tax rate, which will include any dividend income the entity receives from its subsidiaries, unless otherwise provided therein. Although the New Income Tax Law provides that dividend income between qualified resident enterprises is exempted income, it is not clear what is considered as a qualified resident enterprise under the New Income Tax Law. Furthermore, the New Income Tax Law and the Rules on the Implementation, effective January 1, 2008, provide that withholding tax at a rate of 10% will normally apply to dividends payable to non-PRC investors which are derived from sources within the PRC. Moreover, any gain realized on the transfer of shares by investors will be subject to 10% tax if such gain is regarded as income derived from sources within the PRC. Moreover, according to the Arrangements in respect of Prevention of Double Taxation and Tax Evasion between Hong Kong and PRC (內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排), the PRC tax resident enterprise who distributes dividends to its Hong Kong shareholders should be levied enterprise income tax according to PRC laws, however, if the beneficiary of the dividends is a Hong Kong tax resident, who directly hold not less than 25% equity of the aforesaid enterprise (i.e. the dividends distributor), the tax levied should be 5% of the distributed dividends. If the beneficiary of the dividends is a Hong Kong tax resident, who directly hold less than 25% equity of the aforesaid enterprise, the tax levied should be 10% of the distributed dividends.

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On April 11, 2008, the State Administration of Taxation issued the Notice of the Prepayment of Enterprise Income Tax of the Real Estate Development Enterprises (關於房地產開發企業所得稅預繳問題的通知), requiring real estate developers to prepay enterprise income tax by quarter (or month) according to the current actual profit.

According to the Notice, for the incomes generated from the pre-sale before completion of the construction of buildings for residential or commercial use or other kinds, the tax prepayments thereof shall be paid upon calculation of the estimated quarterly or monthly profit according to the preset estimated profit rate, which shall be readjusted according to the actual profit after the completion of the construction of the buildings and settlement of the taxable cost.

With respect to non-low-price economy residence, the preset estimated profit rate for the buildings located at provincial-level cities and suburbs shall be not less than 20%, while that for prefectural-level cities and suburbs shall be not less than 15%; for the low-price economy residence, the preset estimated profit rate shall be not less than 3%.

(b) *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) enacted by the State Council on December 13, 1993 and enforced on January 1, 1994 and which was later amended in November 2008 and became enforceable on January 1, 2009 and its “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, which was later amended in 2008 and became enforceable on January 1, 2009, the tax rate on the transfer of immovable properties, their superstructures and attachments is 5%.

(c) *Land Value-added Tax*

According to the requirements of the “Provisional Regulations of The People’s Republic of China on Land Value-added Tax” (the “Land Value-added Tax Provisional Regulations”) (中華人民共和國土地增值稅暫行條例) which was enacted 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 Value-added Tax” (中華人民共和國土地增值稅暫行條例實施細則) (the “Land Value-added Tax Detailed Implementation Rules”) which was enacted and enforced on January 27, 1995, any appreciation amount gained from taxpayer’s transfer of property shall be subject to land value-added tax. Land value-added tax shall be subject to a regime of four level progressive rates: 30% on the appreciation amount not exceeding 50% of the sum of deductible items; 40% on the appreciation amount exceeding 50% but not exceeding 100% of the sum of deductible items; 50% on the appreciation amount exceeding 100% but not exceeding 200% of the sum of deductible items; and 60% on the appreciation amount exceeding 200% of the sum of deductible items. The related deductible items aforesaid include the following:

- amount paid for obtaining the Grant of State-owned Land Use Right;
- costs and expenses for development of land;

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- 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 MOF.

According to the requirements of the Land Value-added Tax Provisional Regulations, the Land Value-added Tax Detailed Implementation Rules and the Notice issued by the MOF in respect of the Levy and Exemption of Land Value-added Tax for Development and Transfer Contracts signed before January 1, 1994 (財政部關於對一九九四年一月一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) which was announced by MOFCOM and State Administration of Taxation on January 27, 1995, Land Value-added Tax shall be exempted under any one of the following circumstances:

- Taxpayers building ordinary standard residential properties for sale (i.e., residential properties built in accordance with the local standard for general civilian residential properties. Deluxe apartments, villas, resorts etc., are not under the category of ordinary standard residential properties), where the appreciation amount does not exceed 20% of the sum of deductible items;
- Properties taken over or the Grant of State-owned Land Use Rights repossessed which were approved by the government due to the city planning and construction requirements of the State;
- Due to redeployment of work or improvement of living standard, individuals transfer originally self-used residential property, of where they have been living for five years or more, and after obtaining tax authorities’ approval;
- For real estate transfer contract which were signed before January 1, 1994, whenever the properties are transferred, the Land Value-added Tax shall be exempted;
- If the real estate development contract 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 Land Value-added Tax shall be exempted if the properties are transferred within five 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 property projects which are approved by the Government for the development of the whole piece of land and long-term development, of which the properties are transferred for the first time after the five-year tax-free period, and after auditing has been conducted by the local financial and tax authorities, the tax-free period may be appropriately prolonged, subject to the approval by the MOF and the State Administration of Taxation.

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On December 24, 1999, the MOF and the State Administration of Taxation issued the “Notice in respect of the extension of the period for the Land Value-added 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 Value-added Tax exemption policy as mentioned in paragraph (5) above to the end of 2000.

After the issuance of the “Land Value-added Tax Provisional Regulations” and the “Land Value-added Tax Detailed Implementation Rules”, due to the relatively long period required for property development and transfer, many districts, while they were implementing the regulations and rules, did not mandatorily require the property development enterprises to declare and pay the Land Value-added Tax. Therefore, in order to assist the local tax authorities in the collection of Land Value-added Tax, the MOF, State Administration of Taxation, the Ministry of Construction and the Ministry of Land and Resource had separately and jointly issued several notices to restate the following: After the transfer contract is signed, the taxpayers should declare the tax to the local tax authorities where the properties are located, and pay the Land Value-added Tax in accordance with the amount as calculated by the tax authority and within the specified time limit. For those who fail to acquire proof of tax payment or tax exemption from the tax authorities, the property administration authority shall not process the relevant title change procedures, and shall not issue the Realty Title Certificate.

State Administration of Taxation also issued the “Notice issued by State Administration of Taxation in respect of the Serious Handling of Administration Work in relation to the Collection of Land Value-added 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 to request local tax authorities to modify the management system of Land Value-added Tax collection and operation procedures, to build up a proper tax return system for Land Value-added Tax and to improve the methods of pre-levying for the pre-sale of properties. That notice also pointed out that the preferential policy of Land Value-added Tax exemption has expired and that such tax shall be levied again for first time transfer of properties under property development contracts signed before January 1, 1994 or project proposals that have been approved and capital was injected for development.

State Administration of Taxation issued the “Notice of State Administration of Taxation in respect of the Strengthening of Administration Work in relation to the Collection of Land Value-added Tax” on August 2, 2004 and the “Notice of State Administration of Taxation in respect of the Further Strengthening of Administration Work in relation to the Collection of Land Value-added Tax and Land Use Tax in Cities and Towns” (國家稅務總局關於進一步加強城鎮土地使用稅和土地增值稅徵收管理工作的通知) on August 5, 2004. The aforesaid notices point out that the administration work in relation to the collection of land value-added tax should be further strengthened. The preferential policy of Land Value-added Tax exemption for first time transfer of properties under property development contracts signed before January 1, 1994 is expired and such tax shall be levied again. Where such taxes were still not levied, the situation should be corrected immediately. Also, the notice required that the system of tax declaration and tax sources registration in relation to the land value-added tax should be further improved and perfected.

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On March 2, 2006, the MOF and State Administration of Taxation issued the “Notice of Certain Issues Regarding Land Value-added Tax” (關於土地增值稅若干問題的通知). Our director consider that this notice has no material impact on the Group’s business and operations. The notice clarifies the relevant issues regarding land value-added tax as follows:

i. *As to the Tax Collection and Exemption in the Sale of Ordinary Standard Residential Properties Built by Taxpayer*

The notice sets out the recognised standards for ordinary standard residential properties. Where any developers build ordinary standard residential properties as well as other commercial properties, the value of land appreciation shall be assessed separately. In respect of ordinary standard residential properties for which application for tax exemption has been filed with the tax authority at the locality of the property before the notice is issued and for which land value-added tax exemption has been granted by the tax authority on the basis of the standards of ordinary residential properties originally set down by the people’s government of the province, autonomous region or municipality directly under the Central Government, no adjustment shall be retroactively made.

ii. *As to the Advance Collection of Land Value-added Tax as well as the Settlement*

- All regions shall further improve the measures for the advance collection of land value-added tax, and decide the advance collection rate in a scientific and reasonable manner, and adjust it at a proper time according to the level of value appreciation in the property industry and market conditions within the region and on the basis of the specific property categories, namely, ordinary standard residential properties, non-ordinary standard residential properties 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 being made up;
- If any tax pre-payment is not paid within the advance collection period, overdue fines shall be imposed additionally as of the day following the expiration of the prescribed advance collection period, according to the relevant provisions of the Tax Collection and Administration Law and its detailed rules for implementation;
- As to any property project that has been completed and gone through the acceptance procedure, where the floor area of the property as transferred makes up 85% or more in the salable floor area, the tax authority may require the relevant taxpayer to conduct the settlement of land value-added tax on the transferred property according to the matching principles regarding the proportion between the income as generated from the transfer of property and the amount under the item of deduction. The specific method of settlement shall be prescribed by the local tax authority of a province, autonomous region, municipality directly under the Central Government, or a city under separate state planning;

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- On December 28, 2006, the State Administration of Taxation issued the Notice on the Administration of the Settlement of Land Value-added Tax of Property Development Enterprises (國家稅務總局關於房地產開發企業土地增值稅清算管理有關問題的通知) which came into effect on February 1, 2007. The notice set out further provisions concerning the settlement of land value-added tax by property developers by clarifying details regarding units responsible for settlement of land value-added tax, requirements, materials to be submitted, auditing and verification, recognition of revenue of indirect sale and self-use properties, deductible items and handling of transfer after tax is imposed and settled etc. Local provincial tax authorities can formulate their own implementation rules according to the notice and local situation. The notice sets out the following key requirements:

(i) Settlement of land value-added tax on a project by project basis

The settlement of land value-added tax shall be made for each approved real estate development project; as for a project developed by stages, the settlement shall be made for each stage of the project.

In case a development project comprises both ordinary residence and non-ordinary residence, the added value shall be calculated separately.

(ii) Settlement requirements for land value-added tax

1. Where it is under any of the following circumstances, the taxpayer shall settle its land value-added tax:

- (a) a real estate project is completed and sold out;
- (b) a real estate project that has not been completed but it is transferred as a whole;
- (c) the Grant of State-owned Land Use Right is transferred.

A taxpayer that satisfies the above said provisions shall handle the formalities for settlement at the competent tax authority within 90 days as of the date when it meets the settlement requirements.

2. In case of any of the following circumstances, the tax authority may require the taxpayer to settle its land value-added tax:

- (a) As for a real estate project completed and accepted, the construction area already transferred makes up to 85% or more of the salable construction area of the whole project; or although this proportion is below 85%, the residuary salable construction area has been leased or used for self-purposes;

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- (b) The sale is not completed upon the expiration of three years since the day when the sale (pre-sale) permit is obtained;
- (c) The taxpayer has filed an application for writing-off tax registration but has not handled the formalities for settling the land value-added tax yet;
- (d) Other circumstances as prescribed by the provincial tax authorities.

A taxpayer that satisfies the above said provisions shall handle the formalities for settlement within the time limit prescribed by the competent tax authority.

(iii) *Collection of land value-added tax by verification*

Where a real estate development enterprise is under any of the following circumstances, the tax authority may, by consulting the tax burdens of the local enterprises similar to it in terms of development scale and income level, collect land value-added tax against it by verification on the basis of the levying rate that is not lower than the advance levying rate:

- (a) it fails to set up accounting books in accordance with the provisions of laws and regulations;
- (b) it destroys the accounting books without authorization or refuses to provide the data of tax payments;
- (c) it has established accounting books, but the accounting items are confusing, or its information on costs, revenue vouchers, and expense vouchers are mutilated and incomplete and it is difficult to determine the transfer or amount under the deductible items;
- (d) it meets the settlement conditions of land value-added tax, but it fails to go through the settlement formalities within the prescribed time limit, or it is ordered by the tax authority to conduct settlement within a certain time limit but still fails to do so upon the expiration of the time limit; or
- (e) the taxable basis declared is obviously much lower, and without reasonable ground.

On May 12, 2009, the State Administration of Taxation issued the Notice on Administration and Procedure of the Settlement of Land Value-added Tax (國家稅務總局關於印發《土地增值稅清算管理規程》的通知), the content of which is consistent with the notice issued on December 28, 2008, with respect to the settlement of land value-added tax on a project by project basis, settlement requirement for land value-added tax and collection of land value-added tax by verification.

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Further, the Notice lays down the specific conditions and key issues for calculation of the deductible expenses when settling land value-added tax, such as land premium, land requisition fee, common ancillary facility fee, indirectly fee, etc.

(d) *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) enacted by the State Council on July 7, 1997 and enforced on October 1, 1997, the transferee, whether an entity or individual, of the title to a land site or building in the PRC shall have to pay deed tax. The rate of deed tax is 3% - 5%. The governments of provinces, autonomous regions and municipalities directly under the central government may, within the foresaid range, determine and report their effective tax rates to the MOF and the State Administration of Taxation for the record.

Pursuant to the “Notice on Adjusting Deed Tax Rate” (關於調整契稅稅率的通告) announced jointly by Chengdu finance Bureau and Chengdu local taxation bureau on June 30, 1999, which is authorized by the Sichuan provincial authority, the rate of deed tax in Chengdu is 3% as of July 1, 1999.

Pursuant to the “Implementation Provisions on Deed Tax in Chongqing Municipality” (重慶市契稅徵收實施辦法) enacted by the People’s Government of Chongqing on June 1, 1998, the rate of deed tax in Chongqing is 3%.

Pursuant to the “Notice by the People’s Government of Beijing Municipality on Revising Implementation Provisions on Deed Tax in Beijing Municipality” (北京市人民政府關於修改<北京市契稅管理規定>的決定) announced by the people’s government of Beijing municipality on June 27, 2002, the rate of deed tax in Beijing is 3% as of July 1, 2002.

On October 22, 2008, the Ministry of Finance and State Administration of Taxation issued the Notice on the Adjustments to Taxation on Real Estate Transactions (財政部國家稅務總局關於調整房地產交易環節稅收政策的通知). According to the Notice, the following policies would be implemental in order to encourage first-time purchases of ordinary residential properties:

- (a) temporarily decrease the property deed tax to 1% for first-time purchases by individuals of ordinary residential properties with a GFA of 90 sq.m. or below;
- (b) temporarily cease to levy the stamp duty on residential properties sold or purchased by individuals; and
- (c) temporarily cease to levy the land value-added tax on the residential properties sold by individuals.

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(e) *Urban land use tax*

Pursuant to the “Provisional Regulations of the People’s Republic of China Governing Land Use Tax in Cities and Towns” (中華人民共和國城鎮土地使用稅暫行條例) enacted by the State Council on September 27, 1988 and enforced 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 shall be between RMB0.2 and RMB10 per sq.m. of urban land collected according to the tax rate determined by local tax authorities. According to the “Notice on Land Use Tax Exemption of Foreign Investment Enterprises and Institutions of Foreign Enterprises in China” enacted by the MOF on November 2, 1988 and the “Approval on Land Use Tax Exemption of Foreign Investment Enterprises” issued by the State Administration of Taxation on March 27, 1997, land use fee instead of land use tax shall be collected from a foreign investment enterprise. However, the Provisional Regulations of the People’s Republic of China Governing Land Use Tax in Cities and Towns was revised by the State Council on December 31, 2006, under which the land use tax would be three times the amount of that of the same tax before which is came into effect as of January 1, 2007. The details rates are as follows:

- (i) between 1.5yuan and 30yuan in large cities;
- (ii) between 1.2yuan and 24yuan in medium cities;
- (iii) between 0.9yuan and 18yuan in small cities;
- (iv) between 0.6yuan and 12yuan in county towns, towns/bases operated under an organizational system, and industrial and mining districts.

According to the provisional regulations, land use tax shall be collected from foreign invested enterprises, foreign enterprises and foreign individuals.

On June 11, 2007, SAT issued the Notice on Cancelling Certain Administrative Examination and Approval Items for Local Taxes (關於取消部分地方稅行政審批專案的通知), which came into force as of the date of its issuance. Under this notice, certain preferential treatments of land use tax have been canceled as follows:

- (a) for certain infrastructure construction projects, in particular the large-scale infrastructure construction projects supported by relevant national industry policies, which need large areas of land and long-term construction but without operational revenue during the construction period, the exemption or reduction of land use tax may be granted by the taxation bureau at the provincial level based on the specified situations.
- (b) for the real estate development enterprises that have difficulty in paying the land use tax prior to the sale of commercial real estates, the exemption or reduction of land use tax may be granted by the taxation bureau at the provincial level based on the specified situations.
- (c) the exemption or reduction of land use tax as a benefit for using land for port construction, electric power industry and coal industry.

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(f) ***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) enacted by the State Council on September 15, 1986 and enforced on October 1, 1986, buildings 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. The following categories of buildings shall be exempt from buildings tax:

- (i) a building of governmental agencies, people’s organizations and the armed forces for their own use;
- (ii) a building of institutions whose operating expenses are allocated by State finance departments for their own use;
- (iii) a building religious temples and shrines’ parks and places of historic interest and scenic beauty for their own use;
- (iv) a building owned by individuals for non-business purposes;
- (v) tax exemption approved by the Ministry of Finance for other buildings.

On 31 December, 2008, the State Council decided to abolish the urban real estate tax (城市房地產稅) applicable to foreign-funded enterprises, foreign individual and entities and since January 1, 2009, the urban real estate tax has been substituted by the real estate tax (房產稅), which as a result has been applicable to both local and foreign entities and individuals.

(g) ***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) enacted by the State Council on August 6, 1988 and enforced on October 1, 1988, for property rights transfer instruments, including those in respect of property ownership transfer, the rate of stamp duty shall be 0.05% of the amount stated therein; for permits and certificates relating to rights, including Realty Title Certificates and land use rights certificates, stamp duty shall be levied on an item basis of RMB5 per item.

(h) ***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) enacted by the State Council on February 8, 1985, any taxpayer, whether an entity or individual, 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 Enterprises with Foreign Investment 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免徵城市維護建

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設稅和教育費附加問題的批覆) issued by State Administration of Taxation on February 25, 1994 and on September 14, 2005 respectively, whether foreign investment enterprises are subject to municipal maintenance tax shall be determined in accordance with notices issued by the State Council; and such tax is not applicable to enterprises with foreign investment for the time being, until further explicit stipulations are issued by the State Council.

(i) ***Education surcharge***

Under the “Interim Provisions on Imposition of Education Surcharge” (徵收教育費附加的暫行規定) enacted by the State Council on April 28, 1986 and revised on June 7, 1990 and August 20, 2005, a taxpayer, whether an entity or individual, 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” (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 Enterprises with Foreign Investment 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 “Reply 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免徵城市維護建設稅和教育費附加問題的批覆) issued by State Administration of Taxation on February 25, 1994 and on September 14, 2005 respectively, whether foreign investment enterprises are subject to the education surcharge shall be determined in accordance with notices issued by the State Council; and such tax is not applicable to enterprises with foreign investment for the time being, until further explicit stipulations are issued by the State Council.

I. Measures on Adjusting the Structure of Housing Supply and Stabilizing Housing Price

The General Office of the State Council enacted the “Notice on Effectively Stabilizing Housing Prices” (關於切實穩定住房價格的通知) on March 26, 2005, requiring measures to be taken to restrain the housing price from increasing too fast and to promote the healthy development of the property market. On May 9, 2005, the General Office of the State Council issued the Opinion of the Ministry of Construction and other Departments on Doing a Good Job of Stabilizing House 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), the opinion provides that:

(a) ***Intensifying the planning and control and improving the supply structure of houses***

Where the residence price is in excessive growth and where the supply of ordinary commodity houses with medium or low price and economical houses is insufficient, construction of residential properties should mainly involve projects of ordinary commodity houses with medium or low price and economical houses. The construction of low-density, up-market houses shall be strictly controlled. With respect to construction projects of medium or low price ordinary commodity houses, before any grant of land, the municipal planning authority shall, according to the level of control required, set out conditions for planning and design such as height of buildings, plot ratio and green space. The property authority shall, in collaboration with other relevant authorities, set forth such controlling requirements as sale price, type and apartment sizes. Such conditions and requirements will be set out as preconditions of land granting to ensure an effective supply of small or medium-sized houses at

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moderate and low prices. The local government must intensify the supervision of planning permits for property development projects. Residential projects that have not commenced within two years must have their plans examined again, and those that turn out to be not in compliance with the planning permits will be revoked.

(b) ***Intensifying the control over the supply of land and rigorously enforcing the administration of land***

Where the price of land for residential use and residential properties grows too fast, the proportion of land for residential use to the total land supply should be appropriately raised, and the land supply for the construction of ordinary commodity houses with medium or low price and economical housing should be emphatically increased. Land supply for villa construction shall continue to be suspended, and land supply for high-end housing property construction shall be strictly restricted.

(c) ***Adjusting the policies of business tax on residential property house transfer and strictly regulating the collection and administration of tax***

From June 1, 2005, business tax on transfer of a residential property by an individual within two years from purchase will be levied on the basis of the full amount of the sale proceeds. Transfer of an ordinary residential property by an individual two years or more after purchase shall be exempted for business tax. For transfer of a house other than ordinary residential property by an individual two years or more after purchase, the business tax will be levied on the basis of the balance between the proceeds from selling the property and the purchase price.

(d) ***Strictly Rectifying and Regulating the Market Order and Seriously Investigating into and Punishing Any Irregular and Rule-breaking Sales***

The buyer of a pre-completion commodity property is prohibited from conducting any transfer of the pre-sale commodity property that he has bought but is still under construction. A real name system for property purchase should be applied, and an immediate archival filing network system for advance sales contracts of commodity properties should be carried out.

(e) ***Further Strengthening the Disposing of Idle Land***

An “idle land fee” will be imposed in respect of land the development of which has not commenced within one year from the commencement date set out in the land use right granting contract and the relevant land use right will be cancelled for the land which is idle for two years or more.

On May 24, 2006, the State Council forwarded the “Opinion on Adjusting the Housing Supply Structure and Stabilizing Property Prices” (關於調整住房供應結構穩定住房價格的意見) (the “Opinion”) of the Ministry of Construction and other relevant government authorities. The Opinion provides the following:

i. ***Adjusting the Housing Supply Structure***

- Developers must focus on providing small to medium sized ordinary commodity properties at low to mid-level prices to cater to the demands of local residents;

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- As of June 1, 2006, newly approved and newly commenced building construction projects must have at least 70% of the total construction work area designated for small apartments with floor areas of 90 sq.m. or below (including economically affordable apartments). If municipalities directly under the Central Government, cities listed on state plans (計劃單列市) and provincial capital cities (省會城市) have special reasons to adjust such prescribed ratio, they must obtain special approval from the Ministry of Construction. Construction projects that have been approved but have not yet obtained a Permit for Commencement of Construction Works must follow the prescribed ratio.
- ii. *Further adjustments in tax, loan and land policies*
- From June 1, 2006, business tax will be levied on the full amount of the sale proceeds on conveyance of residential properties within a period of five years from the date of purchase. If an individual sells his ordinary standard apartment after five or more years from the date of purchase, business tax will normally be exempted. If an individual sells his non-ordinary apartment after five or more years from the date of purchase, business tax will be levied on the balance between the selling price and the purchase price;
 - Commercial banks are not allowed to advance loan facilities to real estate developers who do not have the required 35% or more of the total capital for the construction projects as capital fund. The commercial banks should be prudent in granting loan facilities and/or revolving credit facilities in any form to the real estate developers who have a large number of idle lands and unsold commodity apartments. Banks shall not accept mortgages of commodity properties remaining unsold for three years or more;
 - From June 1, 2006 and onward, individual purchasers need to pay a minimum of 30% of the purchase price as down payment. However, if individual purchasers buy apartments of 90 sq.m. or less for residential purposes, the existing requirement of 20% of the purchase price as down payment remains unchanged;
 - At least 70% of the total land supply for residential property development must be used for developing small-to-medium-sized ordinary apartment (including economically affordable apartments) and low-cost housing. Based on the restrictions of residential property size ratio and residential property price, land supply will be granted by way of auction to the property developer. Land supply for villa construction shall continue to be suspended, and land supply for low-density and large-area housing property construction shall be strictly restricted;
 - The relevant authorities will levy a higher surcharge against those real estate developers who have not commenced the construction work for longer than one year from the commencement date stipulated in the Grant of State-owned Land Use Right contract and will order them to set a date for commencing the construction work and a date of completion. The relevant authorities will confiscate without compensation

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the Grant of State-owned Land Use Right from those real estate developers who have not commenced the construction work beyond two years from the commencement date stipulated in the Grant of State-owned Land Use Right granting contract without proper reasons. The relevant authorities will dispose of the idle land of those real estate developers who have suspended the construction work consecutively for one year without an approval, have invested less than one-fourth of the total proposed investment or have developed less than one-third of the total proposed construction area.

iii. *Reasonably Monitoring the Scope and Progress of Demolition of Urban Housing*

The management and reasonable control of the scope and progress of the demolition of urban housing should be strengthened to halt the excessive property growth triggered by passive means.

iv. *Further Rectifying and Regulating the Order of Property Market*

- In order to ensure that the prescribed ratio regarding types and sizes is followed, the relevant authorities will need to re-examine the approval of those construction projects which have been granted Construction Planning Permit but have not been commenced. The relevant authorities will ensure that no Construction Planning Permit (規劃許可證), Construction Permit (施工許可證) or Permit for Pre-Sale of Commodity Properties (商品房預售許可證) is issued to those construction projects which do not satisfy the controlling requirements, in particular, the prescribed ratio requirement. If the real estate developers, without an approval, alter the architectural design, the construction items, and exceed the prescribed ratio, the relevant authorities have the power to dispose of the land and to confiscate the land in accordance with the law;
- The property administration authority and the administration of industry and commerce will investigate illegal dealings such as contract fraud cases in accordance with the law. The illegal conduct of pre-completion sale of commodity properties without satisfying all the conditions will be ordered to stop and be imposed a proper administrative penalty in accordance with the law. For those property developers who maliciously manipulate the supply of commodity housing, the relevant authorities will impose a proper administrative penalty, which includes revoking the business licenses of serious offenders and will pursue personal liability for those concerned.

v. *Gradually relieving the housing demands for low income families*

To expedite the establishment of low cost public housing supply system in various cities and counties; to monitor and regulate the construction of economically affordable apartments; to aggressively develop the second-hand property market and property rental market.

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vi. *Improving information disclosure system and system for collecting property statistics*

On July 6, 2006, the Ministry of Construction promulgated a supplemental Opinion on Carrying Out the Residential Property Size Ratio in Newly Built Residential Buildings (Jianzhufang [2006] No. 165) (關於落實新建住房結構比例要求的若干意見) (the “Supplemental Opinion”). The Supplemental Opinion provides the following:

- As of June 1, 2006, of the newly approved and newly commenced commodity residence projects in different cities including town and counties (from June 1, 2006 and onward), at least 70% of the total construction area must be used for building small apartments with unit floor area of 90 sq.m. or below (including economically affordable apartments);
- The relevant authorities in different localities must strictly follow the prescribed ratio requirement in their respective locality. The relevant authorities must ensure the conditions of newly built commodity apartments including the planning and the design, and must ensure that the property size ratio is adhered to. If a real estate developer has not followed the ratio requirement without providing proper reasons, the town planning authorities will not issue a Construction Planning Permit. If the real estate developer has not followed the requirements of the Construction Planning Permit, the relevant authority censoring the planning documents will not issue a certification, the construction authority will not issue a Construction Permit, and the property authority will not issue a Permit for pre-completion sale of the commodity properties.

In the case of commodity residence projects that were granted approval before June 1, 2006 but that were not granted a Construction Permit by that date, the relevant local governments in different localities should ascertain the details of the projects and ensure that the prescribed residential property size ratio requirement is complied with the percentage of the annual total construction area of the newly developed residential development projects in the locality among other factors. Accordingly our directors consider that such opinion will not have any adverse impact on the company’s projects including housing with floor area exceeding 90 sq.m.

On September 30, 2007, the Ministry of Land Resources issued the “Notice On Implementation of the ‘Several Opinions of the State Council of the PRC on Solving Housings Shortage with respect to Urban Low-Income Household’ and Further Strengthening Control on 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) for strictly strengthening disposal of idle land. The land resources administrative bureau at the city or county level shall give priority to the construction land of low rental houses, affordable house and low-to-medium size ordinary residence at low-to-medium prices when drafting the Annual Land Supply Plan, the annual supply amount of such houses shall not be less than 70% of the total amount of annual land supply. The local authorities shall control the land supply amount, shorten development period, in principle the development period of a parcel of land shall not be more than three years, in order to ensure the efficiency of land development.

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II. PRC LEGAL FRAMEWORK REGULATING THE PROPERTY MANAGEMENT BUSINESS

A. Foreign-invested property management enterprises

According to the “Foreign Investment Industrial Guidance Catalogue (amended in 2007)”, property management falls within the Category of Permitted Foreign Investment Industries. According to the “Foreign Investment Industrial Guidance Catalogue (amended in 2007)” and the relevant requirements set out under the laws and the administrative regulations on foreign investment enterprises, a foreign invested property management enterprise can be set up in the form of Sino-foreign equity joint venture, Sino-foreign cooperative joint venture or wholly foreign owned enterprise. Before the administration of Industry and Commerce registers a foreign investment enterprise as a foreign-invested property management enterprise, the foreign-invested property management enterprise should obtain an approval from the relevant department of commerce and receive a “foreign investment enterprise approval certificate”.

B. Qualifications of a property management enterprise

According to the “Regulation on Property Management” (物業管理條例) enacted by the State Council on June 8, 2003 and enforced on September 1, 2003, the state implements a qualification scheme system in monitoring the property management enterprises. According to the “Measures for Administration of Qualifications of Property Management Enterprises” (物業管理企業資質管理辦法) enacted by the Ministry of Construction on March 17, 2004 and enforced on May 1, 2004 and revised on November 26, 2007, a newly established property management enterprise shall, within 30 days from the date of receiving its business license, apply to the relevant local bureau in charge of the property management under the local government or to the municipalities directly under the Central Government for a grading assessment. The departments of qualification examination and approval will check and issue a “property management qualification certificate” corresponding to their grading assessment results.

The State Council amended the “Regulation on Property Management” (the “Regulations”) on August 26, 2007, which clarifies the relevant issues regarding Property Management as follows:

(a) *Clarification of the Rights and Obligations of Owner’s Congresses*

The Regulations clarify that the term “owner” means the title-holder of a premises. Owners may elect one owner’s congresses to represent and protect their lawful rights and interests, such as information rights and rights of supervision over the use of common facilities and spaces.

(b) *Owner’s Committee Executes a Written Service Contract with the Property Manager*

The owner’s congress will select one property service company, and the owner’s committee will execute a written service contract with the property service company on behalf of the owners. Under the Regulations, the premises used by the management company are the owner’s property, and the management company may not change the use of these premises without the approval of the owner’s congress. The property service company will be liable for damages to the owner’s person or property in violation of the service contract.

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(c) The rate of the property service fee must be reasonable, public and appropriate to the service provided. The service fee shall be agreed in the service contract in accordance with the relevant regulations enacted by the departments supervising consumer prices and construction under the State Council. With respect to any property already completed but not yet sold or delivered to the property buyer, the service fees will be paid by the construction entity.

According to the “Measures for the Administration on Qualifications of Property Management Enterprises”, the qualifications of a property management enterprise shall be classified as class 1, class 2 and class 3. The competent construction department of the State Council shall be responsible for issuance and administration of the qualification certificate of the class 1 property management enterprises. The competent construction departments of the people’s governments of provinces and autonomous regions shall be responsible for issuance and administration of the qualification certificate of the class 2 property management enterprises, and the competent realty departments of the people’s governments of municipalities directly under the Central Government shall be responsible for issuance and administration of the qualification certificate of the classes 2 and 3 property management enterprises. The competent realty departments of the people’s governments of the cities divided into districts shall be responsible for the issuance and administration of the qualification certificate of the class 3 property management enterprises.

The property management enterprises with the class 1 qualification may undertake various property management projects. The property management enterprises with the class 2 qualification may undertake the property management business of residential management projects of less than 300,000 sq.m. and the non-residential management projects of less than 80,000 sq.m. The property management enterprises with the class 3 qualification may undertake the property management business of residence projects of less than 200,000 sq.m. and non-residence projects under 50,000 sq.m.

C. Employment of a property management enterprise

According to the “Regulation on Property Management Enterprise” (物業管理條例) enacted by the State Council on June 8, 2003 and enforced on September 1, 2003 and revised on August 26, 2007, the general meeting of owners can select or dismiss the property management enterprises if it has obtained the consents from the owners representing 1/2 or more in terms of population and private area of the entire building. If, before the formal employment of a property management by the owners or the general meeting or the owners, the real estate development is to employ a property management enterprise for the preparation of stage property services.

III. FOREIGN EXCHANGE CONTROLS

The lawful currency of the PRC is the Renminbi, which is subject to foreign exchange controls and is not freely convertible into foreign exchange at this time. The State Administration of Foreign Exchange (“SAFE”), under the authority of PBOC, is empowered with the functions of administering all matters relating to foreign exchange, including the enforcement of foreign exchange control regulations.

Prior to December 31, 1993, a quota system was used for the management of foreign currency. Any enterprise requiring foreign currency was required to obtain a quota from the local SAFE office before it could convert Renminbi into foreign currency through the Bank of China or other designated banks. Such conversion had to be effected at the official rate prescribed by SAFE on a daily basis. Renminbi could also

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be converted into foreign currency at swap centers. The exchange rates used by swap centers were largely determined by the demand for, and supply of, the foreign currency and the Renminbi requirements of enterprises in the PRC. Any enterprise that wished to buy or sell foreign currency at a swap center had to obtain the prior approval of SAFE.

On December 28, 1993, the PBOC, under the authority of the State Council, promulgated the Notice of the People’s Bank of China Concerning Further Reform of the Foreign Currency Control System 《中國人民銀行關於進一步改革外匯管理體制的公告》, effective from January 1, 1994. The notice announced the abolition of the foreign exchange quota system, the implementation of conditional convertibility of Renminbi in current account items, the establishment of the system of settlement and payment of foreign exchange by banks, and the unification of the official Renminbi exchange rate and the market rate for Renminbi established at swap centers. On March 26, 1994, the PBOC promulgated the Provisional Regulations for the Administration of Settlement, Sale and Payment of Foreign Exchange 《結匯、售匯及付匯管理暫行規定》 (the “Provisional Regulations”), which set out detailed provisions regulating the trading of foreign exchange by enterprises, economic organizations and social organizations in the PRC.

On January 1, 1994, the former dual exchange rate system for Renminbi was abolished and replaced by a controlled floating exchange rate system, determined by demand and supply of Renminbi. Pursuant to such system, the PBOC sets and publishes the daily Renminbi-US dollar exchange rate. Such exchange rate is determined with reference to the transaction price for Renminbi-US dollar in the inter-bank foreign exchange market on the previous day. Also, the PBOC, with reference to exchange rates in the international foreign exchange market, announced the exchange rates of Renminbi against other major foreign currencies. In foreign exchange transactions, designated foreign exchange banks may, within a specified range, freely determine the applicable exchange rate in accordance with the rate announced by the PBOC.

On January 29, 1996, the State Council promulgated Regulations for the Control of Foreign Exchange 《中華人民共和國外匯管理條例》 (“Control of Foreign Exchange Regulations”) which became effective from April 1, 1996. The Control of Foreign Exchange Regulations classify all international payments and transfers into current account items and capital account items. Current account items are no longer subject to SAFE approval while capital account items still are. The Control of Foreign Exchange Regulations (中華人民共和國外匯管理條例) were subsequently amended on January 14, 1997 and August 5, 2008. Such amendments affirm that the State shall not restrict regular international payments and transfers. The enterprises may either repatriate their foreign exchange incomes back or deposit the same abroad, and the conditions and terms for repatriating their foreign exchange incomes back or depositing in overseas countries shall be regulated by the administration of foreign exchange under the State Council depending on the balance of international payments and the needs for foreign exchange control. Where the foreign exchange incomes under capital accounts are to be retained or sold to financial institutions which are engaged in settlement and sale of foreign exchange, approvals of foreign exchange control agencies are required, except as otherwise permitted by the state.

On June 20, 1996, the PBOC promulgated the Regulations for Administration of Settlement, Sale and Payment of Foreign Exchange 《結匯、售匯及付匯管理規定》 (the “Settlement Regulations”) which became effective on July 1, 1996. The Settlement Regulations superseded the Provisional Regulations and abolished the remaining restrictions on convertibility of foreign exchange in respect of current account items while retaining the existing restrictions on foreign exchange transactions in respect of capital account items.

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On the basis of the Settlement Regulations, the PBOC published the Announcement on the Implementation of Foreign Exchange Settlement and Sale Banks by Foreign-invested Enterprises 《外商投資企業實行銀行結售匯工作實施方案》. The announcement permits foreign-invested enterprises to open, on the basis of their needs, foreign exchange settlement accounts for current account receipts and payments of foreign exchange, and specialized accounts for capital account receipts and payments at designated foreign exchange banks. On April 13, 2006, the PBOC promulgated the Announcement [2006] No. 5. The announcement provides that the system for opening, amending and closing current account-related foreign exchange accounts by enterprises shall be changed from one requiring advance examination and approval to one in which matters shall be handled directly by banks in line with foreign exchange control requirements and commercial practice and reported to the foreign exchange bureau for its records. The limits on current account-related foreign exchange accounts of enterprises shall be increased. On the same day, SAFE issued a Notice on Adjusting the Policies Concerning the Administration of Current Foreign Exchange Accounts 《關於調整經常項目外匯管理政策的通知》. The notice abolished the advance examination for opening of current account-related foreign exchange accounts and improved the limits on current account-related foreign exchange accounts.

On October 25, 1998, the PBOC and SAFE promulgated the Notice Concerning the Discontinuance of Foreign Exchange Swapping Business 《關於停辦外匯調劑業務的通知》 pursuant to which and with effect from December 1, 1998, all foreign exchange swapping business in the PRC for foreign-invested enterprises shall be discontinued, while the trading of foreign exchange by foreign-invested enterprises shall be regulated under the system for the settlement and sale of foreign exchange applicable to banks.

On July 21, 2005, the PBOC announced that, beginning from July 21, 2005, China will implement a regulated and managed floating exchange rate system based on market supply and demand and by reference to a basket of currencies. The Renminbi exchange rate is no longer pegged to the US dollar. PBOC will announce the closing price of a foreign currency such as the US dollar traded against the Renminbi in the inter-bank foreign exchange market after the closing of the market on each business day, setting the central parity for trading of the Renminbi on the following business day.

Save for foreign-invested enterprises or other enterprises which are specially exempted by relevant regulations, all entities in China (except for foreign trading companies and production enterprises having import and export rights, which are entitled to retain part of foreign exchange income generated from their current account transactions and to make payments using such retained foreign exchanges in their current account transactions or approved capital account transactions) must sell their foreign exchange income to designated foreign exchange banks. Foreign exchange income from loans issued by organizations outside the territory or from the issuance of bonds and shares is not required to be sold to designated banks, but may be deposited in foreign exchange accounts with designated banks.

Enterprises in China (including foreign-invested enterprises) which require foreign exchange for transactions relating to current account items may, without the approval of SAFE, effect payment from their foreign exchange account or convert and pay at the designated foreign exchange banks, upon presentation of valid receipts and proof. Foreign-invested enterprises which need foreign currencies for the distribution of profits to their shareholders, and Chinese enterprises which, in accordance with regulations, are required to pay dividends to shareholders in foreign currencies, may with the approval of board resolutions on the distribution of profits, effect payment from their foreign exchange account or convert and pay at the designated foreign exchange banks.

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Convertibility of foreign exchange in respect of capital account items, like direct investment and capital contribution, is still subject to restriction and prior approval from SAFE or its competent branch.

In January and April 2005, SAFE issued two regulations that require PRC residents to register with and receive approvals from SAFE in connection with their offshore investment activities. SAFE also announced that the purpose of these regulations is to achieve the proper balance of foreign exchange and the standardization of all cross-border flows of funds.

On October 21, 2005, SAFE issued the Notice on Issues Relating to the Administration of Foreign Exchange in Fund-raising and Reverse Investment Activities of Domestic Residents Conducted via Offshore Special Purpose Companies 《關於境內居民通過境外特殊目的公司融資及返程投資外匯管理有關問題的通知》 which became effective as of November 1, 2005. The notice replaced the two regulations issued by SAFE in January and April 2005 mentioned above. According to the notice, a “special purpose company” refers to an offshore company directly established or indirectly controlled by a domestic resident legal person or domestic resident natural person for the purpose of undertaking equity financing (including convertible bond financing) abroad with the enterprise assets or rights and interests it/he holds inside PRC. Prior to establishing or assuming control of such special purpose company, each PRC resident, whether a natural or legal person, must complete the overseas investment foreign exchange registration procedures with the relevant local SAFE branch. The notice applies retroactively. As a result, PRC residents who have established or acquired control of such offshore companies that have made onshore investments in the PRC in the past are required to complete the relevant overseas investment foreign exchange registration procedures by March 31, 2006.

On September 1, 2006, SAFE and Ministry of Construction jointly issued a Notice on Regulating Issues Relevant to Administration of Foreign Exchange in Real Estate Market 《關於規範房地產市場外匯管理有關問題的通知》. The notice provides: (i) where a foreign-invested real estate enterprise fails to pay the registered capital in full or to acquire a state-owned land use right certificate or to make its capital fund for a development project reach 35% of the total investment to the project, the foreign exchange bureau will not handle its foreign debt registration or approve the conversion of foreign debt into Renminbi; (ii) where a foreign organization or individual acquires a domestic real estate enterprise, if it (he) fails to pay the transfer price in a lump sum by its (his) own fund, the foreign exchange bureau will not handle the registration of foreign exchange income from transfer of equities; (iii) Chinese and foreign investors of a foreign-invested real estate enterprise shall not reach an agreement including any clause which promises a fixed return or fixed revenue in any disguised form to any party, otherwise the foreign exchange bureau will not handle the foreign exchange registration or registration modification of foreign-invested enterprise; and (iv) funds in a foreign exchange account exclusive to foreign investors opened by a foreign organization or individual in a domestic bank shall not be used for real estate development or operation. The notice also provides for a foreign exchange working process related to branches of overseas institutions established within China, overseas individuals, Hong Kong, Macao or Taiwan residents and overseas Chinese purchasing or selling commodity houses within China.

On December 25, 2006, PBOC promulgated the Measures for the Administration of Individual Foreign Exchange 《個人外匯管理辦法》. The measures use category administration to classify the individual foreign exchange operations as domestic and overseas by participants in the transaction, and current accounts and capital accounts by the nature of the transaction. The measures set the annual total amount of foreign

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exchange for settlement of individuals and for purchase of domestic individuals, and provide different procedures for individuals who set foreign exchange over the annual total amount and domestic individuals who purchase foreign exchange over the annual total amount according to current accounts items and capital accounts items.

On January 5, 2007, SAFE promulgated the Detailed Rules for the Implementation of the Measures for the Administration of Individual Foreign Exchange 《個人外匯管理辦法實施細則》. The Detailed Rules provide, amongst others, that (i) the annual total amount of foreign exchange for settlement of individuals and for purchase of domestic individuals is USD50,000; (ii) domestic individuals who engage in external direct investment satisfying the relevant rules shall not only get approval from the foreign exchange bureau, but also complete the overseas investment foreign exchange registration procedures before they can purchase foreign exchange or remit with their own foreign exchange. (iii) domestic individuals can engage in financial investment such as overseas fixed-revenue right-interest, etc. through qualified domestic institutional investors such as banks and fund management companies; (iv) in case domestic individuals engage in such foreign exchange operations as an employee stock ownership plan of an overseas listed company or subscription option program, they can only deal with such options after completing registration with the foreign exchange bureau through their company or domestic agency institutions; and (v) the administration of foreign exchange on overseas loans, debts, guarantees, etc. for domestic individuals will be gradually opened.

On 29 August, 2008, SAFE issued the Circular of the SAFE on Relevant Business Operations Issues Concerning Improving the Administration of Payment and Settlement of Foreign Exchange Capital of Foreign-funded Enterprises (國家外匯管理局綜合司關於完善外商投資企業外匯資本金支付結匯管理有關業務操作問題的通知). According to the Circular, a foreign-funded enterprise shall authorize an accounting firm to conduct capital verification before applying for the settlement of the foreign exchange capital. The settled foreign exchange capital shall be merely used for the business approved by the related authorities and shall not be used for equity investment. It is also prohibited to use the settled foreign exchange capital for purchasing domestic real estate for any purpose other than its own use, unless the enterprise is a foreign-funded real estate enterprise.

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Set out below is a summary of certain provisions of the Memorandum and Articles of Association of the Company and of certain aspects of Cayman company law.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on December 21, 2007 under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands (the “Companies Law”). The Memorandum of Association (the “Memorandum”) and the Articles of Association (the “Articles”) comprise its constitution.

1. MEMORANDUM OF ASSOCIATION

- (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 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 November 1, 2009. The following is a summary of certain provisions of the Articles:

(a) Directors

(i) Power to allot and issue shares and warrants

Subject to the provisions of the Companies Law and the Memorandum and Articles and to any special rights conferred on the holders of any shares or class of shares, any share may be issued with or have attached thereto such rights, or such restrictions, whether with regard to dividend, voting, return of capital, or otherwise, as the Company may by ordinary resolution determine (or, in the absence of any such determination or so far as the same may not make specific provision, as the board may determine). Subject to the Companies Law, the rules of any Designated Stock Exchange (as defined in the Articles) and the Memorandum and Articles, any share may be issued on terms that, at the option of the Company or the holder thereof, they are liable to be redeemed.

The board may issue warrants conferring the right upon the holders thereof to subscribe for any class of shares or securities in the capital of the Company on such terms as it may from time to time determine.

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Subject to the provisions of the Companies Law and the Articles and, where applicable, the rules of any Designated Stock Exchange (as defined in the Articles) and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, all unissued shares in the Company shall be at the disposal of the board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, but so that no shares shall be issued at a discount.

Neither the Company nor the board shall be obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to members or others with registered addresses in any particular territory or territories being a territory or territories where, in the absence of a registration statement or other special formalities, this would or might, in the opinion of the board, be unlawful or impracticable. Members affected as a result of the foregoing sentence shall not be, or be deemed to be, a separate class of members for any purpose whatsoever.

(ii) *Power to dispose of the assets of the Company or any subsidiary*

There are no specific provisions in the Articles relating to the disposal of the assets of the Company or any of its subsidiaries. The Directors may, however, exercise all powers and do all acts and things which may be exercised or done or approved by the Company and which are not required by the Articles or the Companies Law to be exercised or done by the Company in general meeting.

(iii) *Compensation or payments for loss of office*

Pursuant to the Articles, payments to any Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually entitled) must be approved by the Company in general meeting.

(iv) *Loans and provision of security for loans to Directors*

There are provisions in the Articles prohibiting the making of loans to Directors.

(v) *Disclosure of interests in contracts with the Company or any of its subsidiaries.*

A Director may hold any other office or place of profit with the Company (except that of the auditor of the Company) in conjunction with his office of Director for such period and, subject to the Articles, upon such terms as the board may determine, and may be paid such extra remuneration therefor (whether by way of salary, commission, participation in profits or otherwise) in addition to any remuneration provided for by or pursuant to any other Articles. A Director may be or become a director or other officer of, or otherwise interested in, any company promoted by the Company or any other company in which the Company may be interested, and

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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;
- (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;

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- (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 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.

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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 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.

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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.

(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.

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(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;
- (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

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- (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 to one vote for every such share held by him.

The special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

(e) Special resolution-majority required

Pursuant to the Articles, a special resolution of the Company must be passed by a majority of not less than three-fourths of the votes cast by such members as, being entitled so to do, vote in person or, in the case of such members as are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice of not less than twenty-one (21) clear days and not less than ten (10) clear business days specifying the intention to propose the resolution as a special resolution, has been duly given. Provided that if permitted by the Designated Stock Exchange (as defined in the Articles), except in the case of an annual general meeting, if it is so agreed by a majority in number of the members having a right to attend and vote at such meeting, being a majority together holding not less than ninety-five per cent. (95%) in nominal value of the shares giving that right and, in the case of an annual general meeting, if so agreed by all Members entitled to attend and vote thereat, a resolution may be proposed and passed as a special resolution at a meeting of which notice of less than twenty-one (21) clear days and less than ten (10) clear business days has been given.

A copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands within fifteen (15) days of being passed.

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An ordinary resolution is defined in the Articles to mean a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting held in accordance with the Articles.

(f) Voting rights

Subject to any special rights or restrictions as to voting for the time being attached to any shares by or in accordance with the Articles, at any general meeting on a poll every member present in person or by proxy or, in the case of a member being a corporation, by its duly authorised representative shall have one vote for every fully paid share of which he is the holder but so that no amount paid up or credited as paid up on a share in advance of calls or installments is treated for the foregoing purposes as paid up on the share. A member entitled to more than one vote need not use all his votes or cast all the votes he uses in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided by way of a poll.

If a recognised clearing house (or its nominee(s)) is a member of the Company it may authorise such person or persons as it thinks fit to act as its representative(s) at any meeting of the Company or at any meeting of any class of members of the Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised pursuant to this provision shall be deemed to have been duly authorised without further evidence of the facts and be entitled to exercise the same powers on behalf of the 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.

(g) Requirements for annual general meetings

An annual general meeting of the Company must be held in each year, other than the year of adoption of the Articles (within a period of not more than fifteen (15) months after the holding of the last preceding annual general meeting or a period of eighteen (18) months from the date of adoption of the Articles, unless a longer period would not infringe the rules of any Designated Stock Exchange (as defined in the Articles)) at such time and place as may be determined by the board.

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(h) Accounts and audit

The board shall cause true accounts to be kept of the sums of money received and expended by the Company, and the matters in respect of which such receipt and expenditure take place, and of the property, assets, credits and liabilities of the Company and of all other matters required by the Companies Law or necessary to give a true and fair view of the Company’s affairs and to explain its transactions.

The accounting records shall be kept at the registered office or at such other place or places as the board decides and shall always be open to inspection by any Director. No member (other than a Director) shall have any right to inspect any accounting record or book or document of the Company except as conferred by law or authorised by the board or the Company in general meeting.

A copy of every balance sheet and profit and loss account (including every document required by law to be annexed thereto) which is to be laid before the Company at its general meeting, together with a printed copy of the Directors’ report and a copy of the auditors’ report, shall not less than twenty-one (21) days before the date of the meeting and at the same time as the notice of annual general meeting be sent to every person entitled to receive notices of general meetings of the Company under the provisions the Articles; however, subject to compliance with all applicable laws, including the rules of the Designated Stock Exchange (as defined in the Articles), the Company may send to such persons summarised financial statements derived from the Company’s annual accounts and the directors’ report instead provided that any such person may by notice in writing served on the Company, demand that the Company sends to him, in addition to summarised financial statements, a complete printed copy of the Company’s annual financial statement and the directors’ report thereon.

Auditors shall be appointed and the terms and tenure of such appointment and their duties at all times regulated in accordance with the provisions of the Articles. The remuneration of the auditors shall be fixed by the Company in general meeting or in such manner as the members may determine.

The financial statements of the Company shall be audited by the auditor in accordance with generally accepted auditing standards. The auditor shall make a written report thereon in accordance with generally accepted auditing standards and the report of the auditor shall be submitted to the members in general meeting. The generally accepted auditing standards referred to herein may be those of a country or jurisdiction other than the Cayman Islands. If so, the financial statements and the report of the auditor should disclose this fact and name such country or jurisdiction.

(i) Notices of meetings and business to be conducted thereat

An annual general meeting shall be called by notice of not less than twenty-one (21) clear days and not less than twenty (20) clear business days and any extraordinary general meeting at which it is proposed to pass a special resolution shall (save as set out in sub-paragraph (e) above) be called by notice of at least twenty-one (21) clear days and not less than ten (10) clear business days. All other extraordinary general 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

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case of special business, the general nature of that business. In addition notice of every general meeting shall be given to all members of the Company other than such as, under the provisions of the Articles or the terms of issue of the shares they hold, are not entitled to receive such notices from the Company, and also to the auditors for the time being of the Company.

Notwithstanding that a meeting of the Company is called by shorter notice than that mentioned above if permitted by the rules of the Designated Stock Exchange, it shall be deemed to have been duly called if it is so agreed:

- (i) in the case of a meeting called as an annual general meeting, by all members of the Company entitled to attend and vote thereat; and
- (ii) in the case of any other meeting, by a majority in number of the members having a right to attend and vote at the meeting, being a majority together holding not less than ninety-five per cent (95%) in nominal value of the issued shares giving that right.

All business shall be deemed special that is transacted at an extraordinary general meeting and also all business shall be deemed special that is transacted at an annual general meeting with the exception of the following, which shall be deemed ordinary business:

- (aa) the declaration and sanctioning of dividends;
 - (bb) the consideration and adoption of the accounts and balance sheet and the reports of the directors and the auditors;
 - (cc) the election of directors in place of those retiring;
 - (dd) the appointment of auditors and other officers;
 - (ee) the fixing of the remuneration of the directors and of the auditors;
 - (ff) the granting of any mandate or authority to the directors to offer, allot, grant options over or otherwise dispose of the unissued shares of the Company representing not more than twenty per cent (20%) in nominal value of its existing issued share capital; and
 - (gg) the granting of any mandate or authority to the directors to repurchase securities of the Company.
- (j) **Transfer of shares**

All transfers of shares may be effected by an instrument of transfer in the usual or common form or in a form prescribed by the Designated Stock Exchange (as defined in the Articles) or in such other form as the board may approve and which may be under hand or, if the transferor or transferee is a clearing house or its nominee(s), by hand or by machine imprinted signature or by such other manner

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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).

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.

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(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 and financial assistance to purchase shares of the Company

There are no provisions in the Articles relating to ownership of shares in the Company by a subsidiary.

Subject to compliance with the rules and regulations of the Designated Stock Exchange (as defined in the Articles) and any other relevant regulatory authority, the Company may give financial assistance for the purpose of or in connection with a purchase made or to be made by any person of any shares in the Company.

(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 authorised for this purpose in accordance with the Companies Law.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide, (i) all dividends shall be declared and paid according to the amounts paid up on the shares in respect whereof the dividend is paid but no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share and (ii) all dividends shall be apportioned and paid pro rata according to the amount paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. The Directors may deduct from any dividend or other monies payable to any member or in respect of any shares all sums of money (if any) presently payable by him to the Company on account of calls or otherwise.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared on the share capital of the Company, the board may further resolve either (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the shareholders entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment, or (b) that shareholders entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the board may think fit. The Company may also upon the recommendation of

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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 authorised representative) or by proxy.

(o) Call on shares and forfeiture of shares

Subject to the Articles and to the terms of allotment, the board may from time to time make such calls upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium). A call may be made payable either in one lump sum or by installments. If the sum payable in respect of any call or

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instalment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding twenty per cent. (20%) per annum as the board may agree to accept from the day appointed for the payment thereof to the time of actual payment, but the board may waive payment of such interest wholly or in part. The board may, if it thinks fit, receive from any member willing to advance the same, either in money or money’s worth, all or any part of the monies uncalled and unpaid or installments payable upon any shares held by him, and upon all or any of the monies so advanced the Company may pay interest at such rate (if any) as the board may decide.

If a member fails to pay any call on the day appointed for payment thereof, the board may serve not less than fourteen (14) clear days’ notice on him requiring payment of so much of the call as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment and stating that, in the event of non-payment at or before the time appointed, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the board to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, notwithstanding, remain liable to pay to the Company all monies which, at the date of forfeiture, were payable by him to the Company in respect of the shares, together with (if the board shall in its discretion so require) interest thereon from the date of forfeiture until the date of actual payment at such rate not exceeding twenty per cent. (20%) per annum as the board determines.

(p) Inspection of register of members

Pursuant to the Articles the register and branch register of members shall be open to inspection for at least two (2) hours on every business day by members without charge, or by any other person upon a maximum payment of HK\$2.50 or such lesser sum specified by the board, at the registered office or such other place at which the register is kept in accordance with the Companies Law or, upon a maximum payment of HK\$1.00 or such lesser sum specified by the board, at the Registration Office (as defined in the Articles), unless the register is closed in accordance with the Articles.

(q) Quorum for meetings and separate class meetings

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, but the absence of a quorum shall not preclude the appointment of a chairman.

Save as otherwise provided by the Articles the quorum for a general meeting shall be two members present in person (or, in the case of a member being a corporation, by its duly authorised

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representative) or by proxy and entitled to vote. In respect of a separate class meeting (other than an adjourned meeting) convened to sanction the modification of class rights the necessary quorum shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class.

A corporation being a member shall be deemed for the purpose of the Articles to be present in person if represented by its duly authorised representative being the person appointed by resolution of the directors or other governing body of such corporation to act as its representative at the relevant general meeting of the Company or at any relevant general meeting of any class of members of the Company.

(r) Rights of the minorities in relation to fraud or oppression

There are no provisions in the Articles relating to rights of minority shareholders in relation to fraud or oppression. However, certain remedies are available to shareholders of the Company under Cayman law, as summarised in paragraph 3(f) of this Appendix.

(s) Procedures on liquidation

A resolution that the Company be wound up by the court or be wound up voluntarily shall be a special resolution.

Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of shares (i) if the Company shall be wound up and the assets available for distribution amongst the members of the Company shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, the excess shall be distributed *pari passu* amongst such members in proportion to the amount paid up on the shares held by them respectively and (ii) if the Company shall be wound up and the assets available for distribution amongst the members as such shall be insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up, or which ought to have been paid up, at the commencement of the winding up on the shares held by them respectively.

If the Company shall be wound up (whether the liquidation is voluntary or by the court) the liquidator may, with the authority of a special resolution and any other sanction required by the Companies Law divide among the members in specie or kind the whole or any part of the assets of the Company whether the assets shall consist of property of one kind or shall consist of properties of different kinds and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members. The liquidator may, with the like authority, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator, with the like authority, shall think fit, but so that no contributory shall be compelled to accept any shares or other property in respect of which there is a liability.

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(t) Untraceable members

Pursuant to the Articles, the Company may sell any of the shares of a member who is untraceable if (i) all cheques or warrants in respect of dividends of the shares in question (being not less than three in total number) for any sum payable in cash to the holder of such shares have remained uncashed for a period of 12 years; (ii) upon the expiry of the 12 year period, the Company has not during that time received any indication of the existence of the member; and (iii) the Company has caused an advertisement to be published in accordance with the rules of the Designated Stock Exchange (as defined in the Articles) giving notice of its intention to sell such shares and a period of three (3) months, or such shorter period as may be permitted by the Designated Stock Exchange (as defined in the Articles), has elapsed since the date of such advertisement and the Designated Stock Exchange (as defined in the Articles) has been notified of such intention. The net proceeds of any such sale shall belong to the Company and upon receipt by the Company of such net proceeds, it shall become indebted to the former member of the Company for an amount equal to such net proceeds.

(u) Subscription rights reserve

The Articles provide that to the extent that it is not prohibited by and is in compliance with the Companies Law, if warrants to subscribe for shares have been issued by the Company and the Company does any act or engages in any transaction which would result in the subscription price of such warrants being reduced below the par value of a share, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of a share on any exercise of the warrants.

3. CAYMAN COMPANY LAW

The Company is incorporated in the Cayman Islands subject to the Companies Law and, therefore, operates subject to Cayman law. Set out below is a summary of certain provisions of Cayman company law, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of Cayman company law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar:

(a) Operations

As an exempted company, the Company’s operations must be conducted mainly outside the Cayman Islands. The Company is required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the amount of its authorised share capital.

(b) Share capital

The Companies Law provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount of the value of the premiums on those shares shall be transferred to an account, to be called the “share premium account”. At the option of a company, these provisions may not apply to premiums on shares of that company allotted pursuant to any arrangement in consideration of the acquisition or cancellation of shares in any other company and issued at a premium. The Companies Law provides that the share premium account may be applied by

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the company subject to the provisions, if any, of its memorandum and articles of association in (a) paying distributions or dividends to members; (b) paying up unissued shares of the company to be issued to members as fully paid bonus shares; (c) the redemption and repurchase of shares (subject to the provisions of section 37 of the Companies Law); (d) writing-off the preliminary expenses of the company; (e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company; and (f) providing for the premium payable on redemption or purchase of any shares or debentures of the company.

No distribution or dividend may be paid to members out of the share premium account unless immediately following the date on which the distribution or dividend is proposed to be paid, the company will be able to pay its debts as they fall due in the ordinary course business.

The Companies Law provides that, subject to confirmation by the Grand Court of the Cayman Islands (the “Court”), a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, by special resolution reduce its share capital in any way.

The Articles includes certain protections for holders of special classes of shares, requiring their consent to be obtained before their rights may be varied. The consent of the specified proportions of the holders of the issued shares of that class or the sanction of a resolution passed at a separate meeting of the holders of those shares is required.

(c) Financial assistance to purchase shares of a company or its holding company

Subject to all applicable laws, the Company may give financial assistance to Directors and employees of the Company, its subsidiaries, its holding company or any subsidiary of such holding company in order that they may buy Shares in the Company or shares in any subsidiary or holding company. Further, subject to all applicable laws, the Company may give financial assistance to a trustee for the acquisition of Shares in the Company or shares in any such subsidiary or holding company to be held for the benefit of employees of the Company, its subsidiaries, any holding company of the Company or any subsidiary of any such holding company (including salaried Directors).

There is no statutory restriction in the Cayman Islands on the provision of financial assistance by a company to another person for the purchase of, or subscription for, its own or its holding company’s shares. Accordingly, a company may provide financial assistance if the directors of the company consider, in discharging their duties of care and acting in good faith, for a proper purpose and in the interests of the company, that such assistance can properly be given. Such assistance should be on an arm’s-length basis.

(d) Purchase of shares and warrants by a company and its subsidiaries

Subject to the provisions of the Companies Law, a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a shareholder. In addition, such a company may, if authorised to do so by its articles of association, purchase its own shares, including any redeemable shares. However, if the articles of association do not

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authorise the manner or purchase, a company cannot purchase any of its own shares unless the manner of purchase has first been authorised by an ordinary resolution of the company. At no time may a company redeem or purchase its shares unless they are fully paid. A company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any member of the company holding shares. A payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

A company is not prohibited from purchasing and may purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. There is no requirement under Cayman Islands law that a company’s memorandum or articles of association contain a specific provision enabling such purchases and the directors of a company may rely upon the general power contained in its memorandum of association to buy and sell and deal in personal property of all kinds.

Under Cayman Islands law, a subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

(e) Dividends and distributions

With the exception of section 34 of the Companies Law, there is no statutory provisions relating to the payment of dividends. Based upon English case law, which is regarded as persuasive in the Cayman Islands, dividends may be paid only out of profits. In addition, section 34 of the Companies Law permits, subject to a solvency test and the provisions, if any, of the company’s memorandum and articles of association, the payment of dividends and distributions out of the share premium account (see paragraph 2(m) above for further details).

(f) Protection of minorities

The Cayman Islands courts ordinarily would be expected to follow English case law precedents which permit a minority shareholder to commence a representative action against or derivative actions in the name of the company to challenge (a) an act which is ultra vires the company or illegal, (b) an act which constitutes a fraud against the minority and the wrongdoers are themselves in control of the company, and (c) an irregularity in the passing of a resolution which requires a qualified (or special) majority.

In the case of a company (not being a bank) having a share capital divided into shares, the Court may, on the application of members holding not less than one fifth of the shares of the company in issue, appoint an inspector to examine into the affairs of the company and to report thereon in such manner as the Court shall direct.

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Any shareholder of a company may petition the Court which may make a winding up order if the Court is of the opinion that it is just and equitable that the company should be wound up or, as an alternative to a winding up order, (a) an order regulating the conduct of the company’s affairs in the future, (b) an order requiring the company to refrain from doing or continuing an act complained of by the shareholder petitioner or to do an act which the shareholder petitioner has complained it has omitted to do, (c) an order authorising civil proceedings to be brought in the name and on behalf of the company by the shareholder petitioner on such terms as the Court may direct, or (d) an order providing for the purchase of the shares of any shareholders of the company by other shareholders or by the company itself and, in the case of a purchase by the company itself, a reduction of the company’s capital accordingly.

Generally claims against a company by its shareholders must be based on the general laws of contract or tort applicable in the Cayman Islands or their individual rights as shareholders as established by the company’s memorandum and articles of association.

(g) Management

The Companies Law contains no specific restrictions on the power of directors to dispose of assets of a company. However, as a matter of general law, every officer of a company, which includes a director, managing director and secretary, in exercising his powers and discharging his duties must do so honestly and in good faith with a view to the best interests of the company and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

(h) Accounting and auditing requirements

A company shall cause proper books of account to be kept with respect to (i) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place; (ii) all sales and purchases of goods by the company; and (iii) the assets and liabilities of the company.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company’s affairs and to explain its transactions.

(i) Exchange control

There are no exchange control regulations or currency restrictions in the Cayman Islands.

(j) Taxation

Pursuant to section 6 of the Tax Concessions Law (1999 Revision) of the Cayman Islands, the Company has obtained an undertaking from the Governor-in-Cabinet:

- (1) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciation shall apply to the Company or its operations; and

APPENDIX VI SUMMARY OF THE CONSTITUTION OF THE COMPANY AND CAYMAN COMPANY LAW

- (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 8 January, 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.

(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

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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.

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.

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(o) Reconstructions

There are statutory provisions which facilitate reconstructions and amalgamations approved by a majority in number representing seventy-five per cent. (75%) in value of shareholders or class of shareholders or creditors, as the case may be, as are present at a meeting called for such purpose and thereafter sanctioned by the Court. Whilst a dissenting shareholder would have the right to express to the Court his view that the transaction for which approval is sought would not provide the shareholders with a fair value for their shares, the Court is unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management.

(p) Compulsory acquisition

Where an offer is made by a company for the shares of another company and, within four (4) months of the offer, the holders of not less than ninety per cent. (90%) of the shares which are the subject of the offer accept, the offeror may at any time within two (2) months after the expiration of the said four (4) months, by notice in the prescribed manner require the dissenting shareholders to transfer their shares on the terms of the offer. A dissenting shareholder may apply to the Court within one (1) month of the notice objecting to the transfer. The burden is on the dissenting shareholder to show that the Court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority shareholders.

(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 company law. This letter, together with a copy of the Companies Law, is available for inspection as referred to in the paragraph headed “Documents available for inspection” in Appendix VIII. Any person wishing to have a detailed summary of Cayman company law or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.

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(1) FURTHER INFORMATION ABOUT OUR COMPANY

(A) Incorporation

Our Company was incorporated as an exempted company with limited liability in the Cayman Islands under the Companies Law on December 21, 2007.

Our Company is registered as a non-Hong Kong company in Hong Kong under Part XI of the Companies Ordinance and our principal place of business in Hong Kong is at 15th Floor, 1 Duddell Street, Central, Hong Kong. Mr. Lo Chi Lik, Peter of Flat B-6, Botanic Terrace, No. 5 Conduit Road, Hong Kong, our authorised representative for the purposes of Part XI of the Companies Ordinance, has been appointed as our agent for the acceptance of service of process and notices in Hong Kong.

As our Company was incorporated in the Cayman Islands, our operation is subject to the relevant laws and regulations of the Cayman Islands and the Company’s constitution which comprises the Memorandum of Association and the Articles of Association. A summary of the relevant laws and regulations of the Cayman Islands and of our constitution is set out in the section headed “Appendix VI — Summary of the Constitution of the Company and Cayman Company Law” to this document.

(B) Changes in share capital of our Company

Our Company was incorporated with an authorised share capital of HK\$50,000 divided into 500,000 shares with a par value of HK\$0.10 each.

On December 21, 2007, one share was allotted and issued to Codan Trust Company (Cayman) Limited at a consideration of HK\$0.10 as the initial subscriber, which was subsequently transferred by Codan Trust Company (Cayman) Limited to Charm Talent at a consideration of HK\$0.10 on the same day.

On December 21, 2007, 599 Shares and 400 Shares were allotted and issued at a consideration of HK\$0.10 per Share to Charm Talent and Precious Full, respectively.

The authorised share capital of our Company was increased from HK\$50,000 to HK\$1,000,000,000 by the creation of 9,999,500,000 new Shares pursuant to a resolution in writing passed by the Shareholders on May 27, 2008.

On June 11, 2008, 2,361,591,000 Shares and 1,574,394,000 Shares were allotted and issued to Charm Talent and Precious Full respectively, and 64,014,000 Shares were allotted and issued to Fit All at the direction of Charm Talent and Precious Full, credited as fully paid, in capitalisation of the loan amounts of HK\$1,920,693,053 and HK\$1,280,462,036 due from our Company to Charm Talent and Precious Full, respectively.

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Save as disclosed herein and in the sub-paragraphs headed “Written resolutions of all the Shareholders passed on November 1, 2009” in this Appendix, there has been no alteration in the share capital of our Company since its incorporation.

(C) Changes in share capital of our subsidiaries

Our subsidiaries are set out in the section headed “Appendix I — Accountants’ Report” to this document. In addition to those disclosed in the sub-paragraphs headed “Changes in share capital of our Company” in this Appendix, the following alterations in the share or registered capital of our subsidiaries have taken place within the two years immediately preceding the date of this document.

- (a) Beijing Longhu Qinghua (北京龍湖慶華置業有限公司) was established on April 14, 2006 as a limited liability company with a registered capital of RMB30 million. Its registered capital was increased to RMB500 million on March 14, 2008.
- (b) Beijing Longhu Shidai (北京龍湖時代置業有限公司) was established on January 3, 2008 as a limited liability company with a registered capital of RMB 100 million. Its registered capital was increased to RMB 500 million on July 9, 2008 and to RMB900 million on August 20, 2008 and to RMB1.4 billion on January 6, 2009.
- (c) Beijing Longhu Zhongbai (北京龍湖中佰置業有限公司) was established on October 24, 2007 as a limited liability company with a registered capital of RMB100 million. Its registered capital was increased to RMB1 billion on January 3, 2008 and to RMB1.5 billion on June 25, 2008.
- (d) Chengdu Longhu Jincheng (成都龍湖錦城置業有限公司) was established on August 18, 2005 as a limited liability company with a registered capital of RMB120 million. Its registered capital was increased to RMB270 million on January 7, 2008 and to RMB390 million on August 18, 2008.
- (e) Chongqing Longhu Properties (重慶龍湖地產發展有限公司) was established on June 20, 1995 (formerly known as Chongqing Zhongjian Ke Real Estate Limited) as a limited liability company with a registered capital of RMB10 million. Its registered capital was increased to RMB210 million on May 24, 2007, to RMB522,669,310 on December 28, 2007 and to RMB844,912,450.12 on February 2, 2008.
- (f) Chongqing Longhu Kaian (重慶龍湖凱安地產發展有限公司) was established on November 30, 2006 as a limited liability company with a registered capital of RMB50 million. Its registered capital was increased to RMB600 million on December 27, 2007.
- (g) Chongqing Beilonghu (重慶北龍湖置地發展有限公司) was established on May 12, 2004 as a limited liability company with a registered capital of RMB20 million. Its registered capital was increased to RMB700 million on November 27, 2007.

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- (h) On January 30, 2008, one share of US\$1 in the capital of Longfor Investment was allotted and issued to our Company, credited as fully paid.
- (i) Sichuan Xinglonghu (四川興龍湖地產發展有限公司) was established on December 12, 2007 as a limited liability company with a registered capital of RMB10 million. Its registered capital was increased to RMB50 million on April 14, 2008.

Save as aforesaid, there have been no other alterations in the share or registered capital of the subsidiaries of our Company within the two years immediately preceding the date of this document.

(D) Particulars relating to subsidiaries and our joint ventures

Subsidiaries

In addition to the subsidiaries set out in the section headed “Appendix I — Accountants’ Report” to this document, we have established the following subsidiaries after June 30, 2009:

Name of company	Place and date of incorporation	Equity interest attributable to the Group	Issued and fully paid share capital/registered capital	Place of operation	Principal activities
Chengdu Yuanbo Seedling Co. Ltd (成都元博苗木有限公司)	PRC July 23, 2009	100%	Registered RMB20 million Paid up capital RMB20 million	PRC	Cultivation, planting and sale of garden virescence trees, flower, miniature landscape and lawn; construction and maintenance of garden virescence project
Wuxi Longhu (無錫龍湖置業有限公司)	PRC July 16, 2009	100%	Registered RMB100 million Paid up capital RMB100 million	PRC	Development and operation of real estate; sale of construction materials
Changzhou Jia’nan (常州嘉南置業有限公司)	PRC October 16, 2009	85.07%	Registered RMB50 million Paid up capital RMB50 million	PRC	Development and operation of real estate; property management services

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Joint ventures

Information regarding joint ventures entities, including sino-foreign equity joint ventures and sino-foreign cooperative joint ventures, which members of our Group have established with third parties (not being members of our Group) are set out below:

(a) *Equity joint ventures*

No.	Name of joint venture company and its place of incorporation	Names of joint venture partners	Registered/ Authorised and issued Capital	Proportion of capital contributions/ shareholding percentage	Number of directors the joint venture party is entitled to nominate or has nominated	Term of operation (expiry date)	Attributable interest of our Group in the joint venture company
1.	Chongqing Longhu Development (重慶龍湖企業拓展有限公司), PRC	(1) Juntion Development (2) Chongqing Xuke	RMB230 million	91.3% 8.7%	(1) Three (2) Two	20 years (October 17, 2022)	91.3%
2.	Chengdu Longhu Jinhua (成都龍湖錦華置業有限公司), PRC	(1) Chongqing Longhu Development (2) Juntion Development (3) Topper Industrial	RMB100 million	67% 25% 8%	(1) Three (2) One (3) One	20 years (November 9, 2024)	86.17%
3.	Sichuan Longhu (四川龍湖地產發展有限公司), PRC	(1) Chongqing Longhu Development (2) Juntion Development (3) Topper Industrial	RMB50 million	75% 17% 8%	(1) Three (2) One (3) One	20 years (April 13, 2026)	85.48%
4.	Beijing Longhu Properties (北京龍湖置業有限公司), PRC	(1) Chongqing Longhu Development (2) He Tiantao (3) Beijing Huachuan Xinren Investment Co. Ltd. (北京華川欣潤投資有限公司)	RMB1 billion	98.5% 0.3% 1.2%	Not specified	20 years (December 10, 2022)	89.93%
5.	Xi'an Longhu Jincheng (西安龍湖錦城置業有限公司), PRC	(1) Xi'an Longhu Properties (2) Xi'an Lifeng Property Management Co., Ltd. (西安立豐物業管理有限公司)	RMB430 million	99.3% 0.7%	To be appointed by shareholders in shareholders meeting	Not specified	90.66%
6.	Shanghai Hengrui (上海恒睿房地產有限公司), PRC	(1) Chongqing Longhu Properties (2) COF I SRL	RMB1.589 billion	50% (Note 1) 50% (Note 1)	(1) Three (2) Two	20 years (January 27, 2028)	45.7%

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No.	Name of joint venture company and its place of incorporation	Names of joint venture partners	Registered/ Authorised and issued Capital	Proportion of capital contributions/ shareholding percentage	Number of directors the joint venture party is entitled to nominate or has nominated	Term of operation (expiry date)	Attributable interest of our Group in the joint venture company
7.	Jiaxun Land (China) Company Limited, BVI	(1) HKL (China West) Property Investments Limited (2) Juntion Development	US\$50,000 divided into 25,000 Class A shares of US\$1 each and 25,000 Class B shares of US\$1 each, of which 50 Class A shares are issued to HKL (China West) Property Investments Limited and 50 Class B shares are issued to Juntion Development	50% 50%	(1) Three (2) Three	Not specified	47.36842% (Note 2)
8.	Shenyang Longhu (沈陽龍湖房地產拓展有限公司), PRC	(1) Fortune Glister (2) Chongqing Longhu Development	US\$15 million	25% 75%	(1) One (2) Two	20 years (September 23, 2029)	93.48%

Note 1: The underlying project is a development project of our Group in collaboration with ING Real Estate China Opportunity Fund LP (“ING”) through its offshore entity. On establishment of the company, it was held by Chongqing Longhu Properties as to 20% and COR I SRL as to 80%. ING may serve notice on our Group requiring our Group to acquire part or all (as the case may be) of the equity interest of ING (direct or indirect) at prices based on pre-determined formulae upon the occurrence of certain specific events. In particular, ING has the right to require our Group to acquire from it a 38.75% interest in COF I SRL and the related shareholder’s loan (if any) at a price to be calculated based on a pre-determined formula. In December, 2008, Chengdu Longhu Properties acquired from COF I SRL a 30% interest, instead of 38.75% interest upon agreement between the parties, in the company for a consideration of RMB537,796,459. Further, in the event that ING has made advances to our Group by applying its entitlement to distributions made by Shanghai Hengrui and the total amount of such advances exceeds a certain percentage of the paid up capital of Shanghai Hengrui, ING may also require our Group to acquire the shareholder’s loan that ING advanced to its offshore intermediate holding company so as to reduce ING’s capital contributions to the joint venture to 25% and at the same time to increase our Group’s capital contributions to 75%. The consideration payable will be determined by reference to a specified percentage of the amount of the then paid-up capital of Shanghai Hengrui. In addition, ING also has the right to require our Group to acquire all the remaining interest in COF I SRL held by ING and all the related shareholder’s loan (if any) upon the earlier of (a) the sales (including pre-sales) of units of properties developed by Shanghai Hengrui having exceeded a specified percentage of the total units and (b) the fifth anniversary of the date of incorporation of Shanghai Hengrui. Purchase price payable by our Group will be principally determined by reference to valuation of the unsold properties to be agreed between the parties or otherwise determined by an independent valuer, after taking into account applicable taxes payable.

Note 2: HKL (China West) Property Investments Limited and Juntion Development share dividends and distributions upon liquidation in the ratio of 52.63158 to 47.36842.

Except for Jiaxun Land (China) Company Limited, the profits, losses and distributions of all of the above equity joint ventures are allocated in accordance with the respective joint venture parties’ capital contributions.

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(b) *Cooperative joint ventures in the PRC*

No.	Name of joint venture company	Names of joint venture partners	Registered Capital	Proportion of capital contributions	Number of directors the joint venture party is entitled to nominate or has nominated	Term of operation (expiry date)	Profit and losses allocation as provided in the articles of association of the joint venture company
1.	Chengdu Longhu Tongjin (成都龍湖同晉置業有限公司)	(1) Chongqing Longhu Development (2) ING COF (3) Chengdu Jiaxun	RMB 966.55m	51% (Note 2) 25% 24%	(1) Nine (2) One (3) One	20 years (April 18, 2027)	To be determined by the investors by reference to the operating conditions of the company, but in any event ING COF's share in the profits or losses of the company shall be 49% (Note 2)
2.	Longhu Land (重慶興龍湖置地發展有限公司)	(1) Jiaxun Land (2) Chongqing Longhu Properties	US\$27m	95% 5%	(1) Five (2) One	20 years (July 19, 2025)	95% 5%
3.	Chengdu Jia'nan (成都嘉南置業有限公司)	(1) ING COF I (HK) (2) Chengdu Jiaxun	RMB 382.8901m	92.16% (Note 1) 7.84% (Note 1)	(1) Two (2) Three	20 years (December 17, 2027)	90% 10%
4.	Chengdu Tuosheng (成都拓晟置業有限公司)	(1) Front Harbour (2) Chengdu Jiaxun	RMB 633.4951m	95.26% (Note 1) 4.74% (Note 1)	(1) Two (2) Three	20 years (December 18, 2027)	90% 10%
5.	Chengdu Jinghui (成都景匯置業有限公司)	(1) COFI (HK) Limited (2) Chengdu Jiaxun	RMB 653.2758m	95.41% (Note 1) 4.59% (Note 1)	(1) Two (2) Three	20 years (December 17, 2027)	90% 10%
6.	Chengdu Huixin (成都匯新置業有限公司)	(1) Sunny Champ (2) Chengdu Jiaxun	RMB 629.9935m	67.95% (Note 1) 32.05% (Note 1)	(1) Two (2) Three	20 years (December 17, 2027)	90% 10%
7.	Chongqing Longhu Yiheng (重慶龍湖宜恒地產發展有限公司)	(1) Chongqing Longhu Properties (2) Fantastic Star	RMB360m	51% (Note 3) 49%	(1) Ten (2) One	20 years (November 22, 2026)	To be determined by the investors by reference to the operating conditions of the company
8.	Shenyang Longhu (沈陽龍湖房地產拓展有限公司), PRC	(1) Fortune Glistar (2) Chongqing Longhu Development	US\$15 million	25% 75%	(1) One (2) Two	20 years (September 23, 2029)	93.48%

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Notes:

1. The underlying projects (in total of four) are development projects of our Group in collaboration with Aetos Capital Asia T.E. II, Ltd. and Aetos Capital Asia II, Ltd. (together, “Aetos”) and ING Real Estate China Opportunity Fund LP (“ING”) through their offshore entities. These offshore entities are in turn held by an intermediate offshore holding company owned by Aetos and ING. Each of Aetos and ING may serve notice on our Group requiring our Group to acquire part or all (as the case may be) of its equity interests (direct or indirect) at prices based on pre-determined formulae upon the occurrence of certain specific events. Aetos and ING had the right (to be exercised no later than August 30, 2008) to require our Group to acquire from them a total of 45.5556% interest of the intermediate offshore holding company jointly held by ING and Aetos and the related shareholders’ loans (if any) at a price to be calculated based on a pre-determined formula, which is approximately RMB968 million, assuming the acquisition had taken place by September 30, 2008, being the prescribed deadline for completion of acquisition. In or about August 2008, ING and Aetos had indicated to us that they wish to exercise the above right. On October 15, 2009, the Group entered into a supplemental agreement with Northpole Investment, Limited and Northpole Investment TE, Limited, both are subsidiaries of Aetos and ING COF III (HK) Limited, an investment vehicle of ING. Pursuant to such supplemental agreement, condition upon [●] and [●], our Group will acquire from ING and Aetos a total of 44.4444% interest of their offshore holding company at a consideration to be determined based on the pre-determined formula, which will give ING and Aetos an agreed internal rate of return based on their proportionate actual capital contributions from the time of their investments in the joint venture to the date of completion of the acquisition. Completion of the acquisition will increase our Group’s effective interest in the joint venture to 49.13%.

The joint venture arrangement between the parties (as amended by the above supplemental agreement) also provides that, in the event that ING and Aetos have made advances to our Group by applying their entitlements to distributions made by the joint venture and the total amount of such advances exceeds a certain percentage of the paid up capital of the PRC joint venture entities, ING may require our Group to acquire either the shareholder’s loan advanced by it to the offshore holding company or the equity interests in each of the PRC joint venture entities so as to reduce ING’s capital contributions to the joint venture to 19% and at the same time to increase our Group’s capital contributions to 56%. The purchase consideration payable will be determined by reference to a specified percentage of the amount of the then paid-up capital of the PRC joint venture entities. Further, Aetos and ING also have the right to require our Group to acquire all their remaining interests in the offshore holding company respectively held by them and all the related shareholders’ loans (if any) upon the earlier of (a) the sales (including pre-sales) of units of properties developed by the relevant joint venture entity having exceeded a specified percentage of the total units and (b) the fifth anniversary of the date of the parties’ investment in the PRC project companies. The purchase price payable by our Group will be principally determined by reference to the valuation of the then unsold properties to be agreed between the parties or otherwise determined by an independent valuer, after taking into account applicable taxes payable.

The relevant cooperative joint ventures were accounted for as jointly controlled entities of our Group during the Track Record Period and the Company is of the view that such accounting treatment complies with the relevant accounting standards having regard to the special rights of ING and Aetos mentioned above.

2. The underlying project is a development project of our Group in collaboration with ING through its offshore entity. ING may serve notice on our Group requiring our Group to acquire part or all (as the case may be) of its equity interests (direct or indirect) at prices based on pre-determined formulae upon the occurrence of certain specific events. In particular, ING has the right to require our Group to acquire all the remaining interest held by ING’s offshore entity and all the related shareholder’s loan (if any) upon the earlier of (a) the sales (including pre-sales) of units of properties developed by Chengdu Longhu Tongjin having exceeded a specified percentage of the total units and (b) the fifth anniversary of the date of incorporation of Chengdu Longhu Tongjin. In such event, the purchase price payable by our Group will be principally determined by reference to valuation of the unsold properties to be agreed between the parties or otherwise determined by an independent valuer, after taking into account applicable taxes payable. As at the Latest Practicable Date, neither of the above specific events which may trigger exercise of the selling right of ING has occurred.
3. The underlying project is a development project of our Group in collaboration with ING through its offshore entity. ING has the right to require our Group to acquire all its interest in its offshore entity and all the related shareholder’s loan (if any) upon the earlier of (a) the sales (including pre-sales) of units of properties developed by Chongqing Longhu Yiheng having exceeded a

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specified percentage of the total units and (b) the fifth anniversary of the date of incorporation of Chongqing Longhu Yiheng. In such event, the purchase price payable by the Group will be principally determined by reference to the valuation of the unsold properties to be agreed between the parties or otherwise determined by an independent valuer. As at the Latest Practicable Date, neither of the specific events which may trigger exercise of the selling right of ING has occurred.

(E) Written resolutions of all the Shareholders passed on November 1, 2009

By written resolutions of all the Shareholders passed on November 1, 2009:

- (a) our Company approved and adopted the Articles of Association which effect from the [●].

(F) Summary of our material contracts

The following contracts (not being contracts entered into in the ordinary course of business) were entered into by members of our Group within the two years preceding the date of this document and are or may be material:

- (a) a memorandum in writing dated January 18, 2008 summarising Juntion Development’s confirmation to HKL (China West) Property Investments Limited that HKL (China West) Property Investments Limited, its affiliate or its nominee will be given the right to subscribe for such number of Shares under the [●] that may be subscribed with US\$37.5 million (or such lower amount as HKL (China West) Property Investments Limited shall deem fit) on terms no less and no more favourable than those offered to the others;
- (b) a sale and purchase agreement dated June 11, 2008 between Madam Wu and Mr. Cai (as vendors) and Longfor Investment (as purchaser) in relation to the sale and purchase of the entire issued share capital of Juntion Development for an aggregate consideration of HK\$3,201,155,089;
- (c) an instrument of transfer dated June 11, 2008 executed by Madam Wu (as transferor) and Longfor Investment (as transferee) for the transfer of 1,200,000 shares of HK\$1 each in Juntion Development for a consideration of HK\$1,920,693,053;
- (d) a set of bought and sold notes dated June 11, 2008 executed by Madam Wu (as transferor) and Longfor Investment (as transferee) for the transfer of 1,200,000 shares of HK\$1 each in Juntion Development for a consideration of HK\$1,920,693,053;
- (e) an instrument of transfer dated June 11, 2008 executed by Mr. Cai (as transferor) and Longfor Investment (as transferee) for the transfer of 800,000 shares of HK\$1 each in Juntion Development for a consideration of HK\$1,280,462,036;
- (f) a set of bought and sold notes dated June 11, 2008 executed by Mr. Cai (as transferor) and Longfor Investment (as transferee) for the transfer of 800,000 shares of HK\$1 each in Juntion Development for a consideration of HK\$1,280,462,036;

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- (g) a deed of assignment dated June 11, 2008 executed by Madam Wu (as assignor), Charm Talent (as assignee) and Longfor Investment for the assignment of a loan in the amount of HK\$1,920,693,053 payable by Longfor Investment to Madam Wu in consideration of the allotment and issue of one ordinary share of US\$1 each in the capital of Charm Talent to Madam Wu;
- (h) a deed of assignment dated June 11, 2008 executed by Mr. Cai (as assignor), Precious Full (as assignee) and Longfor Investment for the assignment of a loan in the amount of HK\$1,280,042,036 payable by Longfor Investment to Mr. Cai in consideration of the allotment and issue of one ordinary share of US\$1 each in the capital of Precious Full to Mr. Cai;
- (i) a deed of assignment dated June 11, 2008 executed by Charm Talent (as assignor), our Company (as assignee) and Longfor Investment for the assignment of a loan in the amount of HK\$1,920,693,053 payable by Longfor Investment to Charm Talent at a consideration of the face value of HK\$1,920,693,053;
- (j) a deed of assignment dated June 11, 2008 executed by Precious Full (as assignor), our Company (as assignee) and Longfor Investment for the assignment of a loan in the amount of HK\$1,280,042,036 payable by Longfor Investment to Precious Full at a consideration of the face value of HK\$1,280,462,036;
- (k) an amendment agreement dated May 26, 2008 between Juntion Development (as borrower), the subsidiaries of Juntion Development namely, Jasmine Spread, Ebay, Join Dragon and Silver Oak (as guarantors), Citicorp Securities Asia Pacific Limited (as arranger), China Construction Bank Corporation, Hong Kong Branch, DBS Bank Limited, Hong Kong Branch, Citicorp Securities Asia Pacific Limited, CapitaLand LF (Cayman) Holdings Co., Ltd (being affiliate of CapitaLand Limited), CapitaLand AIF Limited (being affiliate of CapitaLand Limited), China Precious International Limited (being affiliate of Cheung Kong (Holdings) Limited) and City Super Development Limited (being affiliate of Sun Hung Kai Properties Limited) (as lenders) and Citicorp International Limited (as agent and security agent) in relation to a HK\$2,518 million term loan facility;
- (l) a share charge in the Company dated June 11, 2008 executed by Charm Talent (as chargor), Precious Full (as chargor) and Citicorp International Limited (as security agent);
- (m) a share charge in Longfor Investment dated June 11, 2008 executed by the Company (as chargor) and Citicorp International Limited (as security agent);
- (n) a charge of shares in Juntion Development dated June 11, 2008 executed by Longfor Investment (as chargor) and Citicorp International Limited (as security agent);
- (o) a holdco subordination deed dated June 11, 2008 between Mr. Cai, Madam Wu, Precious Full and Charm Talent (as subordinated lenders), the Company (as company), and Citicorp International Limited (as security agent) (the “Holdco Subordination Deed”);
- (p) a Longfor Investment subordination deed dated June 11, 2008 between Mr. Cai, Madam Wu, Precious Full, Charm Talent and the Company (as subordinated lenders), Longfor Investment (as company) and Citicorp International Limited (as security agent) (the “Longfor Investment Subordination Deed”);

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- (q) an additional borrower subordination deed dated June 11, 2008 between Longfor Investment and the Company (as subordinated lenders), Juntion Development (as borrower) and Citicorp International Limited (as security agent) (the “Additional Borrower Subordination Deed”);
- (r) a deed of termination dated September 4, 2009 between Mr. Cai, Madam Wu, Precious Full and Charm Talent (as subordinated lenders), the Company (as company), and Citicorp International Limited (as security agent) in relation to the Holdco Subordination Deed;
- (s) a deed of termination dated September 4, 2009 between Mr. Cai, Madam Wu, Precious Full and Charm Talent (as subordinated lenders), Longfor Investment (as company), and Citicorp International Limited (as security agent) in relation to the Longfor Investment Subordination Deed;
- (t) a deed of termination dated September 4, 2009 between Mr. Cai and Madam Wu (as subordinated lenders), Juntion Development (as borrower), and Citicorp International Limited (as security agent) in relation to a borrower subordination deed dated September 21, 2007 between Madam Wu and Mr. Cai (as subordinated lenders), Juntion Development (as borrower) and Citicorp International Limited (as security agent);
- (u) a deed of termination dated September 4, 2009 between Everbay, Jasmine Spread, Join Dragon and Silver Oak (as subordinated lenders), Juntion Development (as borrower), and Citicorp International Limited (as security agent) in relation to an offshore subordination deed dated September 21, 2007 between Jasmine Spread, Everbay, Join Dragon and Silver Oak (collectively, as subordinated lenders), Juntion Development (as borrower) and Citicorp International Limited (as security agent);
- (v) a deed of termination dated September 4, 2009 between the Company and Longfor Investment (as subordinated lenders), Juntion Development (as borrower), and Citicorp International Limited (as security agent) in relation to the Additional Borrower Subordination Deed;
- (w) a deed of release dated September 4, 2009 by Citicorp International Limited in favour of Charm Talent and Precious Full in relation to a HK\$2,518 million term loan facility.
- (x) a deed of release dated September 4, 2009 by Citicorp International Limited in favour of the Company in relation to a HK\$2,518 million term loan facility.
- (y) a deed of release dated September 4, 2009 by Citicorp International Limited in favour of Longfor Investment in relation to a HK\$2,518 million term loan facility.
- (z) a deed of release dated September 4, 2009 by Citicorp International Limited in favour of Juntion Development in relation to a HK\$2,518 million term loan facility.
- (aa) a deed of termination and release relating to various guarantees dated September 4, 2009 between the Company, Longfor Investment, Jasmine Spread, Everbay, Join Dragon, Silver Oak, Citicorp International Limited, Citicorp Securities Asia Pacific Limited, China Construction Bank Corporation, Hong Kong Branch, DBS Bank Ltd., Hong Kong Branch, CapitaLand LF (Cayman) Holdings Co., Ltd., CapitaLand AIF Limited, China Precious International Limited and City Super Development Limited in relation to a HK\$2,518 million term loan facility.

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- (bb) a deed of indemnity dated November 1, 2009 given by the Covenantors in favour of the Company pursuant to which the Covenantors provide taxation indemnities for the benefit of our Group (the “Deed of Indemnity”) as more particularly set out in this section of the document headed “(5) Other Information (A) Indemnities”;
- (cc) a deed of non-competition dated November 1, 2009 given by the Controlling Shareholders in favour of the Company (for itself and as trustee for the benefit of our subsidiaries from time to time) regarding the non-competition undertakings as more particularly set out in the section headed “Relationship with Our Founders and Controlling Shareholder — Non-competition Deed” of this document; and
- (dd) [●].

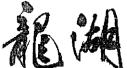
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(G) Intellectual property rights of our Group

(a) Trademarks

As at the Latest Practicable Date, our Group had registered the following trademarks in the PRC:

Trademark	Name of registered owner	Class	Registration number	Registration Period
	Chongqing Longhu Properties	19	1138779	December 28, 2007 to December 27, 2017
	Chongqing Longhu Development	36	1364887	February 14, 2000 to February 13, 2010
	Chongqing Longhu Development	35	1369743	February 28, 2000 to February 27, 2010
	Chongqing Longhu Development	19	1375729	March 21, 2000 to March 20, 2010
	Chongqing Longhu Development	6	1388158	April 21, 2000 to April 20, 2010
佳 辰	Chongqing Longhu Development	9	1408323	June 14, 2000 to June 13, 2010
	Chongqing Longhu Properties	19	1652170	October 21, 2001 to October 20, 2011
	Chongqing Longhu Properties	36	1675787	November 28, 2001 to November 27, 2011
龙湖花园	Chongqing Longhu Development	6	1713642	February 14, 2002 to February 13, 2012
香格里拉	Chongqing Longhu Development	37	1754468	April 21, 2002 to April 20, 2012
香樟林	Chongqing Longhu Properties	6	1757108	April 28, 2002 to April 27, 2012
	Chongqing Longhu Properties	6	1757109	April 28, 2002 to April 27, 2012
龙湖花园	Chongqing Longhu Development	42	1764655	May 7, 2002 to May 6, 2012

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Trademark	Name of registered owner	Class	Registration	
			number	Registration Period
香格里拉	Chongqing Longhu Development	42	1779638	May 28, 2002 to May 27, 2012
香格里拉	Chongqing Longhu Development	19	1795259	June 28, 2002 to June 27, 2012
龙湖花园	Chongqing Longhu Development	35	1799519	June 28, 2002 to June 27, 2012
龙湖花园	Chongqing Longhu Development	37	1804403 ⁽¹⁾	July 7, 2002 to July 6, 2012
香樟林	Chongqing Longhu Properties	19	1806197	July 14, 2002 to July 13, 2012
	Chongqing Longhu Properties	19	1815322	July 28, 2002 to July 27, 2012
香樟林	Chongqing Longhu Properties	37	1948339	November 7, 2002 to November 6, 2012
香樟林	Chongqing Longhu Properties	36	1949008	October 28, 2002 to October 27, 2012
香格里拉	Chongqing Longhu Development	35	1959250	July 21, 2004 to July 20, 2014
	Chongqing Longhu Development	37	3038164	May 21, 2003 to May 20, 2013
	Chongqing Longhu Development	36	3038165	May 21, 2003 to May 20, 2013
	Chongqing Longhu Development	35	3038166	January 14, 2007 to January 13, 2017
	Chongqing Longhu Development	19	3038167	March 28, 2003 to March 27, 2013
	Chongqing Longhu Development	6	3038168	March 28, 2003 to March 27, 2013
	Chongqing Longhu Development	37	3038169	May 21, 2003 to May 20, 2013

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Trademark	Name of registered owner	Class	Registration number	Registration Period
	Chongqing Longhu Development	36	3038170	May 21, 2003 to May 20, 2013
	Chongqing Longhu Development	35	3038171	April 28, 2003 to April 27, 2013
	Chongqing Longhu Development	19	3038172	March 28, 2003 to March 27, 2013
	Chongqing Longhu Development	6	3038173	March 21, 2003 to March 20, 2013
	Chongqing Longhu Development	43	3533943	June 7, 2005 to June 6, 2015
	Chongqing Longhu Properties	45	3533944	July 14, 2005 to July 13, 2015
	Chongqing Longhu Properties	35	3533945	January 14, 2005 to January 13, 2015
	Chongqing Longhu Development	41	3533946	October 7, 2004 to October 6, 2014
	Chongqing Longhu Development	31	3533947	September 7, 2004 to September 6, 2014
	Chongqing Longhu Properties	44	3533948	August 14, 2005 to August 13, 2015
	Chongqing Longhu Development	35	3533949	January 14, 2005 to January 13, 2015
	Chongqing Longhu Development	36	3533950	May 7, 2005 to May 6, 2015
	Chongqing Longhu Development	43	3533951	June 7, 2005 to June 6, 2015
	Chongqing Longhu Development	19	3533952	June 14, 2005 to June 13, 2015
	Chongqing Longhu Development	19	3534016	June 14, 2005 to June 13, 2015
	Chongqing Longhu Development	36	3534017	May 7, 2005 to May 6, 2015

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Trademark	Name of registered owner	Class	Registration number	Registration Period
	Chongqing Longhu Development	35	3534018	January 14, 2005 to January 13, 2015
	Chongqing Longhu Development	45	3534030	May 14, 2005 to May 13, 2015
	Chongqing Longhu Development	41	3534031	October 7, 2004 to October 6, 2014
	Chongqing Longhu Development	44	3534032	June 7, 2005 to June 6, 2015
	Chongqing Longhu Development	36	3534033	May 7, 2005 to May 6, 2015
	Chongqing Longhu Development	19	3534034	June 14, 2005 to June 13, 2015
	Chongqing Longhu Development	35	3534035	January 14, 2005 to January 13, 2015
	Chongqing Longhu Development	43	3534036	June 7, 2005 to June 6, 2015
CRYSTAL TOWN	Chongqing Longhu Development	36	3534037	May 7, 2005 to May 6, 2015
CRYSTAL TOWN	Chongqing Longhu Development	19	3534038	June 14, 2005 to June 13, 2015
	Chongqing Longhu Development	36	3534039	May 7, 2005 to May 6, 2015
	Chongqing Longhu Development	19	3534040	June 14, 2005 to June 13, 2015
LONGHU NEW-STAR	Chongqing Longhu Development	19	3534041	June 14, 2005 to June 13, 2015
LONGHU NEW-STAR	Chongqing Longhu Development	36	3534042	May 7, 2005 to May 6, 2015
速搏運動城	Chongqing Longhu Development	41	3653707 ⁽²⁾	July 21, 2005 to July 20, 2015
速搏運動城	Chongqing Longhu Development	35	3653708	July 21, 2005 to July 20, 2015
	Chongqing Longhu Properties	19	3671860	October 28, 2005 to October 27, 2015

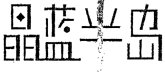
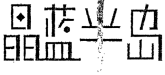
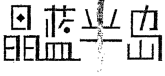
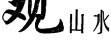
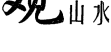
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Trademark	Name of registered owner	Class	Registration	
			number	Registration Period
	Chongqing Longhu Properties	43	3784096	February 21, 2006 to February 20, 2016
	Chongqing Longhu Properties	41	3784097	February 21, 2006 to February 20, 2016
春森彼岸	Chongqing Longhu Properties	19	3784098	March 7, 2006 to March 6, 2016
紫都城	Chongqing Longhu Properties	36	3869841	May 28, 2006 to May 27, 2016
紫都城	Chongqing Longhu Properties	19	3869902	May 7, 2006 to May 6, 2016
	Chongqing Longhu Properties	37	3994827	January 14, 2007 to January 13, 2017
紫都城	Chongqing Longhu Properties	37	3994830	January 14, 2007 to January 13, 2017
	Chongqing Longhu Properties	36	3994831	January 14, 2007 to January 13, 2017
	Chongqing Longhu Properties	37	3994832	January 14, 2007 to January 13, 2017
春森彼岸	Chongqing Longhu Properties	36	3994833	January 14, 2007 to January 13, 2017
春森彼岸	Chongqing Longhu Properties	37	3994834	January 14, 2007 to January 13, 2017
佳 辰	Chongqing Longhu Development	37	3994835	January 14, 2007 to January 13, 2017
水晶郦城	Chongqing Longhu Development	37	3994836	January 14, 2007 to January 13, 2017
名店坊	Chongqing Longhu Development	37	3994837	January 14, 2007 to January 13, 2017
南城天街	Chongqing Longhu Development	36	4086216	May 21, 2007 to May 20, 2017
东城天街	Chongqing Longhu Development	37	4086217	May 21, 2007 to May 20, 2017

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Trademark	Name of registered owner	Class	Registration	
			number	Registration Period
	Chongqing Longhu Properties	37	4157174	December 28, 2007 to December 27, 2017
	Chengdu Longhu Estate Development Co. Ltd. (Note 3)	42	4979852	May 21, 2009 to May 20 2019
	Chengdu Longhu Estate Development Co. Ltd. (Note 3)	37	4979853	June 14, 2009 to June 13, 2019
	Chengdu Longhu Estate Development Co. Ltd. (Note 3)	36	4979854	June 7, 2009 to June 6, 2019
	Chongqing Longhu Properties	35	4721542	May 14, 2009 to May 13, 2019
	Chongqing Longhu Properties	42	4721543	April 14, 2009 to April 13, 2019
	Chongqing Longhu Properties	37	4721546	April 14, 2009 to April 13, 2019
	Chongqing Longhu Properties	37	5004074	June 21, 2009 to June 20, 2019
	Chongqing Longhu Properties	36	5004075	June 14, 2009 to June 13, 2019
	Chongqing Longhu Properties	34	5564497	April 14, 2009 to April 13, 2019
	Chongqing Longhu Properties	31	5564553	May 28, 2009 to May 27, 2019
	Chongqing Longhu Properties	34	5564557	April 14, 2009 to April 13, 2019
	Chongqing Longhu Properties	29	5564596	May 28, 2009 to May 27, 2019
	Chongqing Longhu Properties	31	5564598	May 28, 2009 to May 27, 2019
	Chongqing Longhu Properties	29	5564559	May 28, 2009 to May 27, 2019
	Chongqing Longhu Properties	34	5564600	April 14, 2009 to April 13, 2019

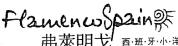
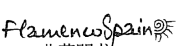
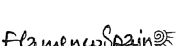
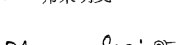
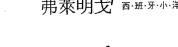
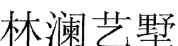
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Notes:

1. No exclusive right on “花園”
2. No exclusive right on “運動城”
3. The name of registered owner is now being changed from “Chengdu Longhu Estate Development Co., Ltd.” to “Chengdu Longhu Jinhua”

As at the Latest Practicable Date, our Group had applied for registration of the following trademarks in the PRC:

Trademark	Name of applicant	Class	Application number	Application date
	Chongqing Longhu Properties	19	4721544	June 15, 2005
	Chongqing Longhu Properties	36	4721545	June 15, 2005
	Chongqing Longhu Properties	42	5004073	November 15, 2005
	Chongqing Longhu Properties	19	5004076	November 15, 2005
	Chongqing Longhu Properties	35	5004077	November 15, 2005
	Chongqing Longhu Properties	36	5103543	January 5, 2006
	Chongqing Longhu Properties	35	5103544	January 5, 2006
	Chongqing Longhu Properties	37	5103545	January 5, 2006
	Chongqing Longhu Properties	42	5103546	January 5, 2006
	Chongqing Longhu Properties	19	5103547	January 5, 2006
	Beijing Longhu Properties	36	5157810	February 14, 2006
	Chongqing Longhu Properties	35	5385258	May 30, 2006
	Chongqing Longhu Properties	19	5385259	May 30, 2006
	Chongqing Longhu Properties	37	5385260	May 30, 2006
	Chongqing Longhu Properties	42	5389850	June 1, 2006

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Trademark	Name of applicant	Class	Application number	Application date
天街	Chongqing Longhu Properties	37	5389851	June 1, 2006
天街	Chongqing Longhu Properties	36	5389852	June 1, 2006
天街	Chongqing Longhu Properties	35	5389853	June 1, 2006
春森彼岸	Chongqing Longhu Properties	42	5418702	June 14, 2006
香樟林	Chongqing Longhu Development	42	5418703	June 14, 2006
	Chongqing Longhu Development	42	5418704	June 14, 2006
北岸星座	Chongqing Longhu Development	42	5418705	June 14, 2006
速搏運動城	Chongqing Longhu Development	42	5418706	June 14, 2006
名店坊	Chongqing Longhu Development	42	5418707	June 14, 2006
南城天街	Chongqing Longhu Development	42	5418708	June 14, 2006
东城天街	Chongqing Longhu Development	42	5418709	June 14, 2006
佳辰	Chongqing Longhu Development	42	5418710	June 14, 2006
水晶郦城	Chongqing Longhu Development	42	5418711	June 14, 2006
LONGHU NEW-STAR	Chongqing Longhu Development	42	5418712	June 14, 2006
CRYSTAL TOWN	Chongqing Longhu Development	42	5418713	June 14, 2006
	Chongqing Longhu Development	42	5418714	June 14, 2006
	Chongqing Longhu Development	42	5418715	June 14, 2006
	Chongqing Longhu Development	42	5418716	June 14, 2006
	Chongqing Longhu Development	42	5418717	June 14, 2006

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Trademark	Name of applicant	Class	Application number	Application date
紫都城	Chongqing Longhu Properties	42	5418914	June 14, 2006
	Chongqing Longhu Properties	42	5418915	June 14, 2006
	Chongqing Longhu Properties	42	5418916	June 14, 2006
	Chengdu Longhu Jinhua	36	5423505	June 16, 2006
	Chengdu Longhu Jinhua	42	5423506	June 16, 2006
	Chengdu Longhu Jinhua	42	5423507	June 16, 2006
	Chengdu Longhu Jinhua	37	5423508	June 16, 2006
	Chengdu Longhu Jinhua	37	5423510	June 16, 2006
	Chengdu Longhu Jinhua	36	5423512	June 16, 2006
龙湖	Chongqing Longhu Properties	9	5564472	August 25, 2006
善待你一生	Chongqing Longhu Properties	41	5564473	August 25, 2006
善待你一生	Chongqing Longhu Properties	40	5564474	August 25, 2006
善待你一生	Chongqing Longhu Properties	38	5564475	August 25, 2006
善待你一生	Chongqing Longhu Properties	39	5564476	August 25, 2006
善待你一生	Chongqing Longhu Properties	35	5564477	August 25, 2006
善待你一生	Chongqing Longhu Properties	19	5564478	August 25, 2006

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Trademark	Name of applicant	Class	Application number	Application date
善待你一生	Chongqing Longhu Properties	36	5564479	August 25, 2006
善待你一生	Chongqing Longhu Properties	6	5564480	August 25, 2006
善待你一生	Chongqing Longhu Properties	42	5564481	August 25, 2006
龙湖	Chongqing Longhu Properties	3	5564482	August 25, 2006
龙湖	Chongqing Longhu Properties	1	5564483	August 25, 2006
龙湖	Chongqing Longhu Properties	4	5564484	August 25, 2006
龙湖	Chongqing Longhu Properties	2	5564485	August 25, 2006
龙湖	Chongqing Longhu Properties	42	5564486	August 25, 2006
龙湖	Chongqing Longhu Properties	43	5564487	August 25, 2006
龙湖	Chongqing Longhu Properties	36	5564488	August 25, 2006
龙湖	Chongqing Longhu Properties	5	5564489	August 25, 2006
龙湖	Chongqing Longhu Properties	6	5564490	August 25, 2006
龙湖	Chongqing Longhu Properties	8	5564491	August 25, 2006
龙湖	Chongqing Longhu Properties	28	5564492	August 25, 2006
龙湖	Chongqing Longhu Properties	29	5564493	August 25, 2006
龙湖	Chongqing Longhu Properties	30	5564494	August 25, 2006
龙湖	Chongqing Longhu Properties	32	5564495	August 25, 2006
龙湖	Chongqing Longhu Properties	33	5564496	August 25, 2006
龙湖	Chongqing Longhu Properties	7	5564498	August 25, 2006
龙湖	Chongqing Longhu Properties	38	5564499	August 25, 2006
龙湖	Chongqing Longhu Properties	39	5564500	August 25, 2006

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Trademark	Name of applicant	Class	Application number	Application date
	Chongqing Longhu Properties	40	5564501	August 25, 2006
	Chongqing Longhu Properties	11	5564522	August 25, 2006
	Chongqing Longhu Properties	10	5564523	August 25, 2006
	Chongqing Longhu Properties	9	5564524	August 25, 2006
	Chongqing Longhu Properties	8	5564525	August 25, 2006
	Chongqing Longhu Properties	7	5564526	August 25, 2006
善待你一生	Chongqing Longhu Properties	37	5564527	August 25, 2006
善待你一生	Chongqing Longhu Properties	45	5564528	August 25, 2006
善待你一生	Chongqing Longhu Properties	44	5564529	August 25, 2006
	Chongqing Longhu Properties	28	5564530	August 25, 2006
	Chongqing Longhu Properties	5	5564532	August 25, 2006
	Chongqing Longhu Properties	6	5564533	August 25, 2006
	Chongqing Longhu Properties	17	5564534	August 25, 2006
	Chongqing Longhu Properties	14	5564535	August 25, 2006
	Chongqing Longhu Properties	16	5564536	August 25, 2006
	Chongqing Longhu Properties	18	5564537	August 25, 2006
	Chongqing Longhu Properties	3	5564538	August 25, 2006
	Chongqing Longhu Properties	15	5564539	August 25, 2006
	Chongqing Longhu Properties	13	5564540	August 25, 2006
	Chongqing Longhu Properties	12	5564541	August 25, 2006
	Chongqing Longhu Properties	25	5564542	August 25, 2006

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Trademark	Name of applicant	Class	Application number	Application date
	Chongqing Longhu Properties	24	5564543	August 25, 2006
	Chongqing Longhu Properties	23	5564544	August 25, 2006
	Chongqing Longhu Properties	28	5564545	August 25, 2006
	Chongqing Longhu Properties	22	5564546	August 25, 2006
	Chongqing Longhu Properties	21	5564547	August 25, 2006
	Chongqing Longhu Properties	20	5564548	August 25, 2006
	Chongqing Longhu Properties	1	5564549	August 25, 2006
	Chongqing Longhu Properties	2	5564550	August 25, 2006
	Chongqing Longhu Properties	4	5564551	August 25, 2006
	Chongqing Longhu Properties	38	5564552	August 25, 2006
	Chongqing Longhu Properties	37	5564554	August 25, 2006
	Chongqing Longhu Properties	32	5564555	August 25, 2006
	Chongqing Longhu Properties	33	5564556	August 25, 2006
	Chongqing Longhu Properties	30	5564558	August 25, 2006
	Chongqing Longhu Properties	29	5564559	August 25, 2006
	Chongqing Longhu Properties	27	5564560	August 25, 2006
	Chongqing Longhu Properties	26	5564561	August 25, 2006
	Chongqing Longhu Properties	16	5564562	August 25, 2006
	Chongqing Longhu Properties	15	5564563	August 25, 2006
	Chongqing Longhu Properties	14	5564564	August 25, 2006
	Chongqing Longhu Properties	13	5564565	August 25, 2006

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Trademark	Name of applicant	Class	Application number	Application date
龙湖	Chongqing Longhu Properties	12	5564566	August 25, 2006
龙湖	Chongqing Longhu Properties	11	5564567	August 25, 2006
龙湖	Chongqing Longhu Properties	10	5564568	August 25, 2006
	Chongqing Longhu Properties	42	5564569	August 25, 2006
	Chongqing Longhu Properties	40	5564570	August 25, 2006
	Chongqing Longhu Properties	39	5564571	August 25, 2006
龙湖地产	Chongqing Longhu Properties	9	5564572	August 25, 2006
龙湖集团	Chongqing Longhu Properties	37	5564573	August 25, 2006
龙湖集团	Chongqing Longhu Properties	42	5564574	August 25, 2006
龙湖集团	Chongqing Longhu Properties	36	5564575	August 25, 2006
龙湖地产	Chongqing Longhu Properties	13	5564576	August 25, 2006
龙湖地产	Chongqing Longhu Properties	18	5564577	August 25, 2006
龙湖地产	Chongqing Longhu Properties	17	5564578	August 25, 2006
龙湖地产	Chongqing Longhu Properties	10	5564579	August 25, 2006
龙湖地产	Chongqing Longhu Properties	33	5564580	August 25, 2006
善待你一生	Chongqing Longhu Properties	43	5564581	August 25, 2006
龙湖地产	Chongqing Longhu Properties	35	5564582	August 25, 2006
龙湖地产	Chongqing Longhu Properties	37	5564583	August 25, 2006
龙湖地产	Chongqing Longhu Properties	41	5564584	August 25, 2006
龙湖地产	Chongqing Longhu Properties	38	5564585	August 25, 2006
龙湖地产	Chongqing Longhu Properties	42	5564586	August 25, 2006

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Trademark	Name of applicant	Class	Application number	Application date
龙湖地产	Chongqing Longhu Properties	45	5564587	August 25, 2006
龙湖地产	Chongqing Longhu Properties	44	5564588	August 25, 2006
龙湖地产	Chongqing Longhu Properties	39	5564589	August 25, 2006
龙湖地产	Chongqing Longhu Properties	43	5564590	August 25, 2006
龙湖地产	Chongqing Longhu Properties	11	5564591	August 25, 2006
龙湖地产	Chongqing Longhu Properties	24	5564592	August 25, 2006
龙湖地产	Chongqing Longhu Properties	25	5564593	August 25, 2006
龙湖地产	Chongqing Longhu Properties	26	5564594	August 25, 2006
龙湖地产	Chongqing Longhu Properties	27	5564595	August 25, 2006
龙湖地产	Chongqing Longhu Properties	30	5564597	August 25, 2006
龙湖地产	Chongqing Longhu Properties	40	5564601	August 25, 2006
龙湖地产	Chongqing Longhu Properties	3	5564602	August 25, 2006
龙湖地产	Chongqing Longhu Properties	4	5564603	August 25, 2006
龙湖地产	Chongqing Longhu Properties	7	5564604	August 25, 2006
龙湖地产	Chongqing Longhu Properties	6	5564605	August 25, 2006
龙湖地产	Chongqing Longhu Properties	8	5564606	August 25, 2006
龙湖地产	Chongqing Longhu Properties	5	5564607	August 25, 2006
龙湖地产	Chongqing Longhu Properties	19	5564608	August 25, 2006
龙湖地产	Chongqing Longhu Properties	20	5564609	August 25, 2006
龙湖地产	Chongqing Longhu Properties	21	5564610	August 25, 2006
龙湖地产	Chongqing Longhu Properties	22	5564611	August 25, 2006

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Trademark	Name of applicant	Class	Application number	Application date
龙湖地产	Chongqing Longhu Properties	12	5564615	August 25, 2006
龙湖地产	Chongqing Longhu Properties	15	5564616	August 25, 2006
龙湖地产	Chongqing Longhu Properties	36	5564617	August 25, 2006
龙湖地产	Chongqing Longhu Properties	14	5564618	August 25, 2006
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龙湖地产	Chongqing Longhu Properties	1	5564620	August 25, 2006
龙湖地产	Chongqing Longhu Properties	2	5564621	August 25, 2006
龙湖	Chongqing Longhu Properties	27	5564712	August 25, 2006
龙湖	Chongqing Longhu Properties	26	5564713	August 25, 2006
龙湖	Chongqing Longhu Properties	22	5564714	August 25, 2006
龙湖	Chongqing Longhu Properties	24	5564715	August 25, 2006
龙湖	Chongqing Longhu Properties	25	5564716	August 25, 2006
龙湖	Chongqing Longhu Properties	21	5564717	August 25, 2006
龙湖	Chongqing Longhu Properties	20	5564718	August 25, 2006
龙湖	Chongqing Longhu Properties	19	5564719	August 25, 2006
龙湖	Chongqing Longhu Properties	18	5564720	August 25, 2006
龙湖	Chongqing Longhu Properties	17	5564721	August 25, 2006
颐和原著	Beijing Longhu Properties	42	5735321	November 20, 2006
颐和原著	Beijing Longhu Properties	37	5735322	November 20, 2006
颐和原著	Beijing Longhu Properties	36	5735323	November 20, 2006

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Trademark	Name of applicant	Class	Application number	Application date
颐和原著	Beijing Longhu Properties	35	5735324	November 20, 2006
颐和原著	Beijing Longhu Properties	19	5735325	November 20, 2006
颐和原著	Beijing Longhu Properties	6	5735326	November 20, 2006
滢澜山	Beijing Longhu Properties	42	5735327	November 20, 2006
滢澜山	Beijing Longhu Properties	37	5735448	November 20, 2006
滢澜山	Beijing Longhu Properties	36	5735449	November 20, 2006
滢澜山	Beijing Longhu Properties	35	5735450	November 20, 2006
滢澜山	Beijing Longhu Properties	19	5735451	November 20, 2006
滢澜山	Beijing Longhu Properties	6	5735452	November 20, 2006
宜 恒	Chongqing Longhu Properties	36	5759264	December 1, 2006
宜 恒	Chongqing Longhu Properties	35	5759265	December 1, 2006
宜 恒	Chongqing Longhu Properties	19	5759266	December 1, 2006
宜 恒	Chongqing Longhu Properties	6	5759267	December 1, 2006
恒 尚	Chongqing Longhu Properties	42	5759268	December 1, 2006
恒 尚	Chongqing Longhu Properties	37	5759269	December 1, 2006
恒 尚	Chongqing Longhu Properties	36	5759270	December 1, 2006
恒 尚	Chongqing Longhu Properties	35	5759271	December 1, 2006
恒 尚	Chongqing Longhu Properties	19	5759283	December 1, 2006
恒 尚	Chongqing Longhu Properties	6	5759284	December 1, 2006

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Trademark	Name of applicant	Class	Application number	Application date
融 凯	Chongqing Longhu Properties	42	5759285	December 1, 2006
融 凯	Chongqing Longhu Properties	39	5759286	December 1, 2006
融 凯	Chongqing Longhu Properties	37	5759287	December 1, 2006
融 凯	Chongqing Longhu Properties	36	5759288	December 1, 2006
融 凯	Chongqing Longhu Properties	19	5759289	December 1, 2006
融 凯	Chongqing Longhu Properties	6	5759290	December 1, 2006
融 凯	Chongqing Longhu Properties	35	5759291	December 1, 2006
宜 恒	Chongqing Longhu Properties	42	5759292	December 1, 2006
宜 恒	Chongqing Longhu Properties	37	5759629	December 1, 2006
翠微清波	Chengdu Longhu Jinhua	42	5831697	January 8, 2007
翠微清波	Chengdu Longhu Jinhua	36	5831698	January 8, 2007
翠微清波	Chengdu Longhu Jinhua	37	5831699	January 8, 2007
翡冷翠堤	Beijing Longhu Properties	19	5880855	January 31, 2007
翡冷翠堤	Beijing Longhu Properties	35	5880856	January 31, 2007
翡冷翠堤	Beijing Longhu Properties	37	5880857	January 31, 2007
翡冷翠堤	Beijing Longhu Properties	42	5880858	January 31, 2007
翡冷翠堤	Beijing Longhu Properties	36	5880864	January 31, 2007
翡冷翠堤	Beijing Longhu Properties	6	5880874	January 31, 2007
颐和盛景	Beijing Longhu Properties	42	5885983	February 2, 2007

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Trademark	Name of applicant	Class	Application number	Application date
颐和盛景	Beijing Longhu Properties	37	5885984	February 2, 2007
颐和盛景	Beijing Longhu Properties	36	5885985	February 2, 2007
颐和盛景	Beijing Longhu Properties	35	5885986	February 2, 2007
颐和盛景	Beijing Longhu Properties	19	5885987	February 2, 2007
颐和盛景	Beijing Longhu Properties	6	5885988	February 2, 2007
善待你一生 for you . forever	Chongqing Longhu Properties	42	5928116	March 2, 2007
善待你一生 for you . forever	Chongqing Longhu Properties	44	5928117	March 2, 2007
for you . forever	Chongqing Longhu Properties	19	5928118	March 2, 2007
for you . forever	Chongqing Longhu Properties	37	5928119	March 2, 2007
for you . forever	Chongqing Longhu Properties	38	5928120	March 2, 2007
for you . forever	Chongqing Longhu Properties	39	5928121	March 2, 2007
for you . forever	Chongqing Longhu Properties	40	5928122	March 2, 2007
for you . forever	Chongqing Longhu Properties	41	5928123	March 2, 2007
for you . forever	Chongqing Longhu Properties	43	5928124	March 2, 2007
for you . forever	Chongqing Longhu Properties	45	5928125	March 2, 2007
善待你一生 for you . forever	Chongqing Longhu Properties	36	5928176	March 2, 2007
善待你一生 for you . forever	Chongqing Longhu Properties	6	5928194	March 2, 2007
善待你一生 for you . forever	Chongqing Longhu Properties	35	5928195	March 2, 2007
 蓝湖香颂 BLUE LAKE FRAGRANCE VILLA	Chongqing Longhu Properties	6	5936183	March 9, 2007

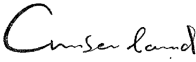
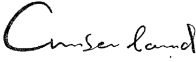
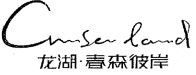
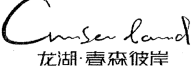
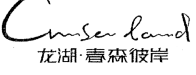
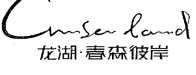
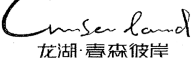
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Trademark	Name of applicant	Class	Application number	Application date
	Chongqing Longhu Properties	19	5936184	March 9, 2007
	Chongqing Longhu Properties	35	5936185	March 9, 2007
	Chongqing Longhu Properties	36	5936186	March 9, 2007
	Chongqing Longhu Properties	37	5936187	March 9, 2007
	Chongqing Longhu Properties	42	5936188	March 9, 2007
	Chongqing Longhu Properties	6	5936189	March 9, 2007
	Chongqing Longhu Properties	19	5936190	March 9, 2007
	Chongqing Longhu Properties	42	5936364	March 9, 2007
	Chongqing Longhu Properties	37	5936365	March 9, 2007
	Chongqing Longhu Properties	36	5936366	March 9, 2007
	Chongqing Longhu Properties	35	5936367	March 9, 2007
香醍漫步	Beijing Longhu Properties	36	5992585	April 11, 2007
香醍漫步	Beijing Longhu Properties	35	5992586	April 11, 2007
香醍漫步	Beijing Longhu Properties	19	5992587	April 11, 2007
香醍漫步	Beijing Longhu Properties	6	5992588	April 11, 2007
香醍漫步	Beijing Longhu Properties	42	5992650	April 11, 2007
香醍漫步	Beijing Longhu Properties	37	5992651	April 11, 2007

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Trademark	Name of applicant	Class	Application number	Application date
	Chongqing Longhu Properties	37	6364281	November 7, 2007
	Chongqing Longhu Properties	36	6364282	November 7, 2007
龙湖·春森彼岸	Chongqing Longhu Properties	37	6364283	November 7, 2007
龙湖·春森彼岸	Chongqing Longhu Properties	36	6364284	November 7, 2007
	Chongqing Longhu Properties	45	6364331	November 7, 2007
	Chongqing Longhu Properties	44	6364332	November 7, 2007
	Chongqing Longhu Properties	43	6364333	November 7, 2007
	Chongqing Longhu Properties	42	6364334	November 7, 2007
	Chongqing Longhu Properties	41	6364335	November 7, 2007
	Chongqing Longhu Properties	37	6364336	November 7, 2007
	Chongqing Longhu Properties	36	6364337	November 7, 2007
	Chongqing Longhu Properties	35	6364338	November 7, 2007
	Chongqing Longhu Properties	19	6364339	November 7, 2007
	Chongqing Longhu Properties	6	6364340	November 7, 2007
龙湖三千里	Chengdu Longhu Jinhua	42	6518630	January 21, 2008
龙湖三千里	Chengdu Longhu Jinhua	37	6518631	January 21, 2008
龙湖三千里	Chengdu Longhu Jinhua	36	6518632	January 21, 2008

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Trademark	Name of applicant	Class	Application number	Application date
Longfor 龙湖地产	Chongqing Longhu Properties	39	6547869	February 4, 2008
Longfor 龙湖地产	Chongqing Longhu Properties	37	6547870	February 4, 2008
Longfor 龙湖地产	Chongqing Longhu Properties	36	6547871	February 4, 2008
Longfor 龙湖地产	Chongqing Longhu Properties	35	6547872	February 4, 2008
Longfor 龙湖地产	Chongqing Longhu Properties	19	6547873	February 4, 2008
Longfor 龙湖地产	Chongqing Longhu Properties	11	6547874	February 4, 2008
Longfor	Chongqing Longhu Properties	35	6547879	February 4, 2008
Longfor	Chongqing Longhu Properties	19	6547880	February 4, 2008
Longfor	Chongqing Longhu Properties	11	6547881	February 4, 2008
Longfor	Chongqing Longhu Properties	6	6547882	February 4, 2008
Longfor 龙湖地产	Chongqing Longhu Properties	6	6547883	February 4, 2008
Longfor 龙湖地产	Chongqing Longhu Properties	45	6547884	February 4, 2008
Longfor 龙湖地产	Chongqing Longhu Properties	44	6547885	February 4, 2008
Longfor 龙湖地产	Chongqing Longhu Properties	43	6547886	February 4, 2008
Longfor 龙湖地产	Chongqing Longhu Properties	42	6547887	February 4, 2008
Longfor 龙湖地产	Chongqing Longhu Properties	41	6547888	February 4, 2008
龙湖地产	Chongqing Longhu Properties	37	6547889	February 4, 2008
龙湖地产	Chongqing Longhu Properties	36	6547890	February 4, 2008
Longfor	Chongqing Longhu Properties	45	6547891	February 4, 2008
Longfor	Chongqing Longhu Properties	44	6547892	February 4, 2008
Longfor	Chongqing Longhu Properties	43	6547893	February 4, 2008

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Trademark	Name of applicant	Class	Application number	Application date
	Chongqing Longhu Properties	42	6547894	February 4, 2008
	Chongqing Longhu Properties	41	6547895	February 4, 2008
	Chongqing Longhu Properties	39	6547896	February 4, 2008
	Chongqing Longhu Properties	37	6547897	February 4, 2008
	Chongqing Longhu Properties	36	6547898	February 4, 2008
三千城	Chengdu Longhu Tongjin	42	6687981	April 28, 2008
三千城	Chengdu Longhu Tongjin	37	6687982	April 28, 2008
三千城	Chengdu Longhu Tongjin	36	6687983	April 28, 2008
长桥郡	Chengdu Longhu Jincheng	42	6687984	April 28, 2008
长桥郡	Chengdu Longhu Jincheng	37	6687985	April 28, 2008
长桥郡	Chengdu Longhu Jincheng	36	6687986	April 28, 2008
世纪峰景	Chengdu Huixin	42	6916060	August 25, 2008
世纪峰景	Chengdu Huixin	37	6916061	August 25, 2008
世纪峰景	Chengdu Huixin	36	6916062	August 25, 2008
龙湖·小院青城	Sichuan Xinglonghu	42	6916063	August 25, 2008
龙湖·小院青城	Sichuan Xinglonghu	37	6916064	August 25, 2008
龙湖·小院青城	Sichuan Xinglonghu	36	6916065	August 25, 2008

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Trademark	Name of applicant	Class	Application number	Application date
龙湖·弗莱明戈	Chengdu Xixiang	42	6916066	August 25, 2008
龙湖·弗莱明戈	Chengdu Xixiang	37	6916067	August 25, 2008
龙湖·弗莱明戈	Chengdu Xixiang	36	6916068	August 25, 2008
龙湖·铜雀臺	Chengdu Longhu Tongjin	36	6941890	September 8, 2008
龙湖·铜雀臺	Chengdu Longhu Tongjin	37	6942112	September 8, 2008
龙湖·铜雀臺	Chengdu Longhu Tongjin	42	6942271	September 8, 2008

As at the Latest Practicable Date, our Group had applied for registration of the following trademark in Hong Kong:

Trademark	Name of applicant	Class	Application number	Application date
Longfor 龙湖地产	the Company	6, 19, 20,	301132550	June 5, 2008
Longfor 龙湖地产		35, 36, 37,		
LongFor 龙湖地产		38, 39, 41,		
LongFor 龍湖地產		42, 43, 44,		
		45		

(b) Patents

As at the Latest Practicable Date, our Group had registered the following patent in the PRC:

Patent	Place of application	Name of applicant	Registration number	Registration period
一種豎向錯疊式花園洋房住宅 (Vertical split-level garden apartments)	PRC	Chongqing Longhu Properties	ZL 2007 2 020114L5	October 10, 2007 to October 9, 2017

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(c) *Copyrights*

As at the Latest Practicable Date, our Group had registered the following copyrights in the PRC:

Copyright	Place of registration	Registered owner	Registration number
善待你一生 善待您一生 (廣告語)	PRC	Chongqing Longhu Development (<i>Note 1</i>)	31-2000-A-219
回家就是度假的開始! (廣告語) (附吉祥物呆呆、魚、太陽)	PRC	Chongqing Longhu Properties (<i>Note 2</i>)	31-2000-A-266
大隱隱於市(廣告語)	PRC	Chongqing Longhu Properties	31-2001-A-736
生活在高端(廣告語)	PRC	Chongqing Longhu Properties	31-2004-A-2303
上品(廣告語)	PRC	Chongqing Longhu Properties	31-2004-A-2304
一生一棟(廣告語)	PRC	Chongqing Longhu Properties	31-2004-A-2305
一寸空間一寸金(廣告語)	PRC	Chongqing Longhu Properties	31-2004-A-2306

Notes:

- Based on the legal opinion of Commerce and Finance Law Offices, the PRC legal advisors to our Company, the copyright of “善待你一生. 善待您一生” is still held in the name of Chongqing Jiachen Economic Development Co. Ltd. (重慶佳辰經濟發展有限公司), former name of Chongqing Longhu Development. Commerce and Finance Law Offices advised that Chongqing Longhu Development enjoys the copyright of “善待你一生. 善待您一生”, but ought to register the change of name, for which procedure Commerce and Finance Law Offices do not consider there exists any substantive legal obstacle.
- Based on the legal opinion of Commerce and Finance Law Offices, the PRC legal advisors to our Company, the copyright of “回家就是度假的開始!(附吉祥物呆呆、魚、太陽)” is still in the name of Chongqing Zhongjian Ke Real Estate Co., Ltd. (重慶市中建科置業有限公司), former name of Chongqing Longhu Properties. Commerce and Finance Law Offices advised that Chongqing Longhu Properties enjoys the copyright of “回家就是度假的開始!(附吉祥物呆呆、魚、太陽)”, but ought to register the change of name, for which procedure Commerce and Finance Law Offices do not consider there exists any substantive legal obstacle.

As at the Latest Practicable Date, our Group had not applied for registration of any other copyrights in the PRC.

(d) *Domain names*

As at the Latest Practicable Date, our Group had registered the following domain names:

Domain Name	Date of Registration
longhu.cq.cn	February 5, 2004
longhu.net.cn	October 28, 2002
longhu.com	November 25, 1998
longhu.net	January 14, 2000
longhu.com.cn	October 28, 2002
longhu.cn.	March 17, 2003
longfor.com	March 24, 2007
longhugroup.net	August 17, 2007
longhugroup.com.	August 17, 2007
longhugroup.mobi	August 17, 2007
longhugroup.com.cn	August 17, 2007
longhugroup.net.cn.	August 17, 2007
longhugroup.cn	August 17, 2007

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Domain Name	Date of Registration
longforgroup.cn	October 10, 2007
longforgroup.com	October 10, 2007
longforgroup.net	October 10, 2007
longforgroup.com.cn.	October 10, 2007
longforgroup.mobi	October 10, 2007
longforland.cn.	October 10, 2007
longforland.com	October 10, 2007
longforland.net	October 10, 2007
longforland.com.cn.	October 10, 2007
longforland.mobi	October 10, 2007
longforproperties.cn	October 10, 2007
longforproperties.com	October 10, 2007
longforproperties.net.	October 10, 2007
longforproperties.com.cn	October 10, 2007
longforproperties.mobi	October 10, 2007
longforhotels.cn.	October 10, 2007
longforhotels.com	October 10, 2007
longforhotels.net	October 10, 2007
longforhotels.com.cn	October 10, 2007
longforhotels.mobi	October 10, 2007
longforassets.cn.	October 10, 2007
longforassets.com	October 10, 2007
longforassets.net	October 10, 2007
longforassets.com.cn.	October 10, 2007
longforinvest.cn.	October 10, 2007
longforinvest.com	October 10, 2007
longforinvest.net	October 10, 2007
longforinvest.com.cn	October 10, 2007
longfor.com.cn	April 21, 2007
longfor.hk	November 12, 2007
longfor.mobi.	October 10, 2007
lhtraining.com.cn.	July 16, 2007
lhtraining.net	July 16, 2007
lhtraining.org	July 16, 2007
lhtraining.cn.	July 16, 2007
龍湖. cn(中國)	August 23, 2003
龍湖地產.公司	September 10, 2004
龍湖地產.com.	September 16, 2003
龍湖地產.hk.	June 18, 2008
龍湖地產.中國(CN)	September 17, 2003
龍湖地產集團.中國	June 18, 2008
龍湖地產集團.公司	June 18, 2008
龍湖.公司	January 30, 2001
新龍湖物管.公司.	May 12, 2004
重慶佳辰.公司(CN)	February 6, 2001
蔡奎.net	May 18, 2007
蔡奎.com.	May 18, 2007
蔡奎.中國	May 18, 2007

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Domain Name	Date of Registration
吳亞軍.net	May 18, 2007
吳亞軍.com	May 18, 2007
吳亞軍.中國	May 18, 2007
wuyajun.net.cn	May 18, 2007
caikui.net.cn	May 18, 2007
caikui.mobi	May 18, 2007
khwstj.com.cn.	June 11, 2008
shuashuale.com.cn	July 8, 2008
wuyj.me	July 17, 2008
wuyajun.me	July 17, 2008
caikui.me.	July 17, 2008

Save as aforesaid, as at the Latest Practicable Date, there were no other trade or service marks, patents, intellectual or industrial property rights which were material in relation to our Group’s business.

(2) THE REORGANIZATION

The companies within our Group underwent the following reorganization:

1. *Incorporation of our Company*

On December 21, 2007, we were incorporated in the Cayman Islands as an exempted limited liability company with an authorized share capital of HK\$50,000 divided into 500,000 Shares of HK\$0.10 each, of which 600 Shares and 400 Shares were issued and fully paid up, to Charm Talent and Precious Full, respectively after the transfer of 1 subscriber share transferred by Codan Trust Company (Cayman) Limited as the initial subscriber to Charm Talent, and the allotment and issue of 599 Shares and 400 Shares to Charm Talent and Precious Full, respectively. Charm Talent and Precious Full are companies incorporated in the BVI and owned by Madam Wu and Mr. Cai, respectively.

2. *Transfer of the entire issued share capital of Juntion Development*

On June 11, 2008, Madam Wu and Mr. Cai transferred 1,200,000 shares and 800,000 shares of HK\$1 each in the share capital in Juntion Development, representing 60% and 40% of the total issued share capital in Juntion Development to Longfor Investment at a purchase consideration of HK\$1,920,693,053 and HK\$1,280,462,036, respectively. Such purchase considerations were determined based on the audited consolidated net asset value of Juntion Development as of December 31, 2007.

3. *Respective assignments of debt by Madam Wu and Mr. Cai to Charm Talent and Precious Full and subsequent assignments of debt by Charm Talent and Precious Full to our Company*

- (a) Pursuant to two deeds of assignment both dated June 11, 2008, Madam Wu and Mr. Cai assigned to Charm Talent and Precious Full at face value the amounts of HK\$1,920,693,053 and HK\$1,280,462,036 due from Longfor Investment respectively thereto as purchase consideration payable by Longfor Investment for the purchase of the entire issued share capital of Juntion Development. Following such assignments, Longfor Investment was indebted to Charm Talent and Precious Full in the respective amounts of HK\$1,920,693,053 and HK\$1,280,462,036.

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- (b) Upon completion of the assignments referred to in sub-paragraph (a) above and pursuant to two deeds of assignment dated June 11, 2008, Charm Talent and Precious Full assigned to our Company at face value the same amounts of HK\$1,920,693,053 and HK\$1,280,462,036 due from Longfor Investment. Following such assignments, Longfor Investment was indebted to our Company for a total of HK\$3,201,155,089 and our Company was in turn indebted to Charm Talent and Precious Full in the amounts of HK\$1,920,693,053 and HK\$1,280,462,036, respectively.

4. *Allotment of shares by Longfor Investment to our Company*

Longfor Investment allotted and issued to our Company one share of US\$1, credited as fully paid, in settlement of the amounts due from Longfor Investment to Charm Talent and Precious Full as referred to in paragraph 3(b) above.

5. *Capitalisation of loan due from our Company to Charm Talent and Precious Full*

On June 11, 2008, our Company allotted and issued to Charm Talent and Precious Full 2,361,591,000 Shares and 1,574,394,000 Shares and at the direction of Charm Talent and Precious Full, to Fit All, 64,014,000 Shares, credited as fully paid, in full settlement of the respective loan amounts of HK\$1,920,693,053 and HK\$1,280,462,036 due from our Company to Charm Talent and Precious Full.

(4) FURTHER INFORMATION ABOUT THE DIRECTORS

(A) Particulars of directors’ service contracts

(a) *Executive directors and independent non-executive directors*

Each of our executive directors has entered into a service contract with our Company regarding his or her appointment as executive director for a term of three years commencing from November 1, 2009. Either party has the right to give not less than three months’ written notice to terminate the agreement.

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Each of our independent non-executive directors has entered into an appointment letter with our Company. None of them has entered into any service contract with our Group. The term of office of our independent non-executive directors is from the date of appointment up to the conclusion of the next annual general meeting of our Company but in each case, either our Company or the relevant director can give three months’ prior notice at any time to terminate the appointment without payment of compensation, and the appointments are subject to the provisions of retirement and rotation of directors under the Articles of Association.

The terms of each of the appointment letters of each of such independent non-executive directors are in all material respects identical. Each of them is entitled to an annual director’s fee of HK\$300,000.

Save as disclosed in this document, none of our directors has or is proposed to have a service contract with our Group other than contracts expiring or determinable by the employer within one year without the payment of compensation (other than statutory compensation).

(b) ***Remuneration of directors***

Directors’ emoluments (including those received under the Pre-[●] Share Award Schemes and the Pre-[●] Option Scheme) of approximately RMB20.9 million in aggregate were paid and granted by our Group to our directors in respect of the one year period ended December 31, 2008.

Under the arrangements currently in force, our directors will be entitled to receive directors’ emoluments which, for the year ending December 31, 2009, is expected to be approximately RMB20.4 million in aggregate (excluding discretionary bonus or options under the Post-[●] Option Scheme, if any).

(B) Disclosure of interests

(a) ***Interests and short positions of our directors in the share capital of the Company and its associated corporations***

Immediately following [●] and taking no account of any Shares which may be allotted and issued pursuant to the exercise of any Pre-[●] Options or any option that may be granted under the Post-[●] Option Scheme or the exercise of the [●], the interests or short positions of our directors and our chief executives in the shares, underlying shares and debentures of our Company and its associated corporations, within the meaning of Part XV 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 (including interests and short positions which he/she is taken or deemed to have under such provisions of the SFO), or which

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will be required, pursuant to section 352 of the SFO, to be recorded 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 contained in the Listing Rules, will be as follows:

- (i) *Long positions in the shares, underlying shares and debentures of our Company or its associated corporations*

Name of Director	Name of corporation	Capacity/Nature of interest	Total number of shares	Approximate percentage of interest in the corporation
Madam Wu . . .	Our Company	Founder of a discretionary trust (<i>Note 1</i>)	2,343,591,600	46.9%
	Our Company	Family interest (<i>Note 2</i>)	1,562,394,400	31.3%
	Chongqing Longhu Development	Interest of controlled corporation (<i>Note 3</i>)	8.7% of the registered capital of Chongqing Longhu Development	8.7%
Lin Chu Chang.	Our Company	Beneficiary of a trust (<i>Note 4</i>)	2,800,000 Shares	0.056%
		Beneficiary of a trust (<i>Note 5</i>)	37,940,000 Shares	0.75%
Fang Shengtao .	Our Company	Beneficiary of a trust (<i>Note 4</i>)	4,512,000 Shares	0.09%
		Beneficiary of a trust (<i>Note 5</i>)	37,940,000 Shares	0.75%
Chen Kai	Our Company	Beneficiary of a trust (<i>Note 4</i>)	3,400,000 Shares	0.068%
Qin Lihong . . .	Our Company	Beneficiary of a trust (<i>Note 4</i>)	3,400,000 Shares	0.068%

Notes:

- These Shares are held by Charm Talent as registered holder. The entire issued share capital of Charm Talent is wholly owned by Silver Sea, the entire issued share capital of which is in turn wholly-owned by HSBC International Trustee as the trustee of the Wu Family Trust. The Wu Family Trust is a discretionary trust set up by Madam Wu as settlor and protector and HSBC International Trustee as trustee on June 11, 2008. The beneficiary objects of the Wu Family Trust include certain family members of Madam Wu and Fit All. Madam Wu as founder of the Wu Family Trust is taken to be interested in the 2,343,591,600 Shares held by Charm Talent immediately upon [●] pursuant to Part XV of the SFO.
- These Shares are held by Precious Full as registered holders. The entire issued share capital of Precious Full is wholly owned by Silverland, the entire issued share capital of which is in turn wholly-owned by HSBC International Trustee as the trustee of the Cai Family Trust. The Cai Family Trust is a discretionary trust set up by Mr. Cai as settlor and protector and HSBC International Trustee as trustee on June 11, 2008. The beneficiary objects of the Cai Family Trust include certain family members of Mr. Cai and Fit All. Madam Wu as the spouse of Mr. Cai is taken to be interested in the 1,562,394,400 Shares held by Precious Full immediately upon [●] pursuant to Part XV of the SFO.
- Chongqing Longhu Development is owned as to 91.3% by Juntion Development and 8.7% by Chongqing Xuke. Chongqing Xuke is owned as to 63% by Madam Wu and as to 37% by Mr. Cai, respectively.

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4. Such number of Shares are held on trust by Fit All. The entire issued share capital of Fit All is wholly-owned by HSBC (HK) Trustee as the trustee of the Fit All Trust. The Fit All Trust was set up on June 11, 2008 with HSBC (HK) Trustee acting as the trustee thereof. The beneficiary objects of the Fit All Trust are 550 selected employees of our Group (including the four executive directors named above) as participants of the Pre-[●] Share Award Schemes.
5. 37,940,000 Pre-[●] Options are currently held by Long Faith subject to the terms of the Long Faith Trust. The Long Faith Trust is a discretionary trust of which HSBC (HK) Trustee is the trustee and the relevant director is one of the discretionary objects.

(b) ***Interests and short positions discloseable under Divisions 2 and 3 of Part XV of the SFO***

Immediately following [●] and taking no account of any Shares which may be allotted and issued pursuant to the exercise of any Pre-[●] Options or any option that may be granted under the Post-[●] Option Scheme or the exercise of the [●] and none of the [●] is required to subscribe and/or purchase, and/or procure the subscription and/or purchase of Shares thereunder on or prior to the [●], in addition to the interests disclosed under paragraph (a) above, so far as our directors were aware, as at the Latest Practicable Date, the following persons were (other than members of our Group) expected to have interests and/or short positions in the shares and underlying shares of our Company which are required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, and/or

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are expected to be, directly 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 Company or any other member of our Group:

(i) *Long positions in the shares and underlying shares of our Company*

Name of interested party	Capacity/Nature of interest	Total number of Shares	Approximate percentage of interest in the corporation
Mr. Cai	Family interest (<i>Note 1</i>)	2,343,591,600	46.9%
Charm Talent	Registered owner (<i>Note 1</i>)	2,343,591,600	46.9%
Silver Sea.	Interest of controlled corporation (<i>Note 1</i>)	2,343,591,600	46.9%
HSBC International Trustee . . .	Trustee (<i>Note 1</i>)	2,343,591,600	46.9%
Mr. Cai	Founder of a discretionary trust (<i>Note 2</i>)	1,562,394,400	31.3%
Precious Full.	Registered owner (<i>Note 2</i>)	1,562,394,400	31.3%
Silverland.	Interest of controlled corporation (<i>Note 2</i>)	1,562,394,400	31.3%
HSBC International Trustee . . .	Trustee (<i>Note 2</i>)	1,562,394,400	31.3%

Notes:

- The entire issued share capital of Silver Sea is wholly-owned by HSBC International Trustee as trustee of the Wu Family Trust. The Wu Family Trust is a discretionary trust set up by Madam Wu as settlor and protector and HSBC International Trustee as trustee on June 11, 2008. The beneficial objects of the Wu Family Trust include family members of Madam Wu and Fit All. Madam Wu (as founder of the Wu Family Trust), Mr. Cai (as the spouse of Madam Wu), Silver Sea and HSBC International Trustee are taken to be interested in the 2,343,591,600 Shares held by Charm Talent immediately upon [●] pursuant to Part XV of the SFO.
- The entire issued share capital of Silverland is wholly-owned by HSBC International Trustee as trustee of the Cai Family Trust. The Cai Family Trust is a discretionary trust set up by Mr. Cai as settlor and protector and HSBC International Trustee as trustee on June 11, 2008. The beneficial objects of the Cai Family Trust include family members of Mr. Cai and Fit All. Mr. Cai (as founder of the Cai Family Trust), Madam Wu (as the spouse of Mr. Cai), Silverland and HSBC International Trustee are taken to be interested in the 1,562,394,400 Shares held by Precious Full immediately upon [●] pursuant to Part XV of the SFO.

(ii) *Substantial shareholders of other members of our Group*

Name of shareholder	Name of member of our Group	Capacity	Number and class of securities	Approximate percentage of shareholding
Fantastic Star Investment Limited .	Chongqing Longhu Yiheng Real Estate Development Co., Ltd. (重慶龍湖宜恒地產發展有限公司)	Beneficial owner	49% of the registered capital	49%
ING COF IV SRL . . .	Chengdu Longhu Tongjin Real Estate Co., Ltd. (成都龍湖同晉置業有限公司)	Beneficial owner	25% of the registered capital	25%

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(c) *Connected transactions and related party transactions*

Save as disclosed in this document and in note 43 of the accountants’ report, the text of which is set out in the section headed “Appendix I — Accountants’ Report” to this document, during the two years immediately preceding the date of this document, neither our Company nor any member of our Group had engaged in any other connected transactions or related party transactions.

(C) Disclaimers

Save as disclosed in this document, as at the Latest Practicable Date:

- (a) our directors were not aware of any person (not being a director or chief executive of our Company) who would, immediately after completion of the [●] (taking no account of the [●] or any Shares which may be taken up under the [●] or any exercise of any Pre-[●] Options or any options that may be granted under the Post-[●] Option Scheme), have an interest or a short position in Shares or underlying Shares which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who would, directly or indirectly, be 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 Company or any other member of our Group;
- (b) none of our directors had any interest or short position in any of the Shares, underlying Shares or debentures or any shares, underlying shares or debentures of any associated corporation within the meaning of Part XV 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 (including interests and short positions which he is deemed to have under such provisions of the SFO), or which would be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which would be required to be notified to us and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, in each case once the Shares are listed;

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- (c) none of our directors nor any of the parties listed in the section headed “Consents of experts” of this Appendix was interested in the promotion of, or in any assets which had been, within the two years immediately preceding the date of this document, acquired or disposed of by or leased to our Company or any of its subsidiaries, or were proposed to be acquired or disposed of by or leased to our Company or any of its subsidiaries;
- (d) none of our directors nor any of the parties listed in the section headed “Consents of experts” of this Appendix was materially interested in any contract or arrangement subsisting at the date of this document which was significant in relation to our Group’s business;
- (e) save in connection with the [●], none of the parties listed in the section headed “Consents of experts” of this Appendix:
 - (i) were interested legally or beneficially in any securities of any member of our Group; or
 - (ii) had any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group;
- (f) none of our directors or their associates nor, to the knowledge of the directors, had any Shareholder who held more than 5% of the total issued Shares as at the Latest Practicable Date had any interest in any of the five largest customers of our Group;
- (g) none of our directors or their associates nor, to the knowledge of our directors, had any Shareholder who held more than 5% of the total issued Shares as at the Latest Practicable Date had any interest in any of the five largest suppliers of our Group; and
- (h) none of our directors had entered into or was proposing to enter into a service contract with our Company or any of its subsidiaries (other than contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)).

(5) OTHER INFORMATION

(A) Indemnities

The Covenantors have given indemnities pursuant to the Deed of Indemnity as referred to in this section of the document headed “(F) Summary of our material contracts” in connection with taxation liabilities of the Group (if any) relating to events or matters occurred on or before the [●].

The indemnities in the Deed of Indemnity shall not apply in, among others, the following circumstances:

- (a) to the extent that provision has been made for such taxation in the audited accounts of our Company or any of its subsidiaries; or

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- (b) to the extent that liability for such taxation would not have arisen but for some act or omission of, or transaction entered into by any member of our Group (whether alone or in conjunction with some other act, omission or transaction, whenever occurring) voluntarily effected without the prior written consent or agreement of the Covenantors otherwise than in the course of normal day to day operations or carried out, made or entered into pursuant to a legally binding commitment created on or before the [●];
- (c) to the extent that any provisions or reserve made for taxation in the audited accounts of our Company or any member of our Group up to June 30, 2009 is finally established to be an over-provision or an excessive reserve; or
- (d) to the extent that such taxation claim arises or is incurred as a result of the imposition of taxation as a consequence of any retrospective change in the law, rules or regulations or the interpretation or practice thereof by the relevant tax authority coming into force after the [●] or to the extent that such taxation claim arises or is increased by an increase in rates of taxation after the [●] with retrospective effect.

Our directors have been advised that no material liability for estate duty is likely to fall on our Company or any of its subsidiaries in the Cayman Islands.

(B) Litigation

No member of our Group is engaged in any litigation, arbitration or claim of material importance, and no litigation, arbitration or claim of material importance is known to our directors to be pending or threatened by or against any member of our Group that would have a material adverse effect on our Group’s results of operations or financial condition.

(D) Promoter

There is no promoter of the Company.

(E) Agency fees or commissions

Save as disclosed in this document, within the two years preceding the date of this document, no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any share or loan capital of our Company or any of its subsidiaries.

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(G) No material adverse change

Our directors believe that there has been no material adverse change in the financial or trading position of our Group since June 30, 2009 (being the date on which the latest audited combined financial statements of our Group was made up).

(H) Binding effect

This document shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all the provisions (other than the penal provisions) of sections 44A and 44B of the Companies Ordinance so far as applicable.

(I) Miscellaneous

(a) Save as disclosed in this document:

- (i) within the two years immediately preceding the date of this document, no share or loan capital of our Company or any of its subsidiaries has been issued or agreed to be issued fully or partly paid either for cash or for 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) neither our Company nor any of its subsidiaries have issued or agreed to issue any founder shares, management shares or deferred shares;
- (iv) within the two years immediately preceding the date of this document, no commissions, discounts, brokerage or other special terms have been granted in connection with the issue or sale of any shares or loan capital of any member of our Group;
- (v) within the two years preceding the date of this document, no commission has been paid or payable (except commissions to [●]) for subscription, agreeing to subscribe, procuring subscription or agreeing to procure subscription of any Shares in our Company; and
- (vi) none of the equity and debt securities of our Company is listed or dealt with in any other stock exchange nor is any listing or permission to deal being or proposed to be sought.

(b) Our Company has no outstanding convertible debt securities or debentures.

(c) Save for the pledge of bank deposits and charges as disclosed in note 38 set out in the section headed “Appendix I — Accountants’ Report” or in the “(F) Summary of our material contracts” in this Appendix VII (to the extent they have not been discharged or released), our Company has no material mortgage or charge.

(6) PRE-[●] SHARE AWARD SCHEMES

We adopted two Pre-[●] Share Award Schemes on November 30, 2007 and July 31, 2009 respectively, the principal terms of both schemes are substantially the same and are summarized below.

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Objective

We adopted the Pre-[●] Share Award Schemes on November 30, 2007 and July 31, 2009 respectively to recognise the contribution of certain of our employees, especially those whom we consider have contributed to the early development and growth of our Group, and to align their interests with those of our shareholders.

Implementation

Pursuant to the Pre-[●] Share Award Schemes, a total of 550 employees were awarded Shares representing approximately 2.35% of the total issued share capital of our Company as at the Latest Practicable Date. Pursuant to the scheme adopted on November 30, 2007, at the direction of Charm Talent and Precious Full, our Company issued a total of 64,014,000 Shares to Fit All, a special purpose vehicle incorporated in the BVI on June 11, 2008. Pursuant to the scheme adopted on July 31, 2009, Charm Talent and Precious Full transferred to Fit All, as a discretionary object of each of the Wu Family Trust and the Cai Family Trust, a total of 30 million Shares (18 million Shares in the case of Charm Talent and 12 million Shares in the case of Precious Full). As at the Latest Practicable Date, a total of 94,014,000 Shares (the “Awarded Shares”) were granted to a total of 550 employees of our Group (the “Selected Employees”). For the implementation of the Pre-[●] Share Award Schemes, the Fit All Trust was established on June 11, 2008. The Fit All Trust is a fixed trust for the benefit of the Selected Employees and HSBC (HK) Trustee acts as the trustee thereof.

Vesting of the Awarded Shares

- The Selected Employees are not entitled to exercise or enjoy the rights to the Awarded Shares pending the vesting of the Awarded Shares in accordance with the applicable vesting period.
- Vesting period for a Selected Employee is determined based on his or her (i) performance appraisal; (ii) length of service; and (iii) seniority.
- In general, vesting period is either four or five years during which the Awarded Shares granted to any particular Selected Employee will vest on each anniversary of the first vesting date in equal portions.
- The first vesting date for all the relevant Selected Employees under the scheme of 2007 is January 1, 2009, and the first vesting date for all the relevant Selected Employees under the scheme of 2009 is July 1, 2010.
- Vesting period of a Selected Employee is subject to postponement in the event of unsatisfactory performance of such employee based on his or her annual performance appraisal.
- Prior to vesting, the Selected Employees are not entitled to the rights to and interests in the Awarded Shares, including voting and distribution rights.

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Triggering events for surrender of Awarded Shares

Awarded Shares granted will be deemed to have been surrendered by a Selected Employee upon the occurrence of any of the following events:

- Termination of employment with or without cause;
- Unsatisfactory performance leading to demotion and failure to satisfy the criteria for re-promotion within one year;
- Performance appraisal rating at the lowest range for two consecutive years; or
- Passing away not in the course of carrying out his or her duties as an employee of our Group provided that the personal representative(s) of the employee will be entitled to such number of Awarded Shares which would otherwise have vested in the one year period after the death of the employee.

Awarded Shares deemed to have been surrendered may be repurchased and cancelled or re-allocated at the discretion of our Company.

(7) PRE-[●] OPTION SCHEME

We adopted the Pre-[●] Option Scheme on November 30, 2007, the principal terms of which are summarised below.

Objective

We adopted the Pre-[●] Option Scheme to recognise the contribution of certain of our senior management personnel and to distribute ownership of our Company to such management personnel. The scheme also serves to retain such senior management personnel.

Implementation

Pursuant to the Pre-[●] Option Scheme, six senior management personnel, including two executive directors (the “Managers”) were granted the Pre-[●] Options to subscribe for up to approximately 0.9% of the total issued share capital of our Company as at the Latest Practicable Date. The Pre-[●] Options were subsequently transferred to Long Faith, a special purpose vehicle incorporated in the BVI. For the implementation of the Pre-[●] Option Scheme, the Long Faith Trust was established on June 11, 2008. The Long Faith Trust is a discretionary trust of which HSBC (HK) Trustee acts as the trustee and the discretionary objects include the Managers.

Vesting of the Pre-[●] Options

The Pre-[●] Options will vest in equal portion on January 1, 2009, 2010, 2011 and 2012 and will only become exercisable for a period following from the respective vesting dates and ending on November 30, 2017.

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Subscription price

The subscription price payable upon the exercise of any Pre-[●] Options is fixed at HK\$2.94 per Share.

Transfer of options

The Pre-[●] Options shall be personal to the grantee and shall not be assignable and no grantee shall in any way sell, transfer, charge, mortgage, encumber or create any interest in favour of any other person over or in relation to any Pre-[●] Option, except for (1) the transmission of a Pre-[●] Option on the death of the grantee to his personal representative(s) on terms of the Pre-[●] Option Scheme or (2) to any permitted transferee which comprise:

- (i) any trustee, acting in its capacity as such trustee, of any trust of which the grantee or his spouse, any child or step-child, natural or adopted, under the age of 18 years of such grantee or of his spouse (together, the “family interests”), is a beneficiary or, in the case of a discretionary trust, is (to his knowledge) a discretionary object and any company (“trustee-controlled company”) in the equity capital of which the trustee, acting in its capacity as such trustee, is directly or indirectly interested so as to exercise or control the exercise of 30% (or such other amount as may from time to time be specified in the Takeovers Code as being the level for triggering a mandatory general offer) or more of the voting power at general meetings, or to control the composition of a majority of the board of directors and any other company which is its subsidiary (together, the “trustee interests”);
- (ii) a holding company of a trustee-controlled company or a subsidiary of any such holding company; and
- (iii) any company in the equity capital of which he, his family interests, any trustee referred to in (i) above, acting in its capacity as such trustee, and/or any trustee interests taken together are directly or indirectly interested so as to exercise or control the exercise of 30% (or such other amount as may from time to time be specified in the Takeovers Code as being the level for triggering a mandatory general offer) or more of the voting power at general meetings, or to control the composition of a majority of the board of directors and any other company which is its subsidiary or holding company or a fellow subsidiary of any such holding company.

Others

The terms of the Pre-[●] Option Scheme are similar to those of the Post-[●] Option Scheme (see below) except in respect of the following:

- the scheme is not conditional upon the [●] and is not subject to any other conditions;
- there is no provision limiting the maximum number of options that may be granted to any individual grantee under the Pre-[●] Option Scheme;

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- the provisions on the granting of options to connected persons (as defined in the Listing Rules) were not included;
- although the Pre-[●] Option Scheme provides that options can be offered and granted up to 9:00 a.m. on the business day before the [●], our directors have confirmed that no further options (other than the Pre-[●] Option already granted) will be offered under such scheme and accordingly, the Pre-[●] Option Scheme does not contain provisions relating to the “refreshing” of the 10% limit or the seeking of separate approval for granting options beyond the 10% limit as anticipated in Note 1 of Rule 17.03(3) of the Listing Rules, or the restrictions on the number of shares issue or to be issued under options in any 12 month period to any participant of the Pre-[●] Option Scheme not exceeding 1% of the Shares in issue as anticipated in the note to Rule 17.03(4) of the Listing Rules.

The Pre-[●] Options currently held by Long Faith were originally granted to the following persons:

Name of grantee	Residential address	Title/position	Time of joining our Group	Number of Shares subject to the options
Lin Chu Chang	8-2-502, Greenlake Place 88 East Fourth Ring Road (North) Chaoyang District Beijing The PRC	Executive Director, Chief Financial Officer	July, 2006	10,000,000
Fang Shengtao	1-3-503, Shimao Olive Residence #1 Qinglin Road Chaoyang District Beijing The PRC	Executive Director, Chief Human Resources Officer	August, 2005	5,588,000
Fan Qi	Room 2-3-301 Longhu Garden Nan Yuan Yu Bei District Chongqing The PRC	General Manager in charge of our Chengdu business operations	August, 1997	5,588,000
Zhao Nannan	Room 201 Unit 1, No. 4 Building Group Crystal Town Yu Bei District Chongqing The PRC	General Manager in charge of our Shanghai business operations	June, 2001	5,588,000
Shao Mingxiao	Room 202 Unit 2, No.26 Building, Wan Quan Xin Xin Jia Yuan Haidian District Beijing The PRC	General Manager in charge of our Beijing business operations	March, 2006	5,588,000

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The Pre-[●] Options represent approximately 0.75% of our enlarged share capital as at the [●] assuming the Pre-[●] Options are exercised in full and the [●] is not exercised. If all the Pre-[●] Options are exercised, this would have a dilutive effect on our Shareholders of approximately 0.15%. The subscription price of the Pre-[●] Options represents [●].

(8) POST-[●] OPTION SCHEME

The following is a summary of the principal terms required to be included in the Post-[●] Option Scheme as required by the Listing Rules:

1. *Objective*

The purpose of the Post-[●] Option Scheme is to provide the Participants (defined in paragraph 2 below) who have been granted options (the “Options”) under the Post-[●] Option Scheme to subscribe for Shares (the “Grantees”) with the opportunity to acquire proprietary interests in our Company and to encourage Participants to work towards enhancing the value of our Company and its Shares for the benefit of our Company and its Shareholders as a whole. The Post-[●] Option Scheme will provide our Group with a flexible means of either retaining, incentivising, rewarding, remunerating, compensating and/or providing benefits to Participants.

2. *Participants*

Our Board of directors may, at their discretion, invite any directors (including executive directors, non-executive directors and independent non-executive directors) and employees of any member of our Group and any advisers, consultants, distributors, contractors, contract manufacturers, suppliers, agents, customers, business partners, joint venture business partners, service providers of any member of our Group who the Board considers, in its sole discretion, have contributed or will contribute to our Group (the “Participants”) to participate in the Post-[●] Option Scheme.

3. *Maximum total amount and individual limit*

- (a) Initially the maximum number of Shares which may be issued upon exercise of all Options to be granted under the Post-[●] Option Scheme or any other option schemes adopted by our Company (and to which the provisions of chapter 17 of the Listing Rules are applicable) shall not exceed 10% of the aggregate of the Shares in issue and any Shares which may be allotted and issued by our Company under the [●] (such 10% limit represents [●] Shares, assuming that the [●] is not exercised). Options which have lapsed shall not be counted in calculating the 10% limit. However (but subject to the 30% limit referred to in this paragraph below), our Company may refresh this 10% limit with Shareholders’ approval provided that each such limit (as refreshed) may not exceed 10% of the Shares in issue as at the date of the Shareholders’ approval. Options previously granted under the Post-[●] Option Scheme and any other option schemes adopted by our Company and to which the provisions of chapter 17 of the Listing Rules are applicable (including those outstanding, cancelled or lapsed in accordance with the relevant scheme or exercised options) will not

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be counted for the purpose of calculating the limit to be refreshed. We may seek separate approval by Shareholders in general meeting for granting Options beyond the 10% limit provided that the Options in excess of the limit are granted only to Participants specially identified by our Company before such approval is sought.

- (b) The total number of Shares which may be issued upon exercise of all Options granted and yet to be exercised under the Post-[●] Option Scheme or any other option schemes adopted by our Company (and to which the provisions of chapter 17 of the Listing Rules are applicable) must not exceed 30% of the Shares in issue from time to time. On the [●], such 30% represents [●] Shares (assuming that the [●] is not exercised).
- (c) Unless approved by Shareholders in the manner set out in this paragraph below, the total number of Shares issued and to be issued upon exercise of the Options granted to each Participant (including both exercised, cancelled and outstanding Options) under the Post-[●] Option Scheme in any 12-month period must not exceed 1% of the Shares in issue. Any further grant of Options which would result in the number of Shares issued as aforesaid exceeding the said 1% limit must be subject to prior Shareholders’ approval with the relevant Participant and his associates abstaining from voting.
- (d) Each grant of Options to any director, chief executive or substantial shareholder of our Company (or any of their respective associates) (as such terms are defined in rule 1.01 of the Listing Rules) shall be subject to the prior approval of the independent non-executive directors of our Company (excluding any independent non-executive director who is a proposed grantee of the Option). Where any grant of Options to a substantial shareholder or an independent non-executive director of our Company, or any of their respective associates, would result in the Shares issued and to be issued upon exercise of all Options already 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:
 - (a) representing in aggregate over 0.1% (or such other higher percentage as may from time to time be specified by the Stock Exchange) of the Shares in issue,

such grant of Options shall be subject to prior approval by the Shareholders (voting by way of poll). All connected persons (as defined in the Listing Rules) of our Company shall abstain from voting at such general meeting, except that any connected person may vote against the relevant resolution at the general meeting provided that his intention to do so has been stated in the circular to be sent to the Shareholders in connection therewith.

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4. *Restriction on dealing*

No offer shall be made and no Option shall be granted to any Participant in circumstances prohibited by the Listing Rules at a time when the Participant would or might be prohibited from dealing in the Shares by the Listing Rules or by any applicable rules, regulations or law. In particular, during the period commencing one month immediately preceding the earlier of:

- (a) the date of the Board meeting (as such date is first notified to the Stock Exchange in accordance with the requirements of the Listing Rules) for the approval of our Company’s interim or annual results; and
- (b) the deadline for our Company to publish its interim or annual results announcement as required by the Listing Rules,

and ending on the date of the results announcement, no Option may be granted.

5. *Exercise period*

- (a) The period within which the Options must be exercised will be specified by our Company at the time of grant. This period must expire no later than 10 years from the relevant Date of Grant.
- (b) In the event a Grantee (being an employee or a director of any member of our Group) ceases to be a Participant for any reason other than (i) his or her death or (ii) on one or more of the grounds of termination of employment or engagement specified in paragraph 12(f) below, the Grantee shall have the right to exercise those options then already vested in accordance with the terms of the scheme unless the Board otherwise determines, in which event the Option shall be exercisable to the extent and within such period as the Board may determine. The date of cessation of employment of a Grantee (being an employee and who may or may not also be a director of any member of our Group) shall be the last actual working day on which the Grantee was physically at work with the relevant member of our Group, whether salary is paid in lieu of notice or not.
- (c) In the event the Grantee dies before exercising the Option in full and none of the events for termination of employment under paragraph 12(f) below then exists with respect to such Grantee, the personal representative(s) of the Grantee shall be entitled within a period of 12 months from the date of death to exercise the Option up to the entitlement of such Grantee as at the date of death.
- (d) If a general offer by way of takeover or otherwise (other than by way of scheme of arrangement pursuant to paragraph 5(e) below) is made to all the holders of Shares (or all such holders other than the offeror, any person controlled by the offeror and any person acting in association or concert with the offeror) and such offer becomes or is declared unconditional prior to the expiry date of the relevant Option, our Company shall forthwith give notice thereof to the Grantee and the Grantee shall be entitled to exercise the Option to its full extent or, if our Company shall give the relevant notification, to the extent notified by our Company at any time within such period as shall be notified by our Company.

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- (e) If a general offer for Shares by way of scheme of arrangement is made to all the holders of Shares and has been approved by the necessary number of holders of Shares at the requisite meetings, our Company shall forthwith give notice thereof to the Grantee and the Grantee may at any time thereafter (but before such time as shall be notified by our Company) exercise the Option to its full extent or, if our Company shall give the relevant notification, to the extent notified by our Company.
- (f) In the event a notice is given by our Company to its Shareholders to convene a Shareholders’ meeting for the purpose of considering and, if thought fit, approving a resolution to voluntarily wind-up our Company, our Company shall forthwith give notice thereof to the Grantee and the Grantee may at any time thereafter (but before such time as shall be notified by our Company) exercise the Option to its full extent or, if our Company shall give the relevant notification, to the extent notified by our Company, and our Company shall as soon as possible and in any event no later than three days prior to the date of the proposed shareholders’ meeting, allot, issue and register in the name of the Grantee such number of fully paid Shares which fall to be issued on exercise of such Option.
- (g) In the event of a compromise or arrangement, other than a scheme of arrangement contemplated in paragraph 5(e) above, between our Company and its members and/or creditors being proposed in connection with a scheme for the reconstruction or amalgamation of our Company, our Company shall give notice thereof to all Grantees on the same day as it first gives notice of the meeting to its members and/or creditors to consider such a scheme or arrangement and the Grantee may at any time thereafter but before such time as shall be notified by our Company exercise the Option to its full extent or, if our Company shall give the relevant notification, to the extent notified by our Company, and our Company shall as soon as possible and in any event no later than three days prior to the date of the proposed meeting, allot, issue and register in the name of the Grantee such number of fully paid Shares which fall to be issued on exercise of such Option.
- (h) Upon the occurrence of any of the events referred to in paragraphs 5(d), (e), (f) and (g) above, our Company may in its discretion and notwithstanding the terms of the relevant Option also give notice to a Grantee that his or her Option may be exercised at any time within such period as shall be notified by our Company and/or to the extent (not being less than the extent to which it could then be exercised in accordance with its terms) notified by our Company. If our Company gives such notice that any Option shall be exercised in part only, the balance of the Option shall lapse.

6. *Vesting period*

At the time of grant of the Options, our Company may specify any minimum period(s) for which an Option must be held before it can be exercised.

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7. *Performance targets*

At the time of the grant of the Options, our Company may specify any performance target(s) which must be achieved before the Options can be exercised. The Post-[●] Option Scheme does not contain any performance targets for the exercise of Options but we take into account performance of the Participants in considering any grant of Options.

8. *Consideration for acceptance*

The amount payable on acceptance of an Option is HK\$1.00.

9. *Subscription price*

The subscription price for the Shares the subject of the Options shall be no less than the higher of (i) [●]; (ii) [●]; and (iii) the nominal value of a Share on the Date of Grant. The subscription price will be established by the Board at the time the Option is offered to the Participant.

10. *Rights allotted to the Shares*

The Shares to be allotted and issued upon the exercise of an Option shall be subject to all the provisions of the memorandum and articles of association of the Company for the time being in force and will rank *pari passu* with the fully paid Shares in issue on the date the name of the Grantee is registered on the register of members of our Company. Prior to the Grantee being registered on the register of members of our Company, the Grantee shall not have any voting rights, or rights to participate in any dividends or distributions (including those arising on a liquidation of our Company), in respect of the Shares to be issued upon the exercise of the Option.

11. *Term of the scheme*

No Options may be granted under the Post-[●] Option Scheme on or after the date of the tenth anniversary of the adoption of the Post-[●] Option Scheme.

12. *Lapse of options*

An Option shall lapse automatically and not be exercisable, to the extent not already exercised, on the earliest of:

- (a) the expiry of the Option period;
- (b) the date or the expiry of the period for exercising the Option as referred to in paragraphs 5(b), (c), (d), (f) or (g) above;
- (c) subject to the scheme of arrangement (referred to in paragraph 5(e) above) becoming effective, the expiry of the period for exercising the Option as referred to in paragraph 5(e) above;
- (d) subject to paragraph 5(f) above, the date of commencement of the winding up of our Company;

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- (e) the date on which the Grantee sells, transfers, charges, mortgages, encumbers or creates any interest in favour of any other person, over or in relation to any Option in breach of the Post-[●] Option Scheme;
- (f) the date on which the Grantee (being an employee or a director of any member of our Group) ceases to be a Participant by reason of the termination of his or her employment or engagement on the grounds that he or she has been guilty of serious misconduct, or appears either to be unable to pay or to have no reasonable prospect of being able to pay his or her debts or has become bankrupt or has made any arrangement or composition with his or her creditors generally or has been convicted of any criminal offence involving his or her integrity or honesty or on any other ground on which an employer would be entitled to terminate his or her employment summarily;
- (g) the date on which the Grantee (being a corporation) appears either to be unable to pay or to have no reasonable prospect of being able to pay its debts or has become insolvent or has made any arrangement or composition with its creditors generally;
- (h) where the Grantee is an employee, director, officer or contract consultant of a member of our Group (other than our Company), the date on which such member ceases to be a subsidiary of our Company; and
- (i) unless the Board otherwise determines, and other than in the circumstances referred to in paragraphs 5(b) or 5(c), the date the Grantee ceases to be a Participant (as determined by a Board resolution) for any reason.

13. *Reorganization of share capital*

In the event of an alteration in the capital structure of our Company whilst any Option remains exercisable by way of capitalisation of profits or reserves, rights issue, subdivision or consolidation of shares or reduction of the share capital of our Company, but excluding, for the avoidance of doubt, any alteration in the capital structure of our Company as a result of an issue of shares as consideration in a transaction to which our Company is a party, the financial adviser engaged by our Company for such purpose shall determine what adjustment is required to be made to the subscription price, and/or the number of shares to be issued on exercise of the Options, and/or (if necessary) the method of exercise of the Option (or any combination of the foregoing) provided that any such adjustments give the Participant the same proportion of the equity capital of our Company as that to which that Grantee was previously entitled and that for so long as our Company remains listed, in accordance with guidances from time to time issued by the Stock Exchange, provided that no adjustment may be made to the extent that shares would be issued at less than their nominal value.

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14. *Cancellation of options*

Any Options granted but not exercised may be cancelled if the Grantee so agrees and new Options may be granted to the same Grantee provided such Options fall within the limits specified in paragraph 3 above and are otherwise granted in accordance with the terms of the Post-[●] Option Scheme.

15. *Shares to be issued*

The Shares issued on exercise of the Options will on issue be identical to the then existing issued shares of our Company.

16. *Termination of the scheme*

Our Company, by ordinary resolution of Shareholders or the Board, may at any time terminate the operation of the Post-[●] Option Scheme and in such event no further Options will be offered or granted, but in all other respects the Post-[●] Option Scheme shall remain in full force and effect. Any granted but unexercised Options shall continue to be exercisable in accordance with their terms of issue after the termination of the Post-[●] Option Scheme.

17. *Transfer of options*

Notwithstanding any provisions to the contrary in the Post-[●] Option Scheme, if on the relevant date of exercise there are restrictions or conditions imposed by the relevant laws and regulations to which the Grantee is subject and the Grantee has not obtained approval, exemption or waiver from the relevant regulatory authorities for the subscription of and dealing in the Shares, the Grantee may sell the Options to such transferee, subject to the approval by the Board, which shall not unreasonably withhold or delay such approval. In the event that the Options are transferred to a connected person of our Company (as defined under Chapter 14A of the Listing Rules), no Shares shall be allotted and issued upon the exercise of the Options by a connected person of our Company unless the Board is satisfied that the allotment and issue of Shares will not trigger any breach of the Listing Rules, the Articles of Association or the Companies Law or the Takeovers Code.

18. *Alteration*

Subject to the terms set out in the paragraph below, the Board may amend any of the provisions of the Post-[●] Option Scheme (including without limitation amendments in order to comply with changes in legal or regulatory requirements and amendments in order to waive any restrictions, imposed by the provisions of the Post-[●] Option Scheme, which are not found in chapter 17 of the Listing Rules) at any time (but not so as to affect adversely any rights which have accrued to any Grantee at that date). Those specific provisions of the Post-[●] Option Scheme which relate to the matters set out in Rule 17.03 of the Listing Rules cannot be altered to the advantage of the Participants, and no changes to the authority of our directors or administrator of the Post-[●] Option Scheme in relation to any alteration of the terms herein shall be made, without the prior approval of Shareholders in general meeting. Any alterations to the terms and conditions of the Post-[●] Option Scheme which are of a material nature, or any change to the terms of Options granted, must be approved by the Shareholders in general meeting, except where the alterations take effect automatically under the existing terms of the Post-[●] Option Scheme. The Post-[●] Option Scheme so altered must comply with chapter 17 of the Listing Rules.

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Present status of the Post-[●] Option Scheme

The Post-[●] Option Scheme is conditional on:

[●]

If both of the above conditions are not satisfied on or before the date following 12 months after the date of adoption of the Post-[●] Option Scheme being November 1, 2009 (or such later date as the Board may decide), the Post-[●] Option Scheme shall forthwith determine and no person shall be entitled to any rights or benefits or be under any obligations under or in respect of the Post-[●] Option Scheme. As at the date of this document, no Option has been granted or agreed to be granted under the Post-[●] Option Scheme.