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Tian Shan Development (Holding) Limited 天山發展(控股)有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 2118

GLOBAL OFFERING



Sponsor



Sole Global Coordinator, Sole Bookrunner
and Sole Lead Manager



IMPORTANT

If you are in any doubt about any of the contents of this prospectus, you should obtain independent professional advice.



Tian Shan Development (Holding) Limited

天山發展(控股)有限公司

(Incorporated in the Cayman Islands with limited liability)

GLOBAL OFFERING

Number of Offer Shares	:	250,000,000 Offer Shares (subject to the Over-allotment Option)
Number of International Placing Shares	:	225,000,000 Shares (subject to the Over-allotment Option and adjustment)
Number of Hong Kong Offer Shares	:	25,000,000 Shares (subject to adjustment)
Maximum Offer Price	:	HK\$1.8 per Offer Share payable in full on application in Hong Kong dollars, subject to refund, plus brokerage of 1%, SFC transaction levy of 0.004%, and Stock Exchange trading fee of 0.005%
Nominal value	:	HK\$0.10 per Share
Stock code	:	2118

Sponsor



China Everbright Capital Limited

Sole Global Coordinator, Sole Bookrunner and Sole Lead Manager



China Everbright Securities (HK) Limited

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

A copy of this prospectus, having attached thereto the documents specified in the section headed "Documents Delivered to the Registrar of Companies and Available for Public Inspection in Hong Kong" in Appendix VIII to this prospectus, has been registered by the Registrar of Companies in Hong Kong as required by section 342C of the Companies Ordinance. The Securities and Futures Commission and the Registrar of Companies in Hong Kong take no responsibility for the contents of this prospectus or any of the other documents referred to above.

Prior to making an investment decision, prospective investors should consider carefully all of the information set forth in this prospectus, including the risk factors set forth in the section headed "Risk Factors" in this prospectus.

The Offer Price is expected to be fixed by agreement between us and China Everbright Securities on the Price Determination Date. The Price Determination Date is expected to be on Friday, 9 July 2010 but no later than Sunday, 11 July 2010. The Offer Price will be not more than HK\$1.8 per Offer Share and is expected to be not less than HK\$1.4 per Offer Share, unless otherwise announced. Applicants for Hong Kong Offer Shares are required to pay, on application, the maximum offer price of HK\$1.8 for each Hong Kong Offer Share together with brokerage of 1%, SFC transaction levy of 0.004% and Stock Exchange trading fee of 0.005% subject to refund if the Offer Price should be lower than HK\$1.8.

China Everbright Securities may, with our consent, reduce the indicative Offer Price range below that stated in this prospectus at any time on or prior to the morning of the last day for lodging applications under the Hong Kong Public Offer. In such a case, notices of the indicative Offer Price range will be published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) not later than the morning of the last day for lodging applications under the Hong Kong Public Offer. Such notice will also be available at the website of the Stock Exchange at www.hkexnews.hk and our website at www.tian-shan.com. Further information is set forth in the sections headed "Structure of the Global Offering" and "How to Apply for our Hong Kong Offer Shares" in this prospectus. If, for any reason, China Everbright Securities and us are unable to reach an agreement on the Offer Price by Sunday, 11 July 2010, the Global Offering will not proceed and will lapse.

Prospective investors of the Offer Shares should note that the obligations of China Everbright Securities under the Hong Kong Underwriting Agreement are subject to termination by China Everbright Securities upon the occurrence of the events set forth in the section headed "Underwriting – Grounds for termination of the Hong Kong Underwriting Agreement" at any time prior to 8:00 a.m. on the Listing Date. It is important that you refer to that section for further information.

30 June 2010

EXPECTED TIMETABLE¹

If there is any change to the following expected timetable of the Hong Kong Public Offer, we will issue an announcement in Hong Kong to be published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese).

Latest time for completing electronic applications under HK eIPO White Form service through the designated website at http://www.hkeipo.hk ²	11:30 a.m. on Tuesday, 6 July 2010
Application Lists open ³	11:45 a.m. on Tuesday, 6 July 2010
Latest time for lodging WHITE and YELLOW Application Forms.....	12:00 noon on Tuesday, 6 July 2010
Latest time for giving electronic application instructions to HKSCC ⁴	12:00 noon on Tuesday, 6 July 2010
Latest time for completing payment of HK eIPO White Form applications by effecting internet banking transfer(s) or PPS payment transfer(s).....	12:00 noon on Tuesday, 6 July 2010
Application Lists close	12:00 noon on Tuesday, 6 July 2010
Expected Price Determination Date ⁵	Friday, 9 July 2010
Announcement of (i) the Offer Price; (ii) the indication of the level of interest in the International Placing; (iii) the level of applications in the Hong Kong Public Offer; (iv) the basis of allocation of our Hong Kong Offer Shares under the Hong Kong Public Offer; and (v) the number of Offer Shares reallocated, if any, between the Hong Kong Public Offer and the International Placing to be published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) and our website at http://www.tian-shan.com and the website of the Stock Exchange at http://www.hkexnews.hk on.....	Wednesday, 14 July 2010
Announcement of the results of allocations and Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants under the Hong Kong Public Offer to be available through a variety of channels as described in the section headed “How to Apply for our Hong Kong Offer Shares – IX. Publication of results and despatch/collection of share certificates, refund cheques and e-Auto refund payment instructions” in this prospectus including our website at http://www.tian-shan.com and the website of the Stock Exchange at http://www.hkexnews.hk and the website of our Hong Kong branch registrar, Tricor Investor Services Limited at http://www.tricor.com.hk/ipo/result on.....	Wednesday, 14 July 2010

EXPECTED TIMETABLE¹

Despatch of Share certificates on ^{6 & 8}	Wednesday, 14 July 2010
Despatch of refund cheques and HK eIPO White Form e-Auto Refund Payment Instructions on ^{7 & 8}	Wednesday, 14 July 2010
Dealings in the Shares on the Stock Exchange expected to commence at 9:30 a.m. on.....	Thursday, 15 July 2010

Notes:–

1. All dates and times refer to Hong Kong local dates and time, except as otherwise stated. Further information on the structure of the Global Offering, including its conditions, is set forth in the section headed “Structure of the Global Offering” in this prospectus.
2. Applicants will not be permitted to submit applications through the designated website at <http://www.hkeipo.hk> after 11:30 a.m. on the last day for submitting applications. If applications have already been submitted and an application reference number has been obtained from the designated website at or before 11:30 a.m., applicants will be permitted to continue the application process (by completing payment of application monies) until 12:00 noon on the last day for submitting applications.
3. If there is a “**black**” rainstorm warning or a tropical cyclone warning signal number 8 or above in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Tuesday, 6 July 2010, the Application Lists will not open and close on that day. Further information is set forth in the section headed “How to Apply for our Hong Kong Offer Shares - V. When may applications be made” in this prospectus.
4. Applicants who apply by giving **electronic application instructions** to HKSCC should refer to the section headed “How to Apply for our Hong Kong Offer Shares - III. Applying by giving electronic application instructions to HKSCC via CCASS” of this prospectus.
5. The Price Determination Date is expected to be on or about Friday, 9 July 2010. If, for any reason, we and China Everbright Securities are not able to reach an agreement on the Offer Price, the Global Offering (including the Hong Kong Public Offer) will not proceed and will lapse.
6. **Share certificates for our Hong Kong Offer Shares will only become valid certificates of title, provided that (i) the Global Offering has become unconditional and (ii) neither of the Underwriting Agreements has been terminated in accordance with its terms. Investors who trade Shares on the basis of publicly available allocation details prior to the receipt of Share certificates or prior to the Share certificates becoming valid certificates of title do so entirely at their own risk.**
7. Refund cheques and e-Auto Refund Payment Instructions will be issued/made in respect of wholly or partially unsuccessful applications, and also in respect of successful applications if the Offer Price is less than the price payable on application. Part of the applicant’s Hong Kong identity card number or passport number, or, if the application is made by joint applicants, part of the Hong Kong identity card number or passport number of the first-named applicant, provided by the applicant(s) may be printed on the refund cheque, if any. Such data would also be transferred to a third party for refund purposes. Banks may require verification of an applicant’s Hong Kong identity card number or passport number before cashing the refund cheque. Inaccurate completion of an applicant’s Hong Kong identity card number or passport number may lead to delay in encashment of or may invalidate the refund cheque.

EXPECTED TIMETABLE¹

8. Applicants who apply on **WHITE** Application Forms or through **HK eIPO White Form** for 1,000,000 Hong Kong Offer Shares or more and who have indicated in their Application Forms that they wish to collect refund cheques and Share certificates (as relevant) in person from Tricor Investor Services Limited may collect refund cheques (where applicable) and Share certificates (where applicable) from Tricor Investor Services Limited from 9:00 a.m. to 1:00 p.m. on Wednesday, 14 July 2010 or any other place and date hereafter notified by the Company in the South China Morning Post and the Hong Kong Economic Times as the place and date of despatch of Share certificates/refund cheques. Individual applicants who opt for collection in person must not authorise any other person to make their collection on their behalf. Applicants being corporations which opt for collection in person must attend by their authorised representatives, each bearing a letter of authorisation from such corporation stamped with the corporation's chop. Both individuals and authorised representatives (if applicable) must produce, at the time of collection, evidence of identity acceptable to Tricor Investor Services Limited. Uncollected Share certificates and refund cheques will be despatched by ordinary post at the applicants' own risk to the addresses specified in the relevant Application Forms promptly thereafter. Applicants who apply on **YELLOW** Application Forms for 1,000,000 Hong Kong Offer Shares or more under the Hong Kong Public Offer and have indicated in their Application Forms that they wish to collect refund cheques in person may collect their refund cheques (if any) but may not elect to collect their Share certificates, which will be deposited into CCASS for credit to their designated CCASS Participants' stock accounts or CCASS Investor Participant stock accounts, as appropriate. The procedure for collection of refund cheques for applicants who apply on **YELLOW** Application Forms for Hong Kong Offer Shares is the same as that for applicants who apply on **WHITE** Application Forms or through **HK eIPO White Form**. Applicants who apply for Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC via CCASS is set forth in the section headed "How to Apply for our Hong Kong Offer Shares" in this prospectus. Further information is set forth in the section headed "How to Apply for our Hong Kong Offer Shares - IX. Publication of results and despatch/collection of Share certificates, refund cheques and e-Auto Refund Payment Instructions" in this prospectus.

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This prospectus is issued by us solely in connection with the Hong Kong Public Offer and does not constitute an offer to sell or a solicitation of an offer to buy any security other than our Hong Kong Offer Shares.

This prospectus may not be used for the purpose of, and does not constitute, an offer to sell or a solicitation of an offer to buy in any other jurisdiction or in any other circumstances. No action has been taken to permit a public offering of our Offer Shares or the distribution of this prospectus in any jurisdiction other than Hong Kong. You should rely only on the information contained in this prospectus and the Application Forms to make your investment decision.

We have not authorised anyone to provide you with information that is different from what is contained in this prospectus and/or the Application Forms. Any information or representation not made in this prospectus must not be relied on by you as having been authorised by us, the Sponsor, the Sole Global Coordinator, the Sole Bookrunner, the Sole Lead Manager and any of our and their respective directors, officers, employees, advisers, agents or representatives or any other person or party involved in the Global Offering.

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SUMMARY

This summary aims to give you an overview of the information contained in this prospectus. As it is a summary, it does not contain all the information that may be important to you. You should read this prospectus in its entirety, including our financial statements and the accompanying notes, before you decide to invest in our Offer Shares. There are risks associated with any investment. Some of the particular risks in investing in our Offer Shares are set forth in the section headed “Risk Factors” in this prospectus. You should read that section carefully before you decide to invest in our Offer Shares.

OVERVIEW

We are a property developer with headquarters in Shijiazhuang, Hebei Province, China. We focus on the development of a series of quality residential properties with modern design, scenic environment and landscape in selected leading cities in the Bohai Economic Rim, such as Shijiazhuang, Tianjin and Chengde. Our property projects include medium- to high-end villas, condominiums, duplexes and residential units in multi-storey buildings. Our Directors believe that we are well positioned in the market with thorough understanding of the needs and the preferences of our target customers.

Our Directors believe that our brand “*Tian Shan*” (天山) is well recognised by our target customers. Our business objective is to provide a comfortable living environment to our target customers. We will continue to leverage the economic growth in the Bohai Economic Rim to further expand our business.

In addition to residential property projects, we are also engaged in the development of privately-owned industrial complex for small- to medium-size enterprises in the Bohai Economic Rim. We have completed *Liangcun Industrial Zone*. The other two industrial complex, namely *Tian Shan Science and Technology Industrial Park* and *Sanhe Tian Shan International Enterprise Base*, are under construction and the pre-sales and sales have commenced since July 2005 and June 2007, respectively.

SUMMARY

In March 2009, we were awarded the “2007-2008 Creditable Property Development Enterprises in China” (2007-2008年度中國房地產誠信企業) by the China Real Estate Association (中國房地產業協會). In October 2009, we were awarded the “Hebei Province Outstanding Service Quality Unit” (河北省服務質量優秀單位) and “Hebei Province Credibility Representative Unit” (河北省誠信示範單位) by the Hebei Province Service Quality Promotion Association (河北省服務質量促進會).

Since February 2004, we have been granted the First Class Property Development Enterprise Qualification Certificate which allows us to develop property projects in China without geographical and scale limitations.

As of the Latest Practicable Date, we had a total of 22 property projects in the Bohai Economic Rim at different development stages as follows:–

SUMMARY

— **Completed property projects** – We have completed seven property projects with information as of 31 March 2010 (unless specified otherwise) as follows:—

Name of our property projects	Date of commencement of construction	Date of completion of construction	Land acquisition cost RMB million	Total site area sq. m.	Total completed GFA sq. m.	Total saleable GFA sq. m.	Total GFA sold sq. m.	Total GFA unsold/leased sq. m.	Incurred cost as of 31 December 2009 RMB million	For the Track Record Period			Reference to the property valuation report Property number
										Average development cost per sq. m. RMB	Average selling price per sq. m. RMB	Total recognised turnover RMB million	
1. Shijiazhuang Tian Shan Garden	April 2001	October 2003	10.8	53,409	130,341	126,987	126,987	–	126.2	1,470	3,273	1.7	2
2. Tian Shan Waterside View (Phases I, II and III)	February 2003	December 2005	45.4	181,767	243,603	215,703	212,176	3,527	319.0	1,612	4,431	169.2	3, 5
3. Tian Shan Waterside View (Phase IV)	December 2006	December 2009	25.5	48,366	196,081	192,238	179,948	12,290	440.7	2,155	4,020	741.2	3, 5
4. Xinji Tian Shan Garden	October 2002	April 2006	14.6	59,657	80,481	80,267	80,267	–	77.7	–	–	–	N/A
5. Luancheng Tian Shan Wonderful Waters View	May 2005	December 2007	20.8	56,577	100,785	96,530	95,865	665	128.5	1,745	2,272	74.6	6
6. Tian Shan Guanlan Haoting	February 2006	November 2007	109.0	36,673	107,650	104,341	103,790	551	295.3	2,830	3,753	168.0	4, 7
7. Liangcun Industrial Zone	December 2005	December 2007	25.4	169,957	169,957	169,931	169,931	–	27.8	163	274	46.5	N/A
Total			251.5	606,406	1,028,898	985,997	968,964	17,033	1,415.2				

SUMMARY

— **Property projects under development** – We have 11 property projects under development with information as of 31 March 2010 (unless specified otherwise) as follows:—

Name of our property projects	Date of commencement of construction	Expected date of completion of construction	Date of commencement of pre-sales permit	Land acquisition cost RMB million	Total site area sq. m.	Total planned GFA sq. m.	Total GFA under development sq. m.	Total pre-sold GFA sq. m.	Estimated total development cost RMB million	Incurred development cost as of 31 December 2009 RMB million	Further development cost expected to be incurred RMB million	For the Track Record Period			Reference to property valuation report
												Total GFA under development pre-sold and sold sq. m.	Average selling price per sq. m. RMB	Total recognised turnover RMB million	
1. Tianjin Tian Shan Wonderful Waterside View (Phase I)	August 2008	December 2011	October 2008	319.0	243,714	503,379	167,984	3,719	1,471.7	529.9	941.8	72,671	4,437	88.4	10,17
2. Chengde Tian Shan Wonderful Waterside View	August 2008	December 2011	September 2008	456.0	80,845	173,205	102,286	26,441	787.9	631.9	156.0	41,568	6,043	91.0	11
3. Tian Shan Science and Technology Industrial Park	March 2003	December 2012	July 2005	36.0	201,087	403,386	205,007	8,386	597.4	232.9	384.5	93,487	1,746	139.1	8,18
4. Contemporary Noble Territory	December 2008	August 2011	December 2008	321.0	36,481	110,155	109,686	51,010	589.7	420.3	169.4	49,906	6,727	—	12
5. Sunde Tian Shan International Enterprise Base	May 2008	September 2011	June 2007	27.6	181,198	238,535	59,767	46,976	255.8	66.1	189.7	111,744	1,162	72.9	13,19
6. New Great Erdim	June 2009	December 2011	August 2009	21.3	37,967	68,513	62,327	15,937	180.5	51.1	129.4	13,192	3,828	—	14,20
7. Tian Shan Long Hu Wan (Phase I)	November 2009	February 2013	June 2010	3.8	41,936	24,548	2,415	—	72.0	15.3	56.7	—	—	—	15
8. Nijing Tian Shan Wonderful Waterside View	July 2007	September 2011	August 2007	15.4	93,328	214,022	208,298	5,391	320.9	273.1	47.8	140,545	1,939	268.8	9,16,22
9. Tian Shan Long Hu Wan (Phase II)	November 2009	February 2013	May 2010	18.9	49,313	110,000	3,475	—	260.0	19.1	240.9	—	—	—	15
10. Tian Shan Long Hu Wan (Phase III)	December 2009	October 2014	—	13.6	65,333	120,000	1,861	—	420.0	13.6	406.4	—	—	—	21
11. Weihai Tian Shan Wonderful Waterside View (Phase I)	February 2010	December 2012	—	59.9	79,860	146,176	47,200	—	338.0	61.0	277.0	—	—	—	25
Total				1,292.5	1,111,062	2,118,119	970,306	205,860	5,293.9	2,343.3	2,979.6	323,113			

Note:—

1. The total GFA under development refers to the GFA with Construction Works Commencement Permits.

SUMMARY

– **Properties for future development** – We have the following parcels of land for our future property development:–

Description of relevant land/property projects	Expected date of commencement of construction	Expected date of completion of construction	Land acquisition cost RMB' million	Total site area sq. m.	Total planned GFA sq. m.	Estimated total development cost RMB' million	(a)	(b)	(c)=(a)-(b)	Reference to property valuation report
							Incurring development cost as of 31 December 2009 RMB' million	Further development cost to be incurred RMB' million		Property number
1. Xin Nan Jue	August 2010	December 2012	17.9	84,336	320,570	644.3	26.8	617.5		23
2. Xin Zi Jue	December 2010	December 2011	7.4	26,527	80,000	200.0	8.1	191.9		24
3. Tianjin Tian Shan Wonderful Waterside View (Phase II)	August 2010	August 2015	590.5	589,476	976,975	3,207.4	0.1	3,207.3		27
4. Weihai Tian Shan Contemporary Noble Territory (Phase I)	July 2010	July 2012	25.3	53,333	106,666	239.5	16.9	222.6		26
Total			641.1	753,672	1,484,211	4,291.2	51.9	4,239.3		

SUMMARY

In addition, we have entered into six preliminary framework agreements with the local government authorities for preliminary development of certain possible property projects and possible acquisition of land with a total site area of approximately 10,416,856 sq. m. As of 31 December 2009, we had incurred a total land and development cost of approximately RMB120.9 million pursuant to these agreements and had outstanding estimated commitment on property projects under development and property projects for future development of approximately RMB1,752.8 million in 2010. However, as we have yet to complete the applicable land acquisition procedures required by the relevant PRC laws and regulations, we may or may not be able to obtain the relevant land use rights or any or all of the requisite government approvals for the development of these possible property projects.

During the three years ended 31 December 2009, we sold in aggregate GFA of approximately 301,827 sq. m., 263,528 sq. m. and 254,430 sq. m., respectively, and our turnover derived from our property development business was approximately RMB463.2 million, RMB648.2 million and RMB752.6 million, respectively.

We also leased out certain residential, commercial and industrial properties during the three years ended 31 December 2009 with rental income generated therefrom amounted to approximately RMB3.4 million, RMB1.0 million and RMB1.3 million, respectively. Property leasing is not our core business, and we will sell all the leased properties at acceptable prices as and when we consider appropriate. All the properties held by us (other than those for our own use) and the property projects under development are held for sales and will not be classified as our investment properties.

We need to replenish our land reserve from time to time in order to secure sufficient number of property projects available for sales. We acquire most of the land through public tender, auction or listing-for-sale. We may also acquire land through acquisition of property project companies or land use rights from Independent Third Parties.

SUMMARY

IMPACT OF THE RECENT GOVERNMENT POLICIES AND MEASURES ON THE PROPERTY DEVELOPMENT INDUSTRY

The State has recently introduced a number of policies and measures to prevent the accumulation of idle land by property developers. Our PRC Legal Advisers confirm that during the Track Record Period and up to the Latest Practicable Date, we did not violate any law or regulation in relation to idle land, none of our property projects were treated as idle land, and we were not subject to any idle land penalty.

In addition, the PRC Government has announced and implemented a series of policies and measures in the banking and residential property sectors. The most significant policies and measures include the following:–

- 《關於進一步加強土地出讓收支管理的通知》(Notice on Further Strengthening the Management of Land Transfer Revenue and Expenditures) issued by the Ministry of Finance on 17 December 2009 which requires developers to make at least 50% of down payment for obtaining land, and land transfer revenue must be managed by the local treasury while the expenditure is managed through the local budget;
- 《關於促進房地產市場平穩健康發展的通知》(Notice on Promoting Steady and Healthy Development of Real Estate) (“**Guo Wu Tiao**” or “**Guo Shi Yi Tiao**”) issued by the General Office of the State Council on 10 January 2010 which specifies that the quota for purchasing the second property shall be family-based with down payment of no less than 40%, and pre-sales of commercial property must be available to the market simultaneously and not in phases;
- 《關於加強房地產用地供應和監管有關問題的通知》(Notice on Issues Related to Strengthening Real Estate Supply and Supervision) issued by the MLR on 8 March 2010 which requires developers to ensure the land use proportion for low-income housing, re-development of shanty areas and small to medium commercial housing for occupation by the residents (which must be under 90 sq. m.) should be no less than 70% of total land supply for the construction of residential property. In addition, the guarantee payment for participation in the public tender, auction or listing-for-sales of land must not be less than 20% of the lowest listed price and 50% of the land transfer premium must be paid within one month after entering into the relevant contract, with the remaining balance to be paid within one year.

Further information on the above is set forth in the section headed “Business – Impact of the recent government policies and measures on the property development industry” in this prospectus. Our Directors consider that the overall impact on us is as follows:–

SUMMARY

- (1) The PRC Government's keynote for regulating the housing market in 2010 is to stabilise the market. Therefore, our Directors believe that the PRC Government would sustain a steady housing price with reasonable transaction volume. Hence, our Directors remain optimistic on the property market in China.
- (2) As China's economy relies heavily on export, our Directors expect that before the full recovery of the global economy, the PRC Government will continue to adopt appropriate monetary policy in China to ensure that appropriate levels of loan and financing will be available to the real property sector.
- (3) Since the launch of the new land policies by the PRC Government towards the end of 2009 and the beginning of 2010, the effect has gradually appeared, particularly for land with high prices. As the property transaction volume in major cities reduced significantly, our Directors believe that a significant development potential would emerge for the property market in the second-tier and the third-tier cities in China. This development is expected to be favourable to us.
- (4) Through our development history, our Directors believe that we are familiar with the local market conditions and are able to remain competitive against the large-scale property development enterprises in the local markets in China.
- (5) The "Guo Wu Tiao" policy increases the capital pressure for property development enterprises. We need to strengthen our financing source in the capital markets to meet the demand for our business development.

In April 2010, the State Council issued further austerity measures on the PRC residential property sector, including 《關於堅決遏制部分城市房價過快上漲的通知》(Notice on Resolutely Curbing the Soaring of Housing Prices in Some Cities) (the "Notice"). Our Directors consider that such new measures are designed to reduce the level of speculative activities in the residential property market in China by, among other things, (a) increasing the amount of down-payment to 30% of the property price for the purchase of the first property over 90 sq. m. in size; (b) increasing the amount of down-payment to 50% of the property price for the purchase of the second property and the mortgage interest rate to be no less than 1.1 times the benchmark rate in China and (c) increasing the amount of down-payment and the mortgage interest rate for additional properties significantly as determined by the banks in accordance with their risk management policies. The local governments in certain first-tier cities, such as Beijing and Shenzhen, have introduced detailed implementation rules for the Notice, some of which are more stringent than the Notice. Further information on these measures is set forth in Appendix V to this prospectus.

Our PRC Legal Advisers confirm that as of the Latest Practicable Date, Hebei Province, Tianjin and Weihai City and Wendeng City in Shandong Province where we operate our property development business had not introduced specific measures for the implementation of the Notice or promulgated other local laws or regulations targeting the

SUMMARY

property markets there. Our PRC Legal Advisers also confirm that the Notice does not have any provision on penalty. On this basis, so long as we are in full compliance with the Notice, we will not be subject to any penalty even though our customers purchase properties in violation of the requirements under the Notice.

According to our business plan, over 88% of the residential properties we plan to sell from April 2010 to June 2011 are over 90 sq. m. and thus are subject to the restriction under measure (a) of the Notice. Certain statistics on our sales during the year ended 31 December 2009 showed that most of our customers were able to settle the purchase price either in full or not less than 30% thereof at the time of purchase. Nevertheless, in general, the Notice may reduce the overall demand for residential properties in China. Some of our customers who need mortgage financing to purchase our properties could be adversely affected by the Notice, which may in turn impact on us. Further information of such risk is set forth in the section headed “Risk Factors – Risks relating to our Group – Our pre-sales and sales could be affected if mortgage financing become more difficult or less attractive” in this prospectus.

During the Track Record Period and up to the Latest Practicable Date, we did not experience any material default by our customers or withdrawal or request for early repayment of banking facilities. According to our unaudited management accounts, our sales and pre-sales proceeds during the five months ended 31 May 2010 were approximately RMB433.0 million, and the sales and pre-sales proceeds in April 2010 and May 2010 were approximately RMB104.7 million and RMB156.0 million, respectively. Our Directors confirm that such level of sales was consistent with our expectation.

MORTGAGE GUARANTEE

Consistent with the industry practice, we enter into agreements with banks to facilitate the provision of mortgage financing to the purchasers of our properties from the dates of grants of the relevant mortgage loans until the earlier of (i) the purchasers having obtained the individual property ownership certificates of the properties purchased and (ii) the settlement of the mortgage loans between the mortgage banks and the purchasers. If the purchaser is in default, the mortgagee banks may call upon us and request us to honour our obligation as the guarantor to repay the outstanding mortgage principal amount together with accrued interest and penalties owed by the defaulting purchaser. We would be entitled to assume the legal title to and take possession of the defaulting purchaser’s property. Our maximum outstanding guarantees set forth in the guarantee agreements, as of 31 December 2007, 2008 and 2009 were as follows:–

	As of 31 December		
	2007	2008	2009
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Guarantees given to banks for mortgage facilities granted to the purchasers of our properties	875,500	1,091,362	1,836,364

SUMMARY

The increased guaranteed amount during the two years ended 31 December 2009 as compared with the year ended 31 December 2007 was principally due to the increase in the number of our property projects, which resulted in increased number of property sold and the provision of mortgage financing. As of 30 April 2010, our outstanding mortgage guarantee amounted to approximately RMB1,694.0 million. Our Directors consider that our buyers have sufficient assets (including the property purchased) to cover the outstanding guarantee amount.

During the three years ended 31 December 2009, the default rates of our mortgage guarantee were approximately 0.14%, 0.09% and 0.06%, respectively.

SUMMARY HISTORICAL FINANCIAL INFORMATION

The information presented below for the three years ended 31 December 2009 is derived from our consolidated financial statements included in the accountants' report set forth in Appendix I to this prospectus.

Selected data from our consolidated income statements

	For the year ended 31 December		
	2007	2008	2009
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Turnover	463,167	648,174	752,592
Cost of sales	(284,578)	(382,607)	(502,391)
Gross profit	178,589	265,567	250,201
Other income	3,907	1,747	2,017
Selling and marketing expenses	(16,345)	(38,626)	(34,949)
Administrative expenses	(46,127)	(63,687)	(46,638)
Profit from operations	120,024	165,001	170,631
Net change in fair value of derivative financial instruments	–	6,222	21,301
Finance income	5,241	1,389	886
Finance expenses	(30,536)	(8,593)	(7,366)
Net financing (costs)/income	(25,295)	(982)	14,821
Profit before taxation	94,729	164,019	185,452
Income tax	(29,045)	(52,670)	(55,414)
Profit for the year	65,684	111,349	130,038

SUMMARY

Selected data from our consolidated balance sheets

	As of 31 December		
	2007	2008	2009
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Non-current assets	40,812	26,266	50,519
Current assets	1,875,693	2,200,123	2,626,230
Current liabilities	1,547,208	1,294,177	1,926,320
Non-current liabilities	61,770	494,207	182,400
Net current assets	328,485	905,946	699,910
Net assets	<u>307,527</u>	<u>438,005</u>	<u>568,029</u>

Selected data from our consolidated cash flow statements

	For the year ended 31 December		
	2007	2008	2009
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Net cash (outflow)/inflow from operating activities	(615,902)	(37,194)	221,072
Net cash (outflow)/inflow from investing activities	(5,800)	773	(9,081)
Net cash inflow/(outflow) from financing activities	658,488	(1,819)	187,151
Net increase/(decrease) in cash and cash equivalents	36,786	(38,240)	24,840
Cash and cash equivalents as of the beginning of relevant year	156,810	192,368	154,086
Effect of foreign exchange rate changes	(1,228)	(42)	(550)
Cash and cash equivalents as of the relevant year end	<u>192,368</u>	<u>154,086</u>	<u>178,376</u>

SUMMARY

Debt-to-equity ratio

The following table sets forth the debt-to-equity ratio of our Group as of 31 December 2007, 2008 and 2009:–

	As of 31 December		
	2007	2008	2009
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Non-current liabilities			
Bank loans.....	61,770	191,066	163,000
Notes	–	290,484	–
.....	61,770	481,550	163,000
Current liabilities			
Bank loans.....	125,000	104,720	267,937
Notes	552,558	219,234	308,802
.....	677,558	323,954	576,739
Total debt.....	739,328	805,504	739,739
Total equity attributable to shareholders	307,527	438,005	568,029
Debt to equity ratio.....	2.40	1.84	1.30

The high debt-to-equity ratio as of 31 December 2007 was principally due to the issuance of the Notes during that year. As of 31 December 2008, our debt-to-equity ratio decreased principally due to the increase in our profitability during the year ended 31 December 2008. Our debt-to-equity ratio as of 31 December 2009 further decreased due to the repayment of the Notes of RMB245.9 million. Since our debt-to-equity ratio as of 31 December 2009 was higher than 1:1, we cannot incur any indebtedness prior to the Listing, other than the permitted indebtedness under the Indenture including, among others, indebtedness under the Notes. The restrictions on incurrence of indebtedness by our Group will be released/ceased to have effect upon Listing.

SUMMARY

NOTES AND WARRANTS

Background and reasons

We intended to acquire land parcels to enlarge and expand our operation scale. As such, we need more funds to pay for the land costs, the deposits and the related expenses for new parcels of land. The Notes and the Warrants were issued to raise additional funds to finance the payment of the land costs, the deposits and the related expenses for the new parcels of land including *New Great Earldom*, *Tianjin Tian Shan Wonderful Waterside View (Phase I)* and *Chengde Tian Shan Wonderful Waters View*.

Major terms of the Notes and the Warrants

The Notes

Pursuant to the Indenture, the original repayment schedule was to repay US\$22.5 million on each of 8 April 2011, 8 October 2011, 8 April 2012 and 8 October 2012. The shares held by Tian Shan International and the Shares held by Neway Enterprises were pledged to the holder of the Notes. Before the full payment of the Notes, members of our Group are also subject to certain restrictions which include limitations on incurring indebtedness, carrying on business other than the business activities permitted under the Indenture, change of management, sale of assets, issue or sale of shares of our subsidiaries, and making dividend and distribution payments without the consent of the Trustee. To be free from the restriction on incurring indebtedness, we must satisfy certain financial ratios. The occurrence of a number of events such as default in payment of the outstanding principal or interest due under the Notes and the winding-up of any member of our Group shall constitute an event of default, upon the occurrence of which the Trustee may declare the principal amount of the Notes to be due and immediately repayable, and the Trustee may foreclose the collateral provided under the Indenture which may lead to a loss of control of our Company and/or Tian Shan International. Further information on the impact and consequences of such restrictive covenants and events of default is set forth in the paragraphs under “Risk Factors – Risks relating to our Group – We are subject to various restrictions under the Notes” in this prospectus.

Due to the global economic downturn, we entered into the first Indenture Amendment Agreement on 16 October 2008 to revise the original repayment schedule. Accordingly we effected repayment of US\$9.0 million on 13 October 2008. We were required to repay US\$36.0 million on 9 October 2009 and US\$45.0 million on 9 October 2010. On 7 October 2009, we effected a further repayment of US\$18.0 million.

However, due to the continuation of the economic downturn and the delay in our original plan for listing on the Main Board, we further negotiated with the holders of the Notes to further amend the repayment schedule of the then outstanding principal amount of the Notes of US\$63.0 million. We entered into the second Indenture Amendment Agreement on 16 November 2009 pursuant to which we were required to repay US\$18.0 million by 31 December 2009, US\$27.0 million by 8 October 2010 and the remaining US\$18.0 million

SUMMARY

by 8 April 2011. On 30 November 2009, we effected a repayment of US\$18.0 million. We were subsequently informed that all the holders of the Notes through the Euroclear system had consented, confirmed and ratified that this repayment of US\$18.0 million, which was originally due on 9 October 2009, did not constitute an event of default under the Indenture. Pursuant to the second Indenture Amendment Agreement, the restriction on us to incur indebtedness would be terminated upon completion of a Qualifying IPO. The shares held by Tian Shan International and the Shares held by Neway Enterprises as collateral under the Indenture would also be released upon completion of a Qualifying IPO.

In addition, we entered into the third Indenture Amendment Agreement on 25 June 2010 which provides that:–

- If a Qualifying IPO takes place on or before 15 July 2010, the outstanding principal amount of the Notes of US\$45.0 million shall be repaid by way of (i) the Compulsory Conversion; (ii) a cash payment of US\$22.5 million within one month from the date of the Qualifying IPO and (iii) a cash payment of the remaining balance of US\$11.25 million on or before 8 October 2010. If we do not repay the Notes in full by 8 October 2010, it will become an event of default and the holders of the Notes can take legal action against us for repayment.

- If a Qualifying IPO does not take place on or before 15 July 2010, the third Indenture Amendment Agreement will lapse and the Notes and the Warrants will be governed by the terms previously in place. Accordingly, there will not be any Compulsory Conversion. The Warrants will become exercisable as stated in the paragraphs under “The Warrants” below. If we repay US\$27.0 million by 8 October 2010, we have to pay an extra redemption premium of US\$1.35 million and shall repay the remaining balance US\$18.0 million by 8 April 2011. If we do not repay US\$27.0 million by 8 October 2010, it will become an event of default and the holders of the Notes can take legal action against us for repayment.

The Shares issued under the Compulsory Conversion (the “**Conversion Shares**”) are subject to a lock-up period from the date of the Qualifying IPO to and including 8 October 2010 (the “**Lock-up Period**”). During the Lock-up Period, the holders of the Conversion Shares shall not transfer, dispose of or deal with, or enter into any agreement to transfer, dispose of or deal with, any Conversion Shares. If the Conversion Shares are transferred or disposed of within three months from the expiration of the Lock-up Period and the selling price is lower than the Offer Price, the Controlling Shareholders shall indemnify the holders of the Conversion Shares for the price difference.

SUMMARY

As of the Latest Practicable Date, the outstanding principal amount of the Notes was US\$45.0 million and the accrued and unpaid interest was approximately US\$0.73 million. Pursuant to the third Indenture Amendment Agreement dated 25 June 2010, the Compulsory Conversion will take place upon Listing. In addition, we will use approximately HK\$268.9 million out of the net proceeds from the Global Offering to repay the remaining principal amount in full and the accrued and unpaid interest of the Notes within one month from the Listing Date.

Taking into consideration our full repayment of the Notes within one month following the Listing Date, our Directors consider that we will have sufficient working capital for the payment of the land and development cost of approximately RMB2,363.5 million, mainly for *Tianjin Tian Shan Wonderful Waterside View (Phases I and II)*, *Xin Nan Jue*, *Weihai Tian Shan Contemporary Noble Territory* and *Tian Shan Long Hu Wan (Phases I to III)*, in the 12 months following the Listing.

The Warrants

We issued the Warrants to the Initial Unit Purchasers to purchase up to an aggregate of 98,901,100 Shares. By virtue of the Warrant Amendment Agreements, the Warrants will lapse upon completion of a Qualifying IPO on or before 15 July 2010 or any time upon full repayment of the Notes on or before 8 October 2010. If the Qualifying IPO does not take place by 15 July 2010 and the Notes are not fully paid by 8 October 2010, the Warrants will become exercisable and transferable from 9:00 a.m., Hong Kong time, on 9 October 2010 until 5:00 p.m., Hong Kong time, on 9 October 2014, but will expire thereafter. During this period, the Warrants can be exercised at an initial exercise price (subject to adjustments) of (a) HK\$560.0 per Share if the Warrant is exercised prior to a Qualifying IPO; or (b) 60% discount to the final offer price per Share under a Qualifying IPO if the Qualifying IPO occurs on or before 9 October 2010 or (c) 75% discount to the final offer price per Share under a Qualifying IPO if the Qualifying IPO occurs after 9 October 2010.

Further information on the Notes and the Warrants is set forth in Appendix IV to this prospectus.

SUMMARY

Holders of the Notes and the Warrants

Pursuant to the Indenture, the Notes and the Warrants are represented by beneficiary interest in global certificates which are registered in the name of a nominee and are deposited with the common depository. The following table sets forth the Initial Unit Purchasers of the Notes and their respective subscription amounts:–

Name of the Initial Unit Purchasers	Number of Units purchased pursuant to the Units Purchase Agreements	Principal amount of the Notes ⁽¹⁾ <i>(US\$ million)</i>	Number of the Warrants	Approximate percentage of all issued Shares ⁽²⁾ <i>(%)</i>
Morgan Stanley & Co. International PLC	250	25.0	27,472,528	2.5
Abax Lotus Limited	250	25.0	27,472,528	2.5
The ADM Maculus Fund III LP	200	20.0	21,978,022	2.0
China Century Investment Fund Limited	100	10.0	10,989,011	1.0
KBC Special Opportunities Master Fund, a segregated portfolio of KBC AIM Master Fund spc	100	10.0	10,989,011	1.0
Total:	900	90.0	98,901,100	9.0

Notes:–

- The Notes were in the original principal amount of US\$90.0 million with the original maturity date on 8 October 2012.
- The percentages are based on the assumption of 1,098,901,100 Shares as enlarged by the number of the Shares that may be issued by us pursuant to the exercise of the rights attached with the Warrants taking no account the Shares that may be issued pursuant to the exercise of the Over-allotment Option, the options granted under the Pre-IPO Share Option and any option which may be granted under the Share Option Scheme.

SUMMARY

As of the Latest Practicable Date, all of the Notes and the Warrants were represented by global certificates issued by our Company to a nominee and deposited in a common depository. To the best knowledge of our Directors and based on the confirmations from the investors, as of the Latest Practicable Date, the following persons were interested in the Notes and the Warrants:–

<u>Name of holders</u>	<u>Address</u>	<u>Outstanding principal amount of the Notes</u>	<u>Number of the Warrants</u>
Morgan Stanley & Co. International PLC	25 Cabot Square, Canary Wharf, London E14 4QA United Kingdom	US\$12,500,000	27,472,528
Abax Lotus Limited	67/F, Two International Finance Centre, 8 Finance Street Central, Hong Kong	US\$2,100,000	4,615,384
Abax Jade Ltd.	67/F, Two International Finance Centre 8 Finance Street, Central Hong Kong	US\$2,745,000	6,032,967
Abax Nai Xin A Ltd.	67/F, Two International Finance Centre 8 Finance Street, Central Hong Kong	US\$9,755,000	21,439,561
AGC Asia 3 Ltd.	67/F, Two International Finance Centre, 8 Finance Street Central, Hong Kong	US\$400,000	879,121
The ADM Maculus Fund III LP	1008 ICBC Tower, 3 Garden Road Hong Kong	US\$10,000,000	21,978,022
ADM Galleus Fund II Ltd.	1008 ICBC Tower, 3 Garden Road Hong Kong	US\$2,500,000	5,494,506
China Century Investment Fund Limited	Suite 305, St. George's Building 2 Ice House Street, Central Hong Kong	US\$5,000,000	10,989,011
	Total	<u>US\$45,000,000</u>	<u>98,901,100</u>

SUMMARY

Measures taken by us to ensure ongoing compliance with the financial restrictions under the Notes

Pursuant to the terms of the Notes, upon Listing, the special terms to the holders of the Notes will cease and the on-going compliance of the Notes will mainly be the repayment of the remaining outstanding principal amount of the Notes in accordance with the payment schedule. The restrictions on incurrence of indebtedness by our Group will be released/ceased to have effect upon Listing. Further information is set forth in Appendix IV to this prospectus. Our Directors will deposit the required amount from the net proceeds from the Global Offering in a designated bank account for the repayment of the outstanding principal amount of the Notes and the interest accrued thereon within one month from the Listing Date.

STATISTICS OF THE GLOBAL OFFERING

	Based on an indicative Offer Price of HK\$1.4	Based on an indicative Offer Price of HK\$1.8
Market capitalisation of the Shares ¹	approximately HK\$1,400 million	approximately HK\$1,800 million
Historical price/earnings multiple ²	9.5 times	12.2 times
Unaudited pro forma adjusted net tangible asset value per Share ³	HK\$1.06	HK\$1.16

SUMMARY

Notes:—

1. The calculation of the market capitalisation is based on 1,000,000,000 Shares expected to be in issue following completion of the Capitalisation Issue, the Global Offering and the Compulsory Conversion assuming that the Over-allotment Option is not exercised and without taking into account Shares which may be issued upon the exercise of the options granted under the Pre-IPO Share Option Scheme and any option which may be granted under the Share Option Scheme or Shares which may be allotted and issued or repurchased by us pursuant to the Issuing Mandate and the Repurchase Mandate.
2. The calculation of the historical price/earnings multiple is based on the historical earnings per Share of RMB0.13 (equivalent to HK\$0.1477) at the respective Offer Price of HK\$1.4 and HK\$1.8 per Share and on the assumption that 1,000,000,000 Shares, comprising Shares in issue as of the date of this prospectus and Shares to be issued pursuant to the Capitalisation Issue, the Global Offering and the Compulsory Conversion had been in issue throughout the year.
3. The unaudited pro forma adjusted net tangible asset value per Share is based on 1,000,000,000 Shares expected to be in issue following completion of the Capitalisation Issue, the Global Offering and the Compulsory Conversion assuming that the Over-allotment Option is not exercised and without taking into account Shares which may be issued upon the exercise of the options granted under the Pre-IPO Share Option Scheme and any option which may be granted under the Share Option Scheme or Shares which may be allotted and issued or repurchased by us pursuant to the Issuing Mandate and the Repurchase Mandate. This also takes into account the effect of the Compulsory Conversion to the unaudited pro forma adjusted net tangibles asset of our Company.

DIVIDEND AND DIVIDEND POLICY

Pursuant to a resolution of our Directors dated 8 November 2007, our Company declared a special dividend of RMB200.0 million to Neway Enterprises by way of distribution in specie, being the amount due to Tian Shan Real Estate from Tianshan Industrial Group. No dividend was approved or declared by our Company during the two years ended 31 December 2009. Under the Notes, until the full repayment of the amount due thereunder, we cannot declare and pay any cash dividend exceeding 35% of our net profit in any financial year unless with the prior consent of the Trustee. Further information on this restriction is set forth in Appendix IV to this prospectus.

Following the Listing, subject to the relevant law and the Articles, we may declare dividends in any currency. The Articles provide that dividends may be declared and paid out of our profit, realised or unrealised, or from any reserve set aside from profits which our Directors determine is no longer needed.

SUMMARY

With the approval of the Shareholders, we may also declare dividends out of a share premium account or any other fund or account which can be authorised for this purpose in accordance with the Companies Law. Future dividend payments will also depend upon the availability of dividends received from our subsidiaries in China. In China, the laws require that dividends be paid only out of the net profit calculated according to the PRC accounting principles, which differ in many aspects from IFRSs and other accepted accounting principles in other jurisdictions. The PRC laws also require companies (including foreign investment enterprises) to set aside part of their net profit as statutory reserves, which are not available for distribution as cash dividends. Distributions from our subsidiaries in China may also be restricted if they incur debts or losses or in accordance with any restrictive covenants in bank credit facilities, convertible bond instruments or other agreements that we or our subsidiaries in China may enter into in the future.

The amount of dividends declared and paid to our Shareholders will also depend on our earnings and financial performance, operating requirements, capital commitments and requirements and other conditions that our Directors may deem relevant or appropriate.

As a general policy, we intend to declare and recommend dividends in such amount of not more than 60% of the profit attributable to equity holders of our Company in a financial year to our Shareholders as dividends.

PROPOSED USE OF NET PROCEEDS FROM THE GLOBAL OFFERING

Our Directors estimate that the net proceeds from the Global Offering (after deducting underwriting fees and estimated expenses payable by us in connection with the Global Offering and assuming an Offer Price of HK\$1.6 per Share, being the mid-point of the indicative range of the Offer Price) will be approximately HK\$377.2 million on the basis that the Over-allotment Option is not exercised. Our Directors currently intend to apply such net proceeds in the following manner:–

- (a) approximately HK\$268.9 million, representing approximately 71.3% of the total amount of the net proceeds, will be used for the repayment of the Notes within one month following the Listing Date but in any event no later than 8 October 2010. Upon receiving the net proceeds from the Global Offering, we will deposit HK\$268.9 million into a designated bank account for the repayment of the Notes; and

SUMMARY

- (b) approximately HK\$108.3 million, representing approximately 28.7% of the total amount of the net proceeds, will be used for the funding requirements for the following property projects during the period commencing from the second-half of 2010 and ending on the first-half of 2011:–

Property projects under development	Percentage of funding (%)	Amount (HK\$'million)
<i>Weihai Tian Shan International Enterprise Base</i>	20.0	21.7
<i>Weihai Tian Shan Waterside View</i>	40.0	43.3
(including all phases proposed to be constructed)		
<i>Tianjin Tian Shan Wonderful Waterside View</i>	40.0	43.3
(including all phases proposed to be constructed)		

Further information on the use of net proceeds from the Global Offering is set forth in the section headed “Future Plans and Use of Net Proceeds from the Global Offering” in this prospectus.

OUR COMPETITIVE ADVANTAGES

Our Directors believe that our success is attributable to the following competitive advantages:–

- We have a successful track record in the development of quality residential property projects
- We have established business reputation
- Our management team is experienced in the property development and the construction businesses
- We leverage the rapid business development of the Bohai Economic Rim

Further information on the above competitive advantages is set forth in the section headed “Business - Our competitive advantages” in this prospectus.

SUMMARY

OUR GROWTH STRATEGIES

We intend to become one of the leading property developers in the Bohai Economic Rim focusing on the development of a wide range of residential and industrial property projects with our well-recognised brand “*Tian Shan*” (天山). In this connection, we intend to implement the following growth strategies:–

- We will expand our business to other selected major cities in the Bohai Economic Rim
- We will increase our land reserve for our property projects
- We will continue to focus on the development of medium- to high-end residential property projects with innovative designs and scenic environment

Further information on the above growth strategies is set forth in the section headed “Business - Our growth strategies” in this prospectus.

RISK FACTORS

Risks relating to our Group

- Our operating results may vary significantly from period to period depending on the total GFA sold and completion and delivery time for our property projects
- Our cash flow and the availability of funds are subject to the time for pre-sales and delivery of our property projects
- We had net cash outflow from operating activities during the two years ended 31 December 2008
- Our operating results are entirely dependent on the performance of the China residential property market
- We rely on the property projects under development for our business growth
- We rely on the performance of our external construction contractors (including Tianshan Construction) and suppliers to deliver our property projects on time and up to our required standard of quality
- We rely on Tianshan Construction to provide construction services for substantially all our property projects during the Track Record Period and will continue to use the construction services provided by it

SUMMARY

- We are dependent on the supply of principal raw material, and our construction costs are subject to price fluctuations of our principal raw materials
- We are dependent on sales agents to conduct promotion and sales of almost all of our property projects
- We are dependent on the adequate supply of suitable site and our ability to obtain the land use rights and other approvals for future development
- We may not be able to obtain or we may experience material delay in obtaining the required government approval for our property projects
- We face significant property development risks before realising the economic benefit from our property projects
- We may not be able to obtain adequate funding for our business or the funding may not be available on acceptable terms
- A significant portion of the net proceeds from the Global Offering will be used to repay the principal amount of the Notes
- We are subject to various restrictions under the Notes
- The fair value gain from the Warrants of approximately RMB21.3 million included in our profit for the year ended 31 December 2009 is based on assumption which may not materialise
- We have entered into preliminary framework agreements with certain government authorities in China for our possible property projects, which may not be implemented as agreed
- We rely on the qualification certificate
- We may face claims under the mandated quality warranties
- We provide financial guarantee on the mortgages taken out by the purchasers of our residential and industrial properties and may be called upon for repayment if the purchasers are in default
- We may be involved in legal proceedings arising out of our business from time to time
- The appraised value of our property projects in the property valuation report may be different from the actual realisable value and is subject to change

SUMMARY

- We could be adversely affected by changes in laws and regulations with respect to pre-sales of residential properties in China
- Our pre-sales and sales could be affected if mortgage financing become more difficult or less attractive
- We are dependent on some of our key personnel
- We could be required to pay additional amount of LAT
- Our CIT obligations may increase
- We could be deemed to be a Chinese resident enterprise and may be subject to the corresponding PRC taxation on our worldwide income
- We rely on the dividends declared and paid by our subsidiaries in China for the cash requirements to fund our obligations
- Our dividends payable to our foreign investors and gain on the sales of our Shares may be subject to PRC withholding tax
- The PRC Government has implemented certain measures which may restrict our ability to obtain offshore financing and we may encounter delays in applying the net proceeds from the Global Offering to the intended usage
- Tian Shan Hengji Real Estate commenced the property development business prior to the issuance of the required certificate
- We face increasing competition from other property developers
- We did not make appropriate social insurance payment for some of our temporary employees
- There may be conflict of interests between our Controlling Shareholders and other Shareholders

Risks relating to the property development industry in China

- Oversupply of residential properties in the Bohai Economic Rim could drive down the property prices
- The PRC Government has implemented various austerity policies and measures to stabilise the residential property market in China

SUMMARY

- The PRC Government’s policies, regulations and measures intended to curtail overheating of the property market could adverse effect our business
- Delay in delivering title documents after sales could result in legal claims
- The business operations of property developers in China are subject to extensive governmental regulations and are susceptible to changes in such regulations
- The total GFA of property projects may exceed the original permitted GFA and the additional GFA is subject to the governmental approval and the payment of additional land premium
- Idle land may be subject to forfeiture by the PRC Government without compensation
- Resettlement negotiations may add costs or cause delays to property projects
- Substantial cost may be incurred for potential liabilities from environment issues

Risks relating to conducting business in China

- The political and economic situation in China may have an adverse impact on our business operations
- Changes in the PRC foreign exchange regulations
- Interpretation of PRC laws and regulations involves uncertainty
- Natural disasters, acts of war, terrorist attacks, political unrest and other events may have negative impact
- It may be difficult to effect service of process upon us or our Directors or senior officers who reside in China

SUMMARY

Risks relating to the Global Offering

- There has been no prior public market for our Shares and an active trading market for our Shares may not develop
- The trading price and the trading volume of our Shares may be volatile
- Investors will experience dilution if we issue additional Shares in the future or upon the exercise of the options granted under the Pre-IPO Share Option Scheme and any option which may be granted under the Share Option Scheme or upon the exercise of the subscription right attached with the Warrants by the holders

Risks relating to statements in this prospectus

- Certain facts and statistics included in this prospectus may not be relied upon
- The statistical information included in this prospectus are historical figures which may have little value in determining future trends and results
- Forward looking statements may not be accurate

DEFINITIONS

In this prospectus, unless the context requires otherwise, the following terms shall have the meanings set forth below:–

“Application Form(s)”	WHITE, YELLOW and GREEN application form(s), or where the context so requires, any of them, used in the Hong Kong Public Offer
“Application Lists”	the application lists for the Hong Kong Public Offer
“Articles”	the articles of association of our Company, adopted on 16 June 2010, a summary of which is set forth in Appendix VI to this prospectus
“associate(s)”	has the meaning ascribed thereto under the Listing Rules
“Board”	our board of Directors
“Bohai Economic Rim”	a macro-economic plan proposed by the State referring to a region in Northern China expected to have sustainable economic growth, including Beijing, Tianjin, Hebei Province, Shandong Province and Liaoning Province
“BVI”	the British Virgin Islands
“Capitalisation Issue”	the issue of up to 699,689,999 Shares to be made upon capitalisation of part of the share premium account of our Company upon completion of the Global Offering referred to in the paragraphs under “A. Further Information about our Company and our Subsidiaries – 2. Changes in share capital” in Appendix VII to this prospectus
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“CCASS Clearing Participant”	a person admitted to participate in CCASS as a direct clearing participant or general clearing participant
“CCASS Custodian Participant”	a person admitted to participate in CCASS as a custodian participant
“CCASS Investor Participant”	a person admitted to participate in CCASS as an investor participant who may be an individual or joint individuals or a corporation

DEFINITIONS

“CCASS Participant”	a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant
“chief executive”	the chief executive (as defined in the SFO) of our Company
“China Everbright” or “Sponsor”	China Everbright Capital Limited, a licensed corporation under the SFO to engage in type 1 (dealing in securities), type 4 (advising on securities) and type 6 (advising on corporate finance) regulated activities
“China Everbright Securities” or “Sole Global Coordinator” or “Sole Bookrunner” or “Sole Lead Manager” or “Underwriter”	China Everbright Securities (HK) Limited, a licensed corporation under the SFO to engage in type 1 (dealing in securities), type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities
“CIT”	corporate income tax in China
“Companies Law” or “Cayman Companies Law”	the Companies Law (2009 Revision) of the Cayman Islands as amended, supplemented or otherwise modified from time to time
“Companies Ordinance”	the Companies Ordinance (Chapter 32 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
“Company” or “our Company”	Tian Shan Development (Holding) Limited (天山發展(控股)有限公司), (formerly known as Tianshan Construction (Holding) Limited (天山建設(控股)有限公司)), an exempted company incorporated in the Cayman Islands with limited liability on 10 June 2005
“Completed Construction Works Certified Report”	竣工驗收備案表 (Completed Construction Works Certified Report), the report issued by the relevant government construction authorities in China to certify completion of construction works
“Compulsory Conversion”	the compulsory conversion of US\$11.25 million of the principal amount of the Notes into Shares at the Offer Price upon Listing pursuant to the terms of the third Indenture Amendment Agreement dated 25 June 2010
“connected person(s)”	has the meaning ascribed to it under the Listing Rules

DEFINITIONS

“Construction Land Planning Permit”	建設用地規劃許可證 (Construction Land Planning Permit), a permit issued by a local urban zoning and planning or construction bureau or an equivalent authority in China authorising a developer to commence the survey, planning and design of a parcel of land
“Construction Project Environmental Impact Assessment Approval”	建設項目環境影響審查批復 (Construction Project Environmental Impact Assessment Approval), an approval issued by a local environmental protection authority on the assessment of the environment impact of a construction project
“Construction Works Commencement Permit”	建設工程施工許可證 (Construction Works Commencement Permit), a permit issued a local construction bureau or an equivalent authority in China authorising the commencement of construction works
“Construction Works Planning Acceptance and Compliance Certificate”	建設工程規劃驗收合格證 (Construction Works Planning Acceptance and Compliance Certificate), a certificate issued by a local urban zoning and construction bureau confirming that the development has been accepted as completed in accordance with the relevant approval plans
“Construction Works Planning Permit”	建設工程規劃許可證 (Construction Works Planning permit), a certificate issued by a local urban zoning and planning bureau or an equivalent authority in China indicating government approval for a developer’s overall planning and design of a project and allowing a developer to apply for the Construction Works Commencement Permit for commencement of the relevant construction works
“Controlling Shareholders”	has the meaning ascribed to it under the Listing Rules, and in the case of our Company, means Neway Enterprises and our Founders
“CSRC”	中國證券監督管理委員會 (China Securities Regulatory Commission), a regulatory body responsible for the supervision and regulations of the national securities markets in China and certain matters relating to the proposed offshore listing of enterprises with business in China or owned by PRC nationals

DEFINITIONS

“Deed of Indemnity”	the deed of indemnity dated 29 June 2010 and entered into between our Controlling Shareholders and our Company with further information set forth in the paragraphs under “D. Other Information – 3. Tax and other indemnities” in Appendix VII to this prospectus
“Director(s)”	the director(s) of our Company
“Dragon China”	Dragon China Engineering Limited (龍華工程有限公司), a company incorporated in Hong Kong on 26 February 2009 with limited liability and one of our wholly-owned subsidiaries
“First Class Property Development Enterprise Qualification Certificate”	房地產開發企業一級資質證書, a certificate issued by MOHURD to a property developer which allows the property developer to develop property projects throughout China without geographical and scale limitations
“First Six-Month Period”	the period commencing on the date of this prospectus by reference to which disclosure of the shareholding of our Controlling Shareholders is made in this prospectus and ending on the date which falls on six months from the Listing Date
“Founders”	Mr. WU Zhen Shan (吳振山先生), Mr. WU Zhen Ling (吳振嶺先生), Mr. ZHANG Zhen Hai (張振海先生) and Mr. WU Zhen He (吳振河先生), all of them are our executive Directors and our Controlling Shareholders
“Global Offering”	the Hong Kong Public Offer and the International Placing
“GREEN Application Form”	the Application Form to be completed by the HK eIPO White Form Service Provider designated by our Company
“Group”, “we” or “us”	our Company and our subsidiaries at the relevant time, or where the context refers to any time prior to our Company becoming the holding company of our existing subsidiaries, our current existing subsidiaries and the business carried on by such subsidiaries or (as the case may be) our predecessors, and “our” shall be construed accordingly
“HK\$” and “cents”	Hong Kong dollars and cents, respectively, the lawful currency of Hong Kong

DEFINITIONS

“HK eIPO White Form”	the application for Hong Kong Offer Shares to be issued in the applicant’s own name by submitting applications online through the designated website at <i>http://www.hkeipo.hk</i>
“HK eIPO White Form Service Provider”	the HK eIPO White Form service provider designated by our Company, as specified on the designated website <i>http://www.hkeipo.hk</i>
“HKSCC”	Hong Kong Securities Clearing Company Limited
“HKSCC Nominees”	HKSCC Nominees Limited
“Hong Kong”	The Hong Kong Special Administrative Region of the People’s Republic of China
“Hong Kong Offer Shares”	the 25,000,000 new Shares initially being offered by our Company for subscription under the Hong Kong Public Offer subject to adjustment as described in the section headed “Structure of the Global Offering – IV. The Hong Kong Public Offer” in this prospectus
“Hong Kong Public Offer”	the conditional offer by our Company to members of the public in Hong Kong for subscription for our Hong Kong Offer Shares (subject to adjustment as described in the section headed “Structure of the Global Offering – IV. The Hong Kong Public Offer” in this prospectus) at the Offer Price and on the terms and conditions described in this prospectus and the Application Forms
“Hong Kong Underwriter”	China Everbright Securities
“Hong Kong Underwriting Agreement”	the conditional underwriting agreement dated 29 June 2010 relating to the Hong Kong Public Offer and entered into between our Company, our Controlling Shareholders, our executive Directors, the Sponsor and China Everbright Securities, as described in the section headed “Underwriting – II. Underwriting arrangements and expenses” in this prospectus
“Indenture”	the indenture dated 9 October 2007 and entered into between our Company, Neway Enterprises, Tian Shan International and DB Trustees (Hong Kong) Limited in respect of the Notes, as amended and supplemented by the Indenture Amendment Agreements

DEFINITIONS

“Indenture Amendment Agreements”	the indenture amendment agreements dated 16 October 2008, 16 November 2009 and 25 June 2010, all of them were entered into between our Company, Neway Enterprises, Tian Shan International and DB Trustees (Hong Kong) Limited in respect of the amendments to the Indenture
“Independent Third Party(ies)”	persons or companies which are independent of and not connected with any Directors, chief executives of our Company, our Controlling Shareholders, our Substantial Shareholders and the directors and shareholders of any other member of our Group and our respective associates, and “Independent Third Party” means any of them
“IFRS(s)”	International Financial Reporting Standards promulgated by the International Accounting Standards Board
“Initial Unit Purchasers”	initial subscribers of the Units, namely Morgan Stanley & Co. International PLC, Abax Lotus Limited, The ADM Maculus Fund III LP, China Century Investment Fund Limited and KBC Special Opportunities Fund (a segregated portfolio of KBC AIM Master Fund spc), all of them are Independent Third Parties
“International Placing”	the conditional placing of the International Placing Shares at the Offer Price to professional, institutional or other investors as described in the section headed “Structure of the Global Offering – V. The International Placing” in this prospectus
“International Placing Shares”	the 225,000,000 new Shares being initially offered by our Company for subscription under the International Placing subject to adjustment and the Over-allotment Option as described in the section headed “Structure of the Global Offering – V. The International Placing” in this prospectus
“International Underwriter”	China Everbright Securities
“International Underwriting Agreement”	the conditional underwriting agreement relating to the International Placing expected to be entered into on or about the Price Determination Date, between our Company, our Controlling Shareholders, our executive Directors, the Sponsor and China Everbright Securities, as described in the section headed “Underwriting – II. Underwriting arrangements and expenses’ in this prospectus

DEFINITIONS

“Issuing Mandate”	the general unconditional mandate granted to our Directors by our sole Shareholder in relation to the issue of our new Shares, further information on which is set forth in the paragraphs under “A. Further Information about our Company and our Subsidiaries – 3. Resolutions in writing of the sole Shareholder passed on 16 June 2010” in Appendix VII to this prospectus
“LAT”	土地增值稅 (Land Appreciation Tax) as defined in 《中華人民共和國土地增值稅暫行條例》(The Provisional Regulations on Land Appreciation Tax in the PRC) of 1994 and 《中華人民共和國土地增值稅暫行條例實施細則》(The Detailed Implementing Rules on the Provisional Regulations on Land Appreciation Tax in the PRC)
“Latest Practicable Date”	24 June 2010 being the latest practicable date for the inclusion of certain information in this prospectus prior to the printing of this prospectus
“Liangcun Development Agreement”	the joint development agreement dated 10 September 2004 entered into by Tian Shan Real Estate and Tianshan Industrial Group, as supplemented by a supplemental agreement dated 12 October 2007 in relation to the development of <i>Liangcun Industrial Zone</i>
“Listing”	the listing of our Shares on the Main Board
“Listing Date”	the date on which trading of our Shares first commences on the Main Board, which is expected to be on 15 July 2010
“Listing Rules”	The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited as amended from time to time
“M & A Rules”	《外國投資者併購境內企業的規定》(The Rules on Acquisitions of Domestic Enterprises by Foreign Investors in the PRC)

DEFINITIONS

“Main Board”	the stock market (excluding the option market) operated by the Stock Exchange which is independent from and operated in parallel with the Growth Enterprise Market of the Stock Exchange.
“Ministry of Commerce” or “MOFCOM”	中華人民共和國商務部 (The Ministry of Commerce of the PRC)
“Ministry of Construction” or “MOC”	中華人民共和國建設部 (The Ministry of Construction of the PRC)
“MLR”	中華人民共和國國土資源部 (The Ministry of Land and Resources of the PRC)
“MOHURD”	中華人民共和國住房和城鄉建設部 (The Ministry of Housing and Urban-Rural Development of the PRC)
“Neway Enterprises”	Neway Enterprises Limited, a company incorporated in the BVI on 26 September 2003 and one of our Controlling Shareholders
“Notes”	the US\$90.0 million senior floating rate notes originally due in 2012 issued by our Company on 9 October 2007, as amended and supplemented by the Indenture Amendment Agreements, a summary of the principal terms of which is set forth in Appendix IV to this prospectus
“Offer Price”	the final offer price per Offer Share (exclusive of brokerage of 1.0%, SFC transaction levy of 0.004% and Stock Exchange trading fee of 0.005%) at which our Offer Shares are to be subscribed pursuant to the Global Offering, which will be not more than HK\$1.8 and not less than HK\$1.4 and to be determined as further described in the paragraphs under “Structure of the Global Offering – II. Pricing and allocation” in this prospectus
“Offer Shares”	our Hong Kong Offer Shares and our International Placing Shares together, where relevant, with any additional Shares issued pursuant to the exercise of the Over-allotment Option

DEFINITIONS

“Over-allotment Option”	the option proposed to be granted by our Company to China Everbright Securities, exercisable by China Everbright Securities, pursuant to the International Underwriting Agreement, at any time from the Listing Date until 30 days from the last day for the lodging of Application Forms under the Hong Kong Public Offer, to require our Company to allot and issue up to an aggregate of 37,500,000 additional Shares representing 15% of the initial number of our Offer Shares, at the Offer Price, to cover, among other things, over-allocations in the International Placing, if any, and/or the obligations of China Everbright Securities to return securities borrowed under the Stock Borrowing Agreement
“PBOC”	中國人民銀行 (The People’s Bank of China), the central bank of China
“PRC” or “China”	中華人民共和國 (The People’s Republic of China). Except where the context requires otherwise, geographical references in this prospectus to the PRC or China exclude Hong Kong, The Macau Special Administrative Region of the PRC and Taiwan
“PRC Legal Advisers”	Commerce & Finance Law Offices, the legal advisers to our Company as to PRC law
“Pre-IPO Share Option Scheme”	the share option scheme conditionally adopted by our Company on 16 June 2010, the principal terms of which are summarised in the paragraphs under “D. Other Information – 1. Pre-IPO Share Option Scheme” in Appendix VII to this prospectus
“Pre-Sales Permit”	預售許可證 (Pre-Sales Permit), a permit issued by a local housing and building authorities bureau or an equivalent authority in China authorising a developer to commence the sales of a residential property under construction
“Price Determination Date”	the date, expected to be on Friday, 9 July 2010 but no later than Sunday, 11 July 2010, on which the Offer Price is fixed for the purposes of the Global Offering
“Qualifying IPO”	any public offering with a listing of our Shares on an internationally recognised stock exchange

DEFINITIONS

“Reorganisation”	the corporate reorganisation of our Group in preparation for the Listing, further information on which is set forth in the section headed “Reorganisation” in this prospectus
“RMB” or “Renminbi”	Renminbi, the lawful currency of the PRC
“Repurchase Mandate”	the general unconditional mandate granted to our Directors by our sole Shareholder in relation to the repurchase of our Shares, further information on which is set forth in the paragraphs under “A. Further Information about our Company and our Subsidiaries – 3. Resolutions in writing of the sole Shareholder passed on 16 June 2010” in Appendix VII to this prospectus
“SAFE”	中華人民共和國國家外匯管理局 (The State Administration of Foreign Exchange of the PRC), the PRC governmental agency responsible for matters relating to foreign exchange administration
“SAFE Circular No. 75”	國家外匯管理局關於境內居民通過境外特殊目的公司融資及返程投資外匯管理有關問題的通知 (The SAFE’s Notice on Relevant Issues Concerning Foreign Exchange Administration for PRC Residents to Engage in Financing and Inbound Investment through Overseas Special Purpose Vehicles)
“SAT”	中華人民共和國國家稅務局 (The State Administration of Taxation of the PRC)
“Second Six-Month Period”	the period of six months immediately following the expiry of the First Six-Month Period
“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
“Share(s)”	share(s) of HK\$0.10 each in the capital of our Company

DEFINITIONS

“Share Option Scheme”	the share option scheme conditionally adopted by our Company on 16 June 2010, the principal terms of which are summarised in the paragraphs under “D. Other Information – 2. Share Option Scheme” in Appendix VII to this prospectus
“Shareholder(s)”	holders of our Share(s)
“State” or “PRC Government”	the central government of China including all government subdivisions (including provincial, municipal and other regional or local government entities) and instrumentalities thereof or, where the context requires, any of them
“State Council”	中國國務院 (The State Council of the PRC)
“Stock Borrowing Agreement”	the stock borrowing agreement expected to be entered into between Neway Enterprises and China Everbright Securities on the Price Determination Date pursuant to which China Everbright Securities may borrow up to 37,500,000 Shares from Neway Enterprises for the purpose of covering over-allocation in the International Placing
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed to it under section 2 of the Companies Ordinance
“Substantial Shareholder”	has the meaning ascribed to it under the Listing Rules
“Takeovers Code”	the Code on Takeovers and Mergers and Share Repurchases issued by the SFC as amended, supplemented or otherwise modified from time to time
“Tian Shan Commerce and Trading”	石家莊開發區天山商貿有限公司 (Shijiazhuang Development Zone Tian Shan Commerce and Trading Company Limited), a limited liability company established in China on 19 April 2000 and was de-registered on 5 November 2009 after merging with Tian Shan Real Estate

DEFINITIONS

“Tian Shan Hengji Real Estate”	三河市恆基房地產開發有限公司 (Sanhe Hengji Real Estate Development Company Limited), formerly known as 三河市天山機械製造有限公司, a limited liability company established in China on 15 December 2006 and one of our wholly-owned subsidiaries
“Tian Shan Hong Kong”	Tian Shan (Hong Kong) Limited (天山(香港)有限公司), a company incorporated in Hong Kong on 26 March 2010 with limited liability and one of our wholly-owned subsidiaries
“Tian Shan International”	Tian Shan International Investment Company Limited (天山國際投資有限公司), a company incorporated in the BVI on 23 December 2003 with limited liability and one of our wholly-owned subsidiaries
“Tian Shan Real Estate”	河北天山房地產開發有限公司 (Hebei Tian Shan Real Estate Development Limited), a company with limited liability established in China on 21 December 1998 and one of our wholly-owned subsidiaries
“Tian Shan Real Estate Chengde Branch Company”	河北天山房地產開發有限公司承德分公司 (Hebei Tian Shan Real Estate Development Company Limited Chengde Branch Company), a branch company of Tian Shan Real Estate established on 22 October 2007 in Chengde, Hebei Province, China
“Tian Shan Tianjin Real Estate”	天津市天山房地產開發有限公司 (Tianjin Tian Shan Real Estate Development Limited), a company with limited liability established in China on 18 March 2008 and one of our wholly-owned subsidiaries
“Tian Shan Weihai Real Estate”	威海天山房地產開發有限公司 (Weihai Tian Shan Real Estate Development Company Limited), a company with limited liability established in China on 16 November 2009 and one of our wholly-owned subsidiaries
“Tianshan Construction”	河北天山實業集團建築工程有限公司 (Hebei Tianshan Industrial Group Construction Engineering Company Limited), a company with limited liability established in China on 18 July 2000 and owned as to 75% by Tianshan Industrial Group and 25% by our Founders

DEFINITIONS

“Tianshan Doors and Windows”	河北天山門窗工程有限公司 (Hebei Tianshan Doors and Windows Installation Company Limited), a limited liability company established in China on 11 May 2004 and is ultimately wholly-owned by the Founders
“Tianshan Industrial Group”	河北天山實業集團有限公司 (Hebei Tianshan Industrial Group Company Limited), a limited company established in China on 30 March 2000, and owned as to 25.021% by Mr. WU Zhen Shan (吳振山先生) and as to 24.993% by each of Mr. WU Zhen Ling (吳振嶺先生), Mr. ZHANG Zhen Hai (張振海先生) and Mr. WU Zhen He (吳振河先生)
“Tianshan Property Management”	石家莊天山物業服務有限公司 (Shijiazhuang Tianshan Property Management Company Limited), a limited liability company established in China on 30 August 2000 and owned as to 100% by Tianshan Industrial Group
“Track Record Period”	the period comprising the three years ended 31 December 2009
“Trustee”	the trustee of the Notes
“Underwriting Agreements”	the Hong Kong Underwriting Agreement and the International Underwriting Agreement
“Units”	the units consisting of Notes and the Warrants issued by our Company to the Initial Unit Purchasers pursuant to the terms and conditions of the Units Purchase Agreements
“Units Purchase Agreements”	the two agreements dated 28 September 2007 and 4 October 2007, respectively, entered into between our Company and the Initial Unit Purchasers
“United States” or “US”	the United States of America
“U.S. dollars” or “US\$”	US dollars, the lawful currency of the United States

DEFINITIONS

“Warrants”	the warrants issued by our Company on 9 October 2007 for the purchase of 98,901,100 Shares, a summary of its terms and conditions is set forth in Appendix IV to this prospectus
“Warrant Agreement”	the warrant agreement dated 9 October 2007 entered into between our Company, Deutsche Bank AG, Hong Kong Branch and Deutsche Bank Luxembourg S.A., as amended and supplemented by the Warrant Amendment Agreements
“Warrant Amendment Agreements”	the agreements dated 16 October 2008, 16 November 2009 and 25 June 2010, all of them were entered into between our Company, Deutsche Bank AG, Hong Kong Branch and Deutsche Bank Luxembourg S.A. to amend the Warrant Agreement
“sq. km.”	square kilometres
“sq. m.”	square metres
“%”	per cent.

In this prospectus, unless otherwise stated, certain amounts denominated in Renminbi have been translated into HK dollars at an exchange rate of RMB0.88 = HK\$1.00 and into US dollars at the historical or forecasted average exchange rate for the applicable year, for illustration purpose only. Such conversions shall not be construed as representations that amounts in Renminbi were or may have been converted into HK dollars at such rates or any other exchange rates.

Certain amounts and percentage figures included in this prospectus have been subject to rounding adjustments. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures preceding them.

In this prospectus, if there is any inconsistency between the Chinese names of the PRC entities or enterprises established in the PRC and their English translations, the Chinese names shall prevail. The provision of English translation of company names in Chinese or another language is for identification purpose only.

DEFINITIONS

In this prospectus, the English translations of the names of the PRC laws, rules and regulations and other policies and measures introduced by the PRC Government are provided for reference purpose only. The English translations are not official names for, and do not form any official part of, the relevant PRC laws, rules and regulations and other policies and measures introduced by the PRC Government.

In this prospectus,

- “first-tier city” refers to any of Shanghai, Beijing, Guangzhou and Shenzhen;*
- “second-tier city” refers to municipalities and certain capital cities that are also classified as sub-provincial cities, and also certain sub-provincial cities with independent planning such as Tianjin, Hangzhou, Chongqing, Wuhan, Nanjing, Shuzhou, Wuxi, Chengdu, Shenyang, Changcun and Ningbo; and*
- “third-tier city” refers to certain capital cities and the more developed coastal cities, such as Jinan, Fuzhou, Changsha, Zhengzhou, Qingdao, Dalian, Xiamen, Xi’an, Harbin, Wenzhou, Foshan and Dongguan.*

ABBREVIATIONS FOR OUR PROPERTY PROJECTS

This section contains abbreviations used in this prospectus for our property projects:–

- “Chengde Tian Shan Wonderful Waters View ” 承德 • 天山水榭花都, a residential and commercial property project being developed on a parcel of land of approximately 80,845 sq. m. located at Chengde, Hebei Province, further information on which is set forth in the section headed “Business – Overview of our property projects – Property projects under development” in this prospectus
- “Contemporary Noble Territory” 天山 • 新公爵, a residential property project with commercial units being developed on a parcel of land of approximately 36,481 sq. m. located at No. 203 Zhonghua North Avenue, Xinhua District, Shijiazhuang, Hebei Province, further information on which is set forth in the section headed “Business – Overview of our property projects – Property projects under development” in this prospectus
- “Heng Shan Ling Project” 橫山嶺項目, a residential property project with commercial units and theme park proposed to be developed on a parcel of land of 8,000,000 sq.m. located at the south of Hengshan Lake, Lingshou County, Hebei Province, further information on which is set forth in the section headed “Business – Overview of our property projects – Possible property projects” in this prospectus
- “Liangcun Industrial Zone” 良村工業園, an industrial property project located at the east of Gong Ye Road, south of Bei Xi Road, west of Qing Yuan Street and north of Feng Chan Road, Shijiazhuang, Hebei Province, with site area of approximately 169,957 sq. m., further information on which is set forth in the section headed “Business – Overview of our property projects – Completed property projects” in this prospectus
- “Luancheng Tian Shan Wonderful Waters View” 欒城 • 天山水榭花都, a residential property project with commercial units located at No. 8 Yutai Road, Luancheng County, Shijiazhuang, Hebei Province, with site area of approximately 56,577 sq. m., further information on which is set forth in the section headed “Business – Overview of our property projects – Completed property projects” in this prospectus

ABBREVIATIONS FOR OUR PROPERTY PROJECTS

“New Great Earldom”	天山•新伯爵, a residential property project with commercial units being developed on a parcel of land of approximately 37,967 sq. m. located at No. 45 Huiyuan Road, Luancheng County, Shijiazhuang, Hebei Province, further information on which is set forth in the section headed “Business – Overview of our property projects – Property projects under development” in this prospectus
“Ningjin Tian Shan Wonderful Waterside View”	寧晉•天山水榭花都, a residential and commercial property project being developed on a parcel of land of approximately 93,328 sq. m. located at the west of Xinxing Road in Ningjin County, Hebei Province, further information on which is set forth in the section headed “Business – Overview of our property projects – Property projects under development” in this prospectus
“Sanhe Tian Shan International Enterprise Base”	天山國際創業基地, an industrial property project being developed on a parcel of the land of approximately 181,198 sq. m. located at Sanhe Yanjiao Economic Technical Development Zone, Hebei Province, further information on which is set forth in the section headed “Business – Overview of our property projects – Property projects under development” in this prospectus
“Shijiazhuang Tian Shan Garden”	石家莊天山花園小區, a residential and commercial property project located at 49 Zhujiang Avenue, Shijiazhuang, Hebei Province, with site area of approximately 53,409 sq. m., further information on which is set forth in the section headed “Business – Overview of our property projects – Completed property projects” in this prospectus
“Tian Shan Guanlan Haoting”	天山觀瀾豪庭, a residential property project with commercial units located at the south of Yu Hua Road, the north of Xiao Tan Village, the west of Yuan Dong Street and the east of Da Tan Village, Shijiazhuang, Hebei Province, with site area of approximately 36,673 sq. m., further information on which is set forth in the section headed “Business – Overview of our property projects – Completed property projects” in this prospectus

ABBREVIATIONS FOR OUR PROPERTY PROJECTS

- “Tian Shan Long Hu Wan (Phase I)” 天山•龍湖灣(一期), a residential property project being developed on a parcel of land of approximately 41,936 sq. m. located at the south coast of Panlong Lake, Yuanshi County, Shijiazhuang, Hebei Province, China, further information on which is set forth in the section headed “Business – Overview of our property projects – Property projects under development” in this prospectus
- “Tian Shan Long Hu Wan (Phase II)” 天山•龍湖灣(二期), a residential property project being developed on a parcel of land of approximately 49,313 sq. m. located at the south coast of Panlong Lake, Yuanshi County, Shijiazhuang, Hebei Province, further information on which is set forth in the section headed “Business – Overview of our property projects – Property projects under development” in this prospectus
- “Tian Shan Long Hu Wan (Phase III)” 天山•龍湖灣(三期), a residential property project being developed on a parcel of land of approximately 65,333 sq. m. located at the south coast of Panlong Lake, Yuanshi County, Shijiazhuang, Hebei Province, further information on which is set forth in the section headed “Business – Overview of our property projects – Property projects under development” in this prospectus
- “Tian Shan Science and Technology Industrial Park” 天山科技工業園, an industrial property project being developed on a parcel of land of approximately 201,087 sq. m. located at 319 Xiangjiang Road, Shijiazhuang Hi-tech Industry Development Zone, Hebei Province, further information on which is set forth in the section headed “Business – Overview of our property projects – Property projects under development” in this prospectus
- “Tian Shan Shijiazhuang Mechanical Industry Park” 石家莊天山重機產業園, an industrial property project located at the Southern Industrial Area of Shijiazhuang, Hebei Province, China on a parcel of land of approximately 272,000 sq. m., further information on which is set forth in the section headed “Business – Overview of our property projects – Possible property projects” in this prospectus

ABBREVIATIONS FOR OUR PROPERTY PROJECTS

- “Tian Shan Waterside View (Phases I, II and III)” 天山 • 水榭花都(一至三期), a residential property project with commercial units located at No. 218 Zhufeng Avenue, Shijiazhuang, Hebei Province, with site area of approximately 181,767 sq. m., further information on which is set forth in the section headed “Business – Overview of our property projects – Completed property projects” in this prospectus
- “Tian Shan Waterside View (Phase IV)” 天山 • 水榭花都(四期), a residential property project with commercial units being developed on a parcel of land of approximately 48,366 sq. m. located at No. 218 Zhufeng Avenue, Shijiazhuang, Hebei Province, further information on which is set forth in the section headed “Business – Overview of our property projects – Completed property projects” in this prospectus
- “Tianjin Tian Shan Wonderful Waterside View (Phase I)” 天津 • 天山水榭花都(一期), a residential and commercial property project being developed on a parcel of land of approximately 243,714 sq. m. located at Xiaozhan Town, Jinnan District, Tianjin, further information on which is set forth in the section headed “Business – Overview of our property projects – Property projects under development” in this prospectus
- “Tianjin Tian Shan Wonderful Waterside View (Phase II)” 天津 • 天山水榭花都(二期), a residential and commercial property project proposed to be developed on a parcel of land of approximately 589,476 sq. m. located at Xiaozhan Town, Jinnan District, Tianjin, further information on which is set forth in the section headed “Business – Overview of our property projects- Properties for future development” in this prospectus
- “Tianjin Tian Shan Wonderful Waterside View (Phase III)” 天津 • 天山水榭花都(三期), a residential and commercial property project proposed to be developed on a parcel of land of approximately 533,336 sq. m. located at Xiaozhan Town, Jinnan District, Tianjin, further information on which is set forth in the section headed “Business – Overview of our property projects – Possible property projects” in this prospectus

ABBREVIATIONS FOR OUR PROPERTY PROJECTS

“Weihai Tian Shan Contemporary Noble Territory (Phase I)”	威海天山新公爵(一期), a commercial and residential property project to be developed on a parcel of land of 53,333 sq. m. located at Wendeng Economics Development Zone, Shandong Province, further information of which is set forth in the section headed “Business – Overview of our property projects – Properties for future development” in this prospectus
“Weihai Tian Shan Contemporary Noble Territory (Phase II)”	威海天山新公爵(二期), a commercial and residential project proposed to be developed on a parcel of land of approximately 91,372 sq. m. located at Wendeng Economics Development Zone, Shandong Province, further information of which is set forth in the section headed “Business – Overview of our property projects – Possible property projects” in this prospectus
“Weihai Tian Shan International Enterprise Base”	威海天山國際創業基地, an industrial property proposed to be developed on a parcel of land of approximately 866,671 sq. m. located at Wendeng Economics Development Zone, Shandong Province, further information of which is set forth in the section headed “Business – Overview of our property projects – Possible property projects” in this prospectus
“Weihai Tian Shan Waterside View (Phase I)”	威海•天山水榭花都(一期), a residential property project to be developed on a parcel of land of approximately 79,860 sq. m. located at Wendeng City, Shandong Province, further information on which is set forth in the section headed “Business – Overview of our property projects – Property projects under development” in this prospectus
“Weihai Tian Shan Waterside View (Phase II)”	威海•天山水榭花都(二期), a residential property project with commercial units proposed to be developed on a parcel of land of approximately 653,477 sq. m. located at Wendeng City, Shandong Province, further information on which is set forth in the section headed “Business – Overview of our property projects – Possible property projects” in this prospectus

ABBREVIATIONS FOR OUR PROPERTY PROJECTS

“Xin Nan Jue”	天山•新男爵, a residential property project with commercial units proposed to be developed on a parcel of land of approximately 84,336 sq. m. located at Zhufeng Avenue, Shijiazhuang, Hebei Province, further information on which is set forth in the section headed “Business – Overview of our property projects – Properties for future development” in this prospectus
“Xin Zi Jue”	天山•新子爵, a commercial property project proposed to be developed on a parcel of land of approximately 26,527 sq. m. located at west of Chengshang Village, Yehe Town, Luancheng County, Shijiazhuang, Hebei Province, further information on which is set forth in the section headed “Business – Overview of our property projects – Properties for future development” in this prospectus
“Xinji Tian Shan Garden”	辛集天山花園, a residential property project located at south of An Ding Street and east of Wen Chang Road, Xinji City, Hebei Province, with site area of 59,657 sq. m., further information on which is set forth in the section headed “Business – Overview of our property projects – Completed property projects” in this prospectus

GLOSSARY OF TECHNICAL TERMS

This glossary contains explanations of certain terms used in this prospectus in connection with our Group and our business. These technical terms and their given meanings may not correspond to those standard meanings and usages adopted in the industry:–

“CAGR”	compound annual growth rate
“GDP”	gross domestic product
“GFA”	gross floor area
“LIBOR”	London Inter-Bank Offered Rate

RISK FACTORS

Potential investors should consider carefully all of the information set forth in this prospectus and, in particular, the following risks in connection with an investment in our Company. Our business, operating results and financial condition could be materially and adversely affected by any of these risks. The trading price of our Shares could decline due to any of these risks and you may lose all or part of your investment.

RISKS RELATING TO OUR GROUP

Our operating results may vary significantly from period to period depending on the total GFA sold and completion and delivery time for our property projects

According to our accounting policies, the gross proceeds from pre-sales of our residential properties will only be recognised as our turnover at the time of completion and delivery of the relevant properties to our customers. The time difference between the commencement of pre-sales and the completion and delivery could be in the range between one and two years. During the three years ended 31 December 2009, our recognised turnover derived from our property development business was approximately RMB463.2 million, RMB648.2 million and RMB752.6 million, respectively. The significant fluctuations in our turnover was principally attributable to the time required for completion and delivery of our completed residential property projects to our customers. As of 31 December 2009, we had commenced the pre-sales of all our property projects under development except for *Tian Shan Long Hu Wan (Phase I)* and *Tian Shan Long Hu Wan (Phase II)* and received an aggregate amount of RMB853.9 million as receipts in advance. This amount will not be recognised as our turnover until completion and delivery of our properties to our customers.

Because of the above accounting policies and the time required for completion and delivery of our residential properties, our operating results in each period vary significantly. Periods in which we pre-sell a large number of our residential properties may not commensurate with a corresponding level of our turnover. Periods in which we complete and deliver most of our residential properties will record significant amount of turnover. The completion and delivery time is in turn affected by various factors outside our control, including the construction time and the time required for obtaining the necessary government approvals. The number of property projects undertaken by us also affect our operating results in a particular reporting year or period. During the three years ended 31 December 2009, we relied on a limited number of projects, namely *Tian Shan Waterside View (Phase IV)*, *Ningjin Tian Shan Wonderful Waterside View*, *Chengde Tian Shan Wonderful Waters View* and *Tianjin Tian Shan Wonderful Waterside View (Phase I)*, and this reliance accelerates the level of fluctuations in our turnover.

Our Directors believe that our turnover will continue to be affected by the above factors and hence, investors should exercise caution in analysing our operating results in any reporting year or period.

RISK FACTORS

Our cash flow and the availability of funds are subject to the time for pre-sales and delivery of our property projects

Our cash flow relies significantly on the proceeds from the pre-sales of our property projects. We cannot recognise such receipts as our income until the time the relevant property projects have been completed and delivered to our customers. The level of our pre-sales would affect our cash flow. If the level of our pre-sales is not good, our cash flow could be adversely affected. This would in turn affect the availability of other financial resources and the required working capital for our daily operating requirements.

In addition, sales of residential properties may be affected by factors including weather conditions and holiday seasons. Besides, the PRC Government has recently introduced various austerity measures to combat the continuous increase in residential property prices in China, including 《關於堅決遏制部分城市房價過快上漲的通知》 (Notice on Resolutely Curbing the Soaring of Housing Prices in Some Cities) on 17 April 2010, which may have adverse impact on our pre-sales and sales and hence our cashflow. If the results of sales and pre-sales are not satisfactory, our business, operating results and financial condition could be adversely affected.

We had net cash outflow from operating activities during the two years ended 31 December 2008

We had net cash outflow from operating activities of approximately RMB615.9 million and RMB37.2 million, respectively, during the two years ended 31 December 2008. Our property development business experiences net operating cash outflow from time to time, particularly when imbalances occur between the timing of our cash inflow relating to the pre-sales and sales of properties and our cash outflow relating to the acquisition of land and the construction and the development of our property projects. Our operating cash flow could be adversely affected by numerous factors, including increased competition, decreased demand for our properties, unforeseen delays in the property development process, measures introduced by the PRC Government to regulate the property market, further information of which is set forth in “Business – Impact of the recent government policies and measures on the property development industry” in this prospectus, and various other matters beyond our control. We cannot assure you that we will not experience periods of net cash outflow from operating activities in the future. A decrease in our operating cash inflow could adversely affect our liquidity and operating results.

RISK FACTORS

Our operating results are entirely dependent on the performance of the China residential property market

The residential property market in China is considered to be a volatile market. We cannot assure you that our business will continue to grow at a rate similar to past levels or that we will always be able to continue to grow in the future.

In particular, a significant portion of our property projects are residential properties situated within the Bohai Economic Rim and hence, the overall development of the residential property market in the area will affect our operating results. The level of employment, business prosperity, consumer confidence, interest rate, PRC Government measures to regulate the residential property market, further information of which is set forth in “Business – Impact of the recent government policies and measures on the property development industry” in this prospectus, or other monetary and economic factors could also affect the level of demand for residential property as well as our cost in the development of a property project.

Our business, operating results and financial condition are therefore affected by all the above factors. The PRC Government adjusts its fiscal, monetary and economic policies from time to time. Such adjustments could affect the residential property markets in different areas within China in which our property projects are situated. In such event, our financial condition and our operating results could be adversely affected.

We rely on the property projects under development for our business growth

Our turnover is project-based and non-recurring in nature. Hence, our business, operating results and financial condition is significantly dependent on our property projects under development. Further information on these property projects is set forth in the section headed “Business – Overview of our property projects – Property projects under development” in this prospectus.

We cannot assure you that all of the property projects under development will be completed as scheduled and will be sold to our target customers. Nor are we able to assure you that these property projects will be priced at such levels that would generate such amount of sales or pre-sales proceeds as we estimate. If there is any adverse change in the property market in China generally or the Bohai Economic Rim in particular, regardless the reasons for such adverse change, or should any of our new property projects not be completed as scheduled, our business, operating results and financial condition could be adversely affected.

RISK FACTORS

We rely on the performance of our external construction contractors (including Tianshan Construction) and suppliers to deliver our property projects on time and up to our required standard of quality

We do not carry out the construction work for our own property projects, but engage external construction contractors, certified engineering supervisory companies, service providers and suppliers to provide us with construction and related services and various types of construction materials and other services such as design and interior decoration. We select our external construction contractors through tender by invitation. As of 31 December 2009, we engaged nine construction companies (including Tianshan Construction) for the construction of our property projects. All of the external construction contractors, except for Tianshan Construction, are Independent Third Parties.

During the three years ended 31 December 2009, our total construction costs incurred were approximately RMB193.0 million, RMB403.0 million and RMB516.2 million, respectively.

We cannot assure you that the construction services rendered or materials supplied by any of these construction companies or external construction contractors, suppliers or professional services companies will always meet our standards and requirements. There may be incidents where these external construction contractors, suppliers or professional services companies may not be able to deliver the required services or materials. If the performance of our external construction contractors or any of our other existing or new construction contractors falls below our standards or requirement, the construction progress of our property projects could be adversely affected. We may incur additional costs in respect of the remedial actions to be taken (including the replacement of such construction contractors) as well as the potential compensation payable to our customers in the event of any delay. In addition, we may suffer damage to reputation and additional financial costs as a result of such delay of completion of our projects.

Any of the above incidents could adversely affect our business, operating results and financial condition.

RISK FACTORS

We rely on Tianshan Construction to provide construction services for substantially all our property projects during the Track Record Period and will continue to use the construction services provided by it

We outsource all our construction work to external construction contractors (including Tianshan Construction). We usually select the external construction contractors through a tender process. We will continue to invite Tianshan Construction to submit tenders for our property projects following the Listing. However, any transaction with Tianshan Construction will constitute continuous connected transactions for our Company and will be subject to the disclosure, reporting and/or Shareholders' approval requirements set forth in the Listing Rules.

During the three years ended 31 December 2009, the construction costs paid or payable to Tianshan Construction attributable to our property projects amounted to approximately RMB75.2 million, RMB118.7 million and RMB211.4 million, respectively. These amounts were recorded as part of our inventories and would then be treated as part of our cost of sales when the corresponding sales of properties are recognised as our turnover.

Based on the outstanding contracts and our anticipated projects, our Directors estimate that, following the Listing, the construction costs payable by us to Tianshan Construction for the two years ending 31 December 2011 shall not exceed RMB270.6 million and RMB481.8 million for our property projects, respectively. Further information is set forth in the section headed "Connected Transactions" in this prospectus.

Other than Tianshan Construction, we cannot assure you that we will be able to invite other suitable and qualified contractors to undertake the construction of our future property projects on comparable terms with comparable standards. We may also need to devote additional time and resources in the selection and monitoring of other external contractors.

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

RISK FACTORS

We are dependent on the supply of principal raw materials, and our construction costs are subject to price fluctuations of our principal raw materials

We adopt a stringent process for the procurement of our principal raw materials, such as concrete, steel bars and elevators, to ensure that no un-approved raw materials will be used for the construction of our property projects. We may purchase raw materials by ourselves or require our external construction contractors to purchase the principal raw materials from the designated suppliers at the agreed prices. If there is any significant price fluctuation in any of these raw materials, our procurement budget may need to be adjusted. For example, during the three years ended 31 December 2009, steel bars experienced significant price fluctuations, ranging from approximately RMB3,000 per tonne at the beginning of 2007 to approximately RMB5,530 per tonne in the middle of 2008.

We do not maintain inventory of the principal raw materials, and nor are we engaging in any hedging activities to mitigate the possible price fluctuation risk. Hence, if there is any unexpected material price fluctuation in any of our principal raw materials or that there is a shortage in the supply of any of our principal raw materials, the profitability and the construction progress of our property projects could be adversely affected. Any of these factors may also affect the time for completion and delivery of our property projects to our customers, which may affect the time for recognition of income as well as our business, operating results and financial condition.

We are dependent on sales agents to conduct promotion and sales of almost all of our property projects

During the Track Record Period, we engaged six sales agents on a project-by-project basis to conduct promotion and sales of almost all of our property projects. During the three years ended 31 December 2009, the recognised sales generated by these sales agents amounted to approximately RMB206.0 million, RMB450.0 million and RMB246.5 million, representing approximately 44.5%, 69.4% and 32.8% of our total turnover, respectively. If the sales agents engaged by us cannot meet our sales targets or we are not able to engage suitable sales agents, our sales may be affected and our business and financial condition and operating results may also be adversely affected.

We are dependent on the adequate supply of suitable site and our ability to obtain the land use rights and other approvals for future development

We derive our income principally from the sales of our property projects to our customers. Our ability to identify and acquire suitable land for future development is subject to a number of factors outside our control.

RISK FACTORS

The supply of land in China is generally controlled by the State, and our ability to acquire additional land will be affected by the government policies. In May 2002, the State introduced regulations requiring that land use rights for residential and commercial property developments be sold only by public tender, auction or listing-for-sales. In addition, the State may also limit the supply of land in the cities in which we have or intend to have property projects. Further information on this is set forth in Appendix V to this prospectus.

We may acquire property project companies or acquire land use rights from Independent Third Parties. Our ability to replenish and increase our land reserve is dependent on a number of uncertainties, including the availability of acquisition targets, the price levels offered by the vendors and the required government consents. We therefore cannot assure you that we will be able to identify and successfully acquire suitable land for the development of our future or potential property projects.

Government policies also affect the nature of property projects that we can undertake on the land successfully acquired by us. For example, the MLR announced on 30 May 2006 the restriction on the overall supply of land for luxury residential property projects, including, in particular, the discontinuation of new land supply for villa. Further information on this is set forth in Appendix V to this prospectus.

In light of the foregoing, we cannot assure you that we will not encounter unexpected problems in the acquisition of additional land or satisfaction of any conditions precedent under the new laws, regulations or policies from time to time in obtaining the relevant land use rights. There may also be delays on the part of the local administrative or governmental bodies in reviewing our applications and granting approvals. We may also be subject to delays in our property projects due to building moratoria in any of the areas in which we operate or plan to operate.

If changes in government policy lead to a reduction in the land supply, or if we are not successful in acquiring land, or if we experience delays or encounter problems in obtaining the land use rights certificates or the other necessary State approvals for our property projects, our business, operating results and financial condition could be adversely affected.

RISK FACTORS

We may not be able to obtain or we may experience material delay in obtaining the required governmental approval for our property projects

The property development industry in China is heavily regulated by the State, and we must comply with various requirements mandated by the relevant laws and regulations, including the policies and procedures established by local authorities designed for the implementation of such laws and regulations. Further information on this is set forth in Appendix V to this prospectus.

In order to develop and complete a property project, we must obtain the land use rights certificate. We also need to obtain various permits, licences, certificates and other approvals from the relevant administrative authorities at different stages, such as Construction Land Planning Permit, Construction Works Planning Permit and Construction Works Commencement Permit, Completed Construction Works Certified Report and, where relevant, Pre-Sales Permit before launching for and recognising the sales of our residential property projects. Each approval is dependent on the satisfaction of certain conditions and may take unexpected long period of time to obtain. During the three years ended 31 December 2009, we did not have any loss or claim due to inability to obtain any government approval for development or completion of our property projects.

We cannot assure you that we will not encounter major problems in fulfilling the conditions precedent to the approvals, or that we will be able to fully comply with the new laws, regulations or policies that may come into effect from time to time with respect to the property development industry in general or the particular processes with respect to the granting of the approvals. Any failure to obtain the required approval, or any material delay in the granting thereof, could adversely affect our business, operating results and financial condition.

We face significant property development risks before realising the economic benefit from our property projects

The construction of a property project may take years to complete. The actual time required and the capital costs involved in a property project are affected by many factors outside of our control, such as the shortage, or increased cost of, materials, equipment, technical skills and labour, adverse weather conditions, natural disasters, labour disputes, disputes with contractors, accidents, changes in government priorities and policies, changes in market conditions, delays in obtaining the requisite licences, permits and approvals from the relevant authorities, delays in relocation which may result in increased relocation compensation, and other unforeseen problems or circumstances. If the delay in construction is caused by any of the above factors, for which we are, individually or in aggregate, potentially liable, the purchasers under the pre-sales may claim against us (as specifically required in certain contracts).

RISK FACTORS

In accordance with the standard sale and purchase contracts of residential properties between us and our customers, if we cannot deliver the properties to our customers in time, we may be held liable for breach of contract. If the delivery is delayed for a specified period of time, the relevant purchaser can choose to terminate the relevant contract. In such case, we would have to pay damages to the relevant purchaser. Local insurance companies do not provide insurance coverage relating to compensation for delay in construction. During the three years ended 31 December 2009, we did not have any loss or claim due to delay in delivery of our property projects to our customers.

Nonetheless, we are contractually and directly liable to the purchasers for the delay in the delivery of a property pursuant to the relevant contract. If there is a substantial delay in completion and delivery of any of our property projects, and if we are not able to transfer the liability to other parties, our business, operating results and financial condition could be adversely affected.

We may not be able to obtain adequate funding for our business or the funding may not be available on acceptable terms

The property development business in China is capital intensive. We usually finalise all the financing arrangements at the time of acquisition of the relevant land and having preliminary plans completed for the relevant property project. However, our ability to arrange for sufficient funding depends on various factors outside our control. In recent years, the State has issued certain policies requiring banks to tighten the lending procedures for property developers. These measures limit our ability and the flexibility in utilising bank financing in the development of our property projects. Further information on this is set forth in Appendix V to this prospectus.

The State also adopted numerous policies to tighten the requirements on loans for property development, including, without limitation to, the raising of the RMB reserve requirement ratio for banks and other depository financial institutions and the benchmark interest rate for RMB lending and deposits for financial institutions. These measures will make bank financing more costly which may increase the financing cost and reduce the financing sources for property developers.

Besides, the State has also introduced measures, including 《關於加強房地產用地供應和監管有關問題的通知》(Notice on Issues Related to Strengthening Real Estate Supply and Supervision) issued by the MLR on 8 March 2010, to stipulate tighter timelines for property developers to pay for land transfer premium, which increases pressures on our cashflow.

Until recently, the increase in the interest rates in China limited our access to bank loans for our property projects and further restrict our ability to obtain sufficient funding for land acquisition and development. The wake of the financial crisis towards the end of 2008 and the resulting credit crunch also significantly reduced the availability of bank financing, albeit that the recent expansionary fiscal policies adopted by the State have stimulated the property market in China.

RISK FACTORS

As of 31 December 2009, approximately RMB267.9 million of short-term bank loans and approximately RMB163.0 million of long-term bank loans were outstanding. In addition, as of 31 December 2009, the outstanding principal amount under the Notes was US\$45.0 million. Our gross interest expense (including financial changes) for the three years ended 31 December 2009 amounted to approximately RMB39.0 million, RMB142.9 million and RMB117.8 million, respectively. These expenses were either capitalised as part of our development costs or treated as expense during the year or period in which the expenses were incurred.

In addition to bank financing, we use the proceeds from pre-sales of our residential property projects to finance our property developments. We cannot assure you that we will be able to continue to achieve sufficient level of pre-sales to fund our continued business operations. Any restriction on our ability to pre-sell our property projects, including any substantial increase in the amount of initial expenditure we must incur prior to obtaining a Pre-Sales Permit and any restriction on the use of pre-sale proceeds, would require us to seek other source of finance at various stages of our property projects. These financing arrangements could have an adverse impact on our business, operating results and financial condition.

A significant portion of the net proceeds from the Global Offering will be used to repay the principal amount of the Notes

As set forth in the section headed “Future Plans and Use of Net Proceeds from the Global Offering” in this prospectus, we will use approximately HK\$268.9 million, representing approximately 71.3% of the total amount of the net proceeds from the Global Offering based on the Offer Price of HK\$1.6, being the mid-point of the indicative range of the Offer Price, to repay the outstanding principal amount of the Notes. The repayment is expected to be made within one month from the Listing Date and following the repayment, there will be no amount due under the Notes. If the Qualifying IPO takes place after 15 July 2010, we will use HK\$356.7 million out of the net proceeds from the Qualifying IPO to repay the outstanding principal amount of the Notes of US\$45.0 million in full and the accrued and unpaid interest of approximately US\$0.73 million. As a significant amount of the net proceeds from the Global Offering will be used for the repayment of the Notes, we may need to identify additional funding source, which includes, but without limitation to, debt financing or equity financing, for the development of our future property projects. Such source of funding may not be available at all and is subject to various factors outside our control. The terms of the funding may not be acceptable to us, and we may incur additional interest or expense to obtain such funding. In any of these events, our business, operating results and financial condition could be adversely affected.

We are subject to various restrictions under the Notes

Pursuant to the Indenture, before the full repayment of the Notes, we and our subsidiaries are subject to certain restrictions which include, but without limitation to, limitations on incurring indebtedness, carrying on business other than business permitted under the Indenture, change of management, sale of assets and issue or sale of shares of our subsidiaries. We are also restricted in making dividend and distribution payments without the consent of the trustee under the Indenture. In addition, to be free of restrictions in incurring indebtedness, we must satisfy certain financial ratios. As of 31 December 2009, our total debt to equity ratio was 1.3 which is in excess of the ratio stipulated in the Indenture being 1:1. As such, we are subject to the limitations of incurrence of indebtedness.

RISK FACTORS

The above restrictions limit the flexibility we may have in securing financing for the development of our property projects as well as the number of new property projects that we may undertake. If we fail to satisfy the conditions to incur further permitted indebtedness, our ability to raise further funding for our operations would be restricted, which may result in possible disruption to our business and could adversely affect our operating results and financial condition.

The Indenture also provides that we shall not, and shall not permit certain subsidiaries to, without the prior consent of the Trustee, declare or pay cash dividends that exceed 35% of the net profit attributable to the Shareholders as disclosed in our audited consolidated financial statements in the relevant financial year after completion of the Global Offering.

Under the Indenture, our controlling shareholders (as defined in the Listing Rules) are required to be the beneficial owners of not less than 50% of the total voting power in the Shares. If Neway Enterprises or its existing beneficial holders cease to remain the beneficial owners of 50% of the total voting power in the Shares, this will constitute a change of control of our Company under the Indenture and we shall make an offer to repurchase the Notes at such amount representing 110% of the principal amount thereof together with accrued and unpaid interest, which could adversely affect our financial condition.

Under the Indenture, shares held by Tian Shan International and the Shares held by Neway Enterprises are used as the collateral to secure our obligations under the Indenture, for as long as the payment of the amounts under the Notes remain due or until released in accordance with certain conditions set forth in the Indenture or upon the occurrence of a Qualifying IPO. Such collateral may be released upon the occurrence of the Qualifying IPO. Further information on the collateral is set forth in Appendix IV to this prospectus. Any event of default occurs and continues under the Indenture could accelerate our repayment obligation. In the case of default, the outstanding amount due under the Notes would become due immediately. The Trustee may also foreclose the collateral provided by Tian Shan International and Neway Enterprises. In such event of default, we would be required to repay US\$45.0 million immediately, and should the chargee of the share charges exercise its power of sale and transfer the charged shares, our Company and Tian Shan International may be controlled and managed by the new transferee(s) and/or its/their nominee(s). This would have a material impact on our financial operations and would adversely affect our property projects. In case of foreclosure, there would be a substantial change in our ownership and management structure.

We cannot assure you that events of default will not occur and that we would be able to comply with all conditions under the Indenture. Any event of default could adversely affect our business, operating results and financial condition.

RISK FACTORS

The fair value gain from the Warrants of approximately RMB21.3 million included in our profit for the year ended 31 December 2009 is based on assumption which may not materialise

Our profit for the year ended 31 December 2009 includes a fair value gain from the Warrants of approximately RMB21.3 million. Such fair value gain is based on the terms of the Notes and the Warrants in effect as of 31 December 2009, i.e. without taking into consideration the third Indenture Amendment Agreement dated 25 June 2010, and by the assumption that we will be able to settle the full principal amount and accrued interest of the Notes by 8 October 2010. This assumption may not materialise if we fail to repay the principal amount of the Notes as agreed.

We have entered into preliminary framework agreements with certain government authorities in China for our possible property projects, which may not be implemented as agreed

As of the Latest Practicable Date, we have only entered into preliminary framework agreements in respect of our possible property projects set forth in the section headed “Business – Overview of our property projects – Possible property projects” with a total site area of over 10.0 million sq. m. As of 31 December 2009, we had incurred a total cost of approximately RMB120.9 million pursuant to these agreements. We are required by the relevant PRC laws and regulations to go through the public tender, auction or listing-for-sales process, enter into a land grant contract and pay the relevant land premium before obtaining the land use rights certificate of the relevant land for development of our property projects.

We cannot assure you that these preliminary framework agreements will be implemented as agreed and that we will be successful in obtaining the land use rights certificates in connection with the land the subject matter of the relevant preliminary framework. We may be required to pay substantial amount of land premium, albeit that there may be a period of time before the formal title to the land is granted to us or the land use rights certificates are delivered to us. There are risks with respect to the enforcement of these preliminary framework agreements, particularly in light of the potential changes in the State policies.

RISK FACTORS

In addition, we cannot assure you that the State policies relating to our property projects will not change in the future or that there will be no changes in the manner of implementation of the preliminary framework agreements. We also cannot assure you that there will not be any modifications to the terms of the agreements. In addition, there may be uncertainty as to whether the preliminary framework agreements are enforceable against the relevant government authorities in China.

If any of these preliminary framework agreements is not implemented as agreed, our business, operating results and financial condition could be adversely affected.

We rely on the qualification certificate

We must obtain a qualification certificate in order to develop our property projects. The relevant authorities in charge of the administration of property development shall determine the qualification grade of property development enterprises in accordance with the 《房地產開發企業資質管理規定》 (Provisions on the Administration of the Qualifications of Real Estate Development Enterprises), and shall, after verification, issue the certificate on the qualification grade of real estate development enterprises (房地產開發企業資質等級證書). In addition, we must hold a valid qualification certificate before we can apply for the Pre-Sales Permit.

The qualification certificate is subject to annual review and renewal, and the current First Class Property Development Enterprise Qualification Certificate of Tian Shan Real Estate will expire on 31 December 2012. In renewing the qualification certificate, the local authority will consider our registered capital, property projects, operating history, quality of property projects, expertise of our management as well as whether we were engaged in any illegal business.

If we are not able to obtain or renew our qualification certificate in the future, our business, operating results and financial condition could be adversely affected.

We may face claims under the mandated quality warranties

Pursuant to the applicable laws and regulations in China, we must at the time of delivery of a property, provide the purchaser with 《住宅質量保證書》 (Property Quality Warranty Certificate). The contents of the property quality warranty certificate shall comply with the relevant requirements set forth in the applicable laws and regulations. The laws and regulations provide that, during the warranty period, we shall be held liable for the repairs and maintenance of the property in accordance with the terms of the property quality warranty certificate.

RISK FACTORS

During the three years ended 31 December 2009, we were able to transfer the risks of providing the property quality warranties to the construction contractors which would be responsible for the construction defects and other related problems during the warranty period (normally ranging from one to five years) and we did not make any relevant claim against or sought any damages from the construction contractors during this period. Pursuant to the terms of the construction contracts entered into with construction contractors, we usually withhold certain percentage of the total contract sum as collateral against due performance of the warranty obligations of the construction contractors. Upon the expiry of the warranty period, the withheld balance will be returned to the contractors, without interest.

Nevertheless, if the amount withheld for the quality warranties is less than the remedial amount, we are under a direct and statutory obligation to undertake the repairs and maintenance works. The only recourse we may have is to seek damages from the relevant construction contractor through legal proceedings. If we fail to provide prompt repairs and maintenance works, we may be held liable for breach of the relevant laws and regulations. Our business could also be adversely affected.

We provide financial guarantee on the mortgages taken out by the purchasers of our residential and industrial properties and may be called upon for repayment if the purchasers are in default

Consistent with the industry practice, we enter into agreements with banks to facilitate the provision of mortgage financing to the purchasers of our residential and industrial properties. We provide guarantee to these banks in respect of the mortgages offered to the purchasers until completion of the construction and the submission of the relevant ownership certificates in the property to the relevant banks. If any purchaser is in default of any mortgage repayment, the mortgagee bank may call upon us and request us to honour our obligation as the guarantor to the mortgage financing. Although we may be able to obtain the ownership in the relevant property, the value of the property may not be sufficient to cover the outstanding mortgaged loan balance.

In addition, if there are changes in laws, regulations, policies and practices that would prohibit property developers from providing financial guarantee to banks in respect of mortgages offered to property purchasers, it may become more difficult for property purchasers to arrange with banks for mortgage financing during the pre-sales of our property projects, which could adversely affect our business, operating results and financial condition.

As of 30 April 2010, our outstanding financial guarantee amounted to approximately RMB1,694.0 million.

RISK FACTORS

We may be involved in legal proceedings arising out of our business from time to time

We may be involved in disputes with various parties involved in the development and the sales of our property projects, including contractors, suppliers, workers, business partners and purchasers. These disputes may lead to legal proceedings and may result in substantial costs and diversion of resources and management's attention. In addition, we may have disagreements with the regulatory authorities in the course of our business, which may subject us to administrative proceedings and unfavorable decrees that result in pecuniary liabilities, damages or delay to our property development business. During the three years ended 31 December 2009, we did not have any legal proceedings or unfavourable decrees against us arising out of our business.

The appraised value of our property projects in the property valuation report may be different from the actual realisable value and is subject to change

The property valuation report prepared by Jones Lang LaSalle Sallmanns Limited is included in Appendix III to this prospectus. The valuation is based upon certain assumptions, which, by their nature, are subjective and uncertain and may be different from actual realisable value. With respect to property projects under development, the valuations are based on the assumptions that:—

- (a) the property projects will be completed or developed as currently proposed;
- (b) all regulatory and governmental approvals for the proposals have been or will be obtained;
- (c) we are in possession of proper legal title and are entitled to transfer the land and the future completed properties with no extra land premium; and
- (d) all premiums in connection with the land and the future completed properties have been paid and the ownership in the property projects are free of encumbrances and other restrictions.

The property valuation is not a forecast of the actual realisable value of our property projects. Unforeseeable changes in a particular property project or in national or local economic conditions could affect the actual realisable value of our property projects.

We cannot assure you that the valuation of our property projects will not decrease in the future. Any such decrease would reduce our profits and could have a material adverse effect on our business, operating results and financial condition.

RISK FACTORS

We could be adversely affected by changes in laws and regulations with respect to pre-sales of residential properties in China

The proceeds received from the pre-sales of our property projects are an important source of funding for our business. Under the current PRC laws and regulations, we must fulfill certain conditions before we can commence the pre-sales of the relevant property projects and may only use pre-sale proceeds to finance our developments. However, we cannot assure you that the State will not change the applicable laws and regulations on pre-sales of residential properties. The State may restrict the practice of pre-selling uncompleted properties or implement further restrictions on pre-sales of properties, such as imposing additional conditions for obtaining the Pre-Sales Permits or imposing further restrictions on the use of the pre-sales proceeds. Any such measure could materially affect our cash flow and may result in strains on the financial resources available to us.

In addition, we make certain undertakings in our sale and purchase agreements including obtaining the Completed Construction Works Certified Report for the property projects and delivering the completed properties and the property ownership certificates to the purchasers within a fixed period of time. These sale and purchase agreements and the PRC laws and regulations provide for remedies for breach of such undertakings. During the three years ended 31 December 2009, we did not incur any loss due to breach of such undertakings. Nevertheless, we cannot assure you that we will not experience significant delays in the completion and delivery of our pre-sold property projects, and in which event, we may face claims by our customers that could adversely affect our business, operating results and financial condition.

Our pre-sales and sales could be affected if mortgage financing become more difficult or less attractive

Some of our customers rely on bank mortgages to fund their purchase of properties. An increase in the interest rate may significantly increase the cost of mortgage financing, thus affecting the demand for residential properties. In addition, the State and the commercial banks may also increase the down payment requirement, impose other conditions or otherwise change the regulatory framework in a manner that would make the mortgage financing unavailable or unattractive to potential property purchasers.

Under current PRC laws and regulations, purchasers of their family's first residential properties generally must pay a minimum of 20% to 30% of the purchase price of the properties before they can finance their purchases through mortgages. In addition, mortgagee banks may not lend to any individual borrower if the monthly repayment of the anticipated mortgage loan exceeds 50% of the individual borrower's monthly income or if the total debt service of the individual borrower would exceed 55% of such individual's monthly income.

RISK FACTORS

Pursuant to 《中國人民銀行關於擴大商業性個人住房貸款利率下調幅度等有關問題的通知》(The Notice on the Further Decrease in the Interest Rates of Commercial Mortgage Loans for Individual Residential Property promulgated by People's Bank of China) issued in October 2008, the minimum down payment for individual purchasers of residential property through mortgage financing is 20% of the purchase price. The monthly payment of the anticipated mortgage loan is still restricted to a maximum of 50% of the individual borrower's monthly income. Pursuant to 《關於堅決遏制部分城市房價過快上漲的通知》(Notice on Resolutely Curbing the Soaring of Housing Prices in Some Cities) issued by the State Council on 17 April 2010 (the "Notice"), purchasers buying their first property over 90 sq. m. must pay down payment of not less than 30% of the purchase price, whereas the down payment of the second property must not be less than 50% and the mortgage interest rate must be no less than 1.1 times the benchmark rate in China, further information of which is set forth in "Business – Impact of the recent government policies and measures on the property development industry" in this prospectus. According to our business plan, over 88% of the residential properties we plan to sell from April 2010 to June 2011 are over 90 sq. m. and thus the relevant purchasers are required to pay at least 30% of the purchase price as down payment pursuant to the Notice. If the availability or attractiveness of mortgage financing is reduced or limited, some of our prospective customers may not be able to purchase our property projects and as a result, our business, operating results and financial condition could be materially adversely affected.

We are dependent on some of our key personnel

Our Directors consider that our success is attributed to the expertise of the key personnel of our management team, including our Founders. Our Founders are our executive Directors. We rely substantially on their experience, expertise and relationships in the property development industry in China. Should any of such key senior management cease to work for us, we may not be able to replace them easily or at all, and our business may be disrupted and our operating results could be materially and adversely affected.

Competition for senior management and key personnel is keen. We may not be able to retain the services of our senior executives or key personnel, or attract and retain senior executives or key personnel of high calibre. In addition, if any member of our senior management team or any of our other key personnel joins a competitor or forms a competing company, we may lose our customers and key professionals and staff members.

We could be required to pay additional amount of LAT

Pursuant to the applicable tax laws and regulations in China, Tian Shan Real Estate is subject to the payment of LAT, which is collectible by the local tax authorities. All income from the sales or transfer of State-owned land use rights, buildings and their ancillary facilities in China is subject to LAT at progressive rates ranging from 30% to 60% of the appreciation value as defined by the relevant tax laws. Further information on this is set forth in Appendix V to this prospectus.

RISK FACTORS

Pursuant to 《中華人民共和國土地增值稅暫行條例》(The Provisional Regulations of the People's Republic of China on Land Appreciation Tax), the LAT shall be exempt for the sales of ordinary standard residences if the appreciation does not exceed 20% of the total deductible items. Deductible items include acquisition cost of land use rights, development cost of land, construction cost of new buildings and facilities or assessed value for used properties and buildings, taxes related to the transfer of property and other deductible items as stipulated by the Ministry of Finance. Sales of commercial properties are, however, not eligible for such exemption.

Pursuant to 《中華人民共和國土地增值稅暫行條例實施細則》(The Detailed Rules for the Implementation of Provisional Regulations of the People's Republic of China on Land Appreciation Tax for Property Developers), an additional 20% of deductible expenses may be deducted in the calculation of the land appreciation amount. On 28 December 2006, the SAT issued 《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通知》(The Notice on Issues Relevant to Administration of Settlement of Land Appreciation Tax of Real Estate Development Enterprises with the Intention of Strengthening the Collection of LAT) (the “**Notice**”). The Notice requires property developers to settle the final LAT payable in respect of their property projects that meet certain criteria, such as 85% of a property project having been pre-sold or sold. The local provincial tax authorities are entitled to formulate detailed implementation rules in accordance with the Notice in consideration of local conditions.

As advised by our PRC Legal Advisers, the relevant tax authorities in Hebei Province had promulgated the rules or regulations under the Notice. Hence, the amount of LAT payable for all our completed property projects has been cleared by the relevant tax authorities. Further information on this is set forth in the section headed “Summary of the Laws and Regulations Relating to the Property Development Industry in China” in Appendix V to this prospectus.

We estimated and made provisions for the full amount of LAT during the Track Record Period, which were approximately RMB13.9 million, RMB17.6 million and RMB21.7 million, respectively. During the three years ended 31 December 2009, we made LAT payment of approximately RMB7.8 million, RMB7.7 million and RMB14.4 million, respectively.

Nevertheless, it is uncertain as to whether the amount of LAT paid and the provisions made by us is sufficient. If there is any material change to the implementing rules and regulations, our cash flow could be materially and adversely affected. In addition, if the amount of LAT eventually collected by the PRC tax authorities exceeds the amount we have provided for, we may have to make additional provision, which could affect our operating results and financial condition.

We were required by local tax bureau to adopt the authorised tax valuation method for determination of our LAT liability. Should the actual taxation method be adopted by the relevant tax authorities, our additional exposure to LAT would be approximately RMB15.8 million, RMB27.6 million and RMB21.3 million, respectively, for the three years ended 31 December 2009.

RISK FACTORS

Our CIT obligations may increase

The CIT Law imposes a unified income tax rate of 25% on all domestic and foreign-invested enterprises unless they are qualified for preferential tax treatment. According to the CIT Law, enterprises that are subject to an enterprise income tax rate below 25% may continue to enjoy the lower rate with transition to the new tax rate within a period of five years from 1 January 2008. During the three years ended 31 December 2009, our CIT charge was approximately RMB27.4 million, RMB16.1 million and RMB45.2 million, respectively. In the future, our CIT tax obligation may increase significantly.

We were required by local tax bureau to adopt the authorized tax valuation method for determination of our CIT liability. Should the actual taxation method be adopted by the relevant tax authorities in charging CIT individually, our additional exposure to CIT would be approximately RMB22.1 million, RMB19.5 million and RMB14.6 million, respectively, for each of the three years ended 31 December 2009. Should the actual taxation method be adopted by the relevant tax authorities in charging both our CIT and LAT, our total additional tax exposure, including both CIT and LAT would be RMB32.9 million, RMB40.2 million and RMB30.6 million, respectively, for the three years ended 31 December 2009, after taking into account the tax effect of LAT which is deductible for CIT purpose under current PRC tax rules and regulations.

We could be deemed to be a Chinese resident enterprise and may be subject to the corresponding PRC taxation on our worldwide income

Under 《中華人民共和國企業所得稅法》(The PRC Corporate Income Tax Law) (the “CIT Law”) that took effect on 1 January 2008, enterprises established outside China whose “de facto management bodies” are located in China are considered “resident enterprises” and will generally be subject to the uniform 25% enterprise income tax rate as to their global income. In accordance with the new implementation rules relating to the new PRC Enterprise Income Tax Law, “de facto management body” is defined as the institution which has substantial overall management and control of the daily operation, personnel, financial accounts and properties of an enterprise. All of our executive Directors are currently based in China, and may remain in China after the effectiveness of the new PRC Enterprise Income Tax Law. Therefore, we may be treated as a Chinese resident enterprise for enterprise income tax purposes. The tax consequences of such treatment are currently unclear, as they will depend on how local tax authorities apply or enforce the new PRC Enterprise Income Tax Law or the implementation regulations.

Further information on this is set forth in Appendix V to this prospectus.

RISK FACTORS

We rely on the dividends declared and paid by our subsidiaries in China for the cash requirements to fund our obligations

We are a holding company and rely on the dividends declared and paid by our subsidiaries for cash requirements, including the funds necessary for our operations in Hong Kong and to service any debt we may incur outside China. If any of our subsidiaries in China incurs debt in its own name in the future, the instruments governing the debt may restrict the payment of dividends or other distributions by such subsidiaries to us.

Furthermore, applicable PRC laws, rules and regulations permit payment of dividends by our PRC entities only out of their retained profits, if any, determined in accordance with the accounting standards in China. Our subsidiaries in China are required to set aside a certain percentage of their after-tax profit based on PRC accounting standards each year to their reserve fund in accordance with the requirements of relevant laws and provisions in their respective articles of association. As a result, our subsidiaries in China are restricted in their ability to transfer a portion of their net income to us, whether in the form of dividends, loans or advances. Any limitation on the ability of our subsidiaries to pay dividends to us could materially and adversely limit our ability to grow, make investments or acquisitions that could be beneficial to our businesses outside China, pay dividends or otherwise fund and conduct our business.

Under the CIT Law and its implementation regulations issued by the State Council, PRC income tax at the rate of 10% is applicable to dividends paid by Chinese enterprises to “non-resident enterprises” (enterprises that do not have an establishment or place of business in China, or that have such establishment or place of business but the relevant income is not effectively connected with the establishment or place of business) subject to the application of any relevant income tax treaty that China has entered into. If we or our non-PRC subsidiaries are considered “non-resident enterprises”, any dividend that we or any such subsidiary receive from our PRC subsidiaries may be subject to PRC taxation at the 10% rate (or lower treaty rate).

Our dividends payable to our foreign investors and gain on the sales of our Shares may be subject to PRC withholding tax

Under the CIT Law and implementation regulations issued by the State Council, PRC income tax at the rate of 10% is applicable to dividends payable to investors that are “non-resident enterprises” (and that do not have an establishment or place of business in China, or that have such establishment or place of business but the relevant income is not effectively connected with the establishment or place of business) to the extent such dividends have their source within China unless there is an applicable tax treaty between the PRC and the jurisdiction in which an overseas holder resides which reduces or exempts the relevant tax. Any gain realised on the transfer of shares by such investors is also subject to the 10% PRC

RISK FACTORS

income tax if such gain is regarded as income derived from sources within China. If we are considered a PRC “resident enterprise,” it is unclear as to whether the dividends we pay with respect to our Shares, or the gain you may realise from the transfer of our Shares, would be treated as income derived from sources within China and be subject to PRC tax. If we are required under the new PRC Enterprise Income Tax Law to withhold PRC income tax on our dividends payable to our foreign Shareholders, or if you are required to pay PRC income tax on the transfer of your Shares, the value of your investment in our Shares could be materially and adversely affected.

The PRC Government has implemented certain measures which may restrict our ability to obtain offshore financing and we may encounter delays in applying the net proceeds from the Global Offering to the intended usage

According to 《關於進一步加強，規範外商直接投資房地產業審批和監管通知》 (Circular on Further Strengthening and Regulating the Approval of the Supervision of Direct Foreign Investment in the Real Estate Industry) issued on 23 May 2007 jointly by MOFCOM and SAFE and 《關於下發第一批通過商務部備案的外商投資房地產項目名單的通知》 (the Notice Regarding the Publication of the List of the First Batch of Property Development Projects with Foreign Investment that have Properly Filed with MOFCOM) issued on 10 July 2007 by SAFE (together, the “Notices”): (i) existing foreign invested property companies that increase their registered capital and foreign-invested property companies newly established after the date of issuance of the circular must file with MOFCOM; (ii) SAFE will no longer process foreign exchange registrations (or amendments of such registrations) or applications for settlement and sale of foreign exchange submitted by foreign-invested real estate enterprises which obtained approval certificates from local branches of MOFCOM on or after 1 June 2007 but which have not filed with MOFCOM; and (iii) SAFE will no longer process foreign debt registrations or foreign debt applications for settlement of foreign exchange submitted by foreign invested real estate enterprises (including newly established enterprises and existing enterprises that increased their registered capital) which obtained approval certificates from or filed with MOFCOM on or after 1 June 2007.

The Notices restrict the ability of foreign-invested property companies to raise funds offshore by way of borrowing foreign debt, including through shareholders’ loans and overseas commercial loans. Nonetheless, the Notices do not restrict property developers from receiving foreign capital by way of increase of registered capital of existing foreign-invested property companies or the establishment of new foreign invested project companies, provided that such registered capital increase or new company establishment has been duly approved by competent local branches of MOFCOM and filed with MOFCOM.

RISK FACTORS

Pursuant to 《關於外商投資的公司審批登記管理法律適用若干問題的執行意見》 (The Implementation Opinions on Some Issues concerning the Administration of Examination, Approval and Registration of Foreign-funded Companies) issued jointly on 24 April 2006 by the State Administration for Industry and Commerce, MOFCOM, China Customs and SAFE, when a foreign invested company wishes to increase its registered capital, it should first obtain approvals from the relevant commerce authorities, and its shareholders must pay no less than 20% of the newly increased capital at the time the company registers the increased capital with the industry and commerce administration authorities.

Further information on the above Notices is set forth in Appendix V to this prospectus.

Because of our offshore holding company status, we typically conduct our property development operations in China through project companies established as foreign invested property companies. As disclosed in the section headed “Future Plans and Use of Net Proceeds from the Global Offering” in this prospectus, we intend to use part of the net proceeds from the Global Offering to provide additional funding to our property projects through the increase in the registered capital of our existing foreign-invested property development companies. As a result, we are required to receive approval from local branches of MOFCOM and file with MOFCOM before transferring the net proceeds into China for such purpose.

We cannot assure you that in the future we will be able to submit in a timely manner the required filing with MOFCOM or that local branches of MOFCOM will grant the requisite approval. Failure to obtain the requisite government approvals or material delays in the approval or filing process may adversely affect our development plans and/or result in us suffering from foreign exchange or other losses which would in turn affect our results of operations. Furthermore, we cannot assure you that the PRC Government will not introduce new policies that may further restrict our ability to inject funds raised in the future, including from the Global Offering, into China for our operations.

Tian Shan Hengji Real Estate and Tian Shan Weihai Real Estate commenced the property development business prior to the issuance of the required certificate

In May 2008, Tian Shan Hengji Real Estate commenced the construction work of *Sanhe Tian Shan International Enterprise Base*. In February 2010, Tian Shan Weihai Real Estate commenced the construction work of *Weihai Tian Shan Waterside View (Phase I)*. However, at the time of commencement of the relevant construction work, both Tian Shan Hengji Real Estate and Tian Shan Weihai Real Estate did not obtain the relevant certificates for conducting property development business. According to article 19 of 《房地產開發企業資質管理規定》 (The Property Development Enterprises Qualifications Administrative Regulations) (the “**Qualifications Regulations**”), any enterprise conducting the property

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development without the required certificate may be subject to a fine in the amount between RMB50,000 and RMB100,000 and will be required to obtain the certificate by a prescribed date. If the relevant enterprise is not able to obtain the certificate before the deadline, its business licence may be revoked.

Our PRC Legal Advisers confirm that as Tian Shan Hengji Real Estate and Tian Shan Weihai Real Estate had commenced the construction work before the issuance of the certificates required under the Qualifications Regulations, Tian Shan Hengji Real Estate and Tian Shan Weihai Real Estate may be subject to the fine under the Qualification Regulations but its business licence will not be revoked because of such previous violation of the Qualifications Regulations.

Our Controlling Shareholders have entered into the Deed of Indemnity in favour of us in respect of, amongst other things, any claim, fine, expense, penalty, loss or damage that may be incurred or suffered by any member of our Group as a result of the non-compliance as described above. We cannot assure you that no claims or enforcement actions would be brought by the relevant authorities in China in the future or that no member of our Group will be required to pay any fine or penalty or damages in the future. Any of these incidents could adversely affect our business, operating results and financial condition.

We face increasing competition from other property developers

As of 31 December 2009, there were 24 property developers in Hebei Province, China holding the First Class Property Development Enterprise Qualification Certificate. We are currently engaged in medium-scale property projects and have relatively small capital base as compared with other established property developers. In addition, our market is focusing on Hebei Province, China. We may be in a disadvantageous position when competing with other established property developers within and outside Hebei Province, China.

The intense competition among property developers for land, financing, raw materials and skilled management and labour may result in increased construction costs and the costs on the acquisition of land, a decrease in the profit margin and a slowdown in the rate at which new property projects are approved by the State.

If we are not able to maintain our competitive advantages, our business, operating results and financial condition could be adversely affected.

RISK FACTORS

We did not make appropriate social insurance payment for some of our temporary employees

Pursuant to the relevant PRC social insurance laws and regulations, we are required to pay for a portion of our employees' retirement, unemployment, medical and other relevant social insurance (collectively the “**Social Insurance Payments**”). During the three years ended 31 December 2009, no contribution was made to the Social Insurance Payments for our temporary employees because the personal records of those temporary workers are not maintained by the local social insurance bureau where our headquarters are situated.

As of 31 December 2009, we employed 138 temporary workers. The Social Insurance Payments for our temporary workers was at the same portion as that for the full-time employees.

Based on a confirmation dated 25 October 2009 issued by 石家莊高新技術產業開發區社會保險事業管理局 (The Social Insurance Bureau in Shijiazhuang Hi-tech Industry Development Zone), our social insurance arrangement during the Track Record Period was accepted by the local social insurance bureau and therefore complied with the relevant laws and policy regulations in Hebei Province, China. We would therefore not be subject to any penalty in relation to such arrangement implemented during the period for our temporary workers. However, if such arrangement is subsequently overruled by the local social insurance bureau or its supervising authorities, we may be liable to a fine of up to RMB10,000 in accordance with the relevant social insurance laws, and may be ordered to pay a daily surcharge of 0.2% of the total Social Insurance Payments outstanding since the date we failed to make such payments. Pursuant to the Deed of Indemnity, our Controlling Shareholders have agreed to settle the amount should we be required to pay the fine or any additional amount in the future.

There may be conflict of interests between our Controlling Shareholders and other Shareholders

Based on the low-end of the indicative range of the Offer Price of HK\$1.4, immediately following completion of the Capitalisation Issue, the Global Offering and the Compulsory Conversion, our Controlling Shareholders will beneficially own over 68.7% of our Shares in issue assuming that the Over-allotment Option is not exercised and without taking into account Shares which may be issued upon the exercise of the options granted under the Pre-IPO Share Option Scheme and any option which may be granted under the Share Option Scheme and on the basis that the Warrants will expire upon Listing.

RISK FACTORS

Accordingly, our Controlling Shareholders are able to influence and determine the outcome of any corporate transaction or other matter submitted to the Shareholders for approval, including mergers, consolidations, any disposal of all or substantially all of our assets, the election of our Directors and other significant corporate actions. In cases where they act and vote together, our Controlling Shareholders will also have the power to prevent or cause a change in control. Without the approval of some or all of our Controlling Shareholders, our Company may be prevented from entering into transactions that could be beneficial to our Company. We cannot assure you that there will be no conflict of interests between our Controlling Shareholders and us or other Shareholders.

RISKS RELATING TO THE PROPERTY DEVELOPMENT INDUSTRY IN CHINA

Oversupply of residential properties in the Bohai Economic Rim could drive down the property prices

The residential property in China in general and in the Bohai Economic Rim in particular can be volatile, characterised by oversupply and price fluctuations. Macro-economic measures have recently been adopted by the State in an attempt to slow the rapid growth of the economy of China and deter investment in fixed assets, including real estate assets. We cannot assure you that there will not be an oversupply of property. If there is an oversupply of property or a decline or stagnation in average property prices in our markets, our business, operating results and financial condition could be adversely affected.

The PRC Government has implemented various austerity policies and measures to stabilise the residential property market in China

In response to the concerns over the recent continuous increase in the property prices in China, the PRC Government has announced and implemented a series of austerity policies and measures in the banking and residential property sectors. Further information on these policies measures is set forth in section headed “Business – Impact of the recent government policies and measures on the property development industry” in this prospectus. These policies and measures would affect the residential property sector in China and would suppress or stabilise the level of demand for residential properties, particularly in certain first-tier cities in China. The reduced level of demand would result in decrease in the selling prices and the number of residential property projects offered for sales by property developers. In such event, competition would become more intense in terms of selling price and quality of the residential units. We may not be able to compete with other large-scale developers and we may face unexpected price pressure in order to promote and sell our residential property projects. These are the factors that we are not able to control or predict with any accuracy. In such event, our business, operating results and financial condition could then be adversely affected.

RISK FACTORS

The PRC Government's policies, regulations and measures intended to curtail overheating of the property market could adversely affect our business

Along with the economic growth in China, investments in the property sectors have increased significantly in the past few years. In response to concerns over the scale of the increase in property investments, the PRC Government has introduced policies to curtail property development which include:–

- 《關於進一步加強土地出讓收支管理的通知》(Notice on Further Strengthening the Management of Land Transfer Revenue and Expenditures) issued by the Ministry of Finance on 17 December 2009 which requires developers to make at least 50% of down payment for obtaining land, and land transfer revenue must be managed by the local treasury while the expenditure is managed through the local budget;
- 《關於促進房地產市場平穩健康發展的通知》(Notice on Promoting Steady and Healthy Development of Real Estate) (“**Guo Wu Tiao**” or “**Guo Shi Yi Tiao**”) issued by the General Office of the State Council on 10 January 2010 which specifies that the quota for purchasing the second property shall be family-based with down payment of no less than 40%, and pre-sales of commercial property must be available to the market simultaneously and not in phases;
- 《關於加強房地產用地供應和監管有關問題的通知》(Notice on Issues Related to Strengthening Real Estate Supply and Supervision) issued by the MLR on 8 March 2010 which requires developers to ensure the land use proportion for low-income housing, re-development of shanty areas and small to medium commercial housing for occupation by the residents (which must be under 90 sq. m.) should be no less than 70% of total land supply for the construction of residential property. In addition, the guarantee payment for participation in the public tender, auction or listing-for-sales of land must not be less than 20% of the lowest listed price and 50% of the land transfer premium must be paid within one month after entering into the relevant contract, with the remaining balance to be paid within one year;
- 《關於堅決遏制部分城市房價過快上漲的通知》(Notice on Resolutely Curbing the Soaring of Housing Prices in Some Cities) (the “**Notice**”) issued by the State Council on 17 April 2010, which provides for (a) increase of the amount of down-payment to 30% of the property price for the purchase of the first property over 90 sq. m. in size; (b) increase of the amount of down-payment to 50% of the property price for the purchase of the second property and the mortgage interest rate to be no less than 1.1 times the benchmark rate in China and (c) the amount of down-payment and the mortgage interest rate for additional properties to be increased significantly as determined by the banks in accordance with their risk management policies. The local governments in certain first-tier cities, such as Beijing and Shenzhen have introduced detailed implementation rules for the Notice, some of which are more stringent than the requirements stipulated by the Notice.

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Although these measures are intended to promote more balanced property development in the long-term, we cannot assure you that these measures will not adversely affect the development and sales of our property projects. Although the local governments in Hebei Province, Tianjin and Weihai City and Wendeng City in Shandong Province where we operate our property development business have yet to introduce specific measures for the implementation of the Notice or promulgate other local laws or regulations targeting the property markets there, we cannot assure you that these local governments will not introduce rules which impose tighter requirements than the Notice in the future.

Delay in delivering title documents after sales could result in legal claims

Property developers in China are typically required to deliver to the purchasers the relevant state-owned land use right certificate and property ownership certificate within 90 days after the delivery of the relevant property or such other time period provided in sales contract. During the three years ended 31 December 2009, we did not suffer any loss or claim due to delay in the delivery of the relevant certificates. However, we cannot assure you that there will not be such delay in the future. There may also be factors beyond our control that cause delay to the delivery of property ownership certificates, such as the examination and approval process at various government agencies. Under our sales contracts, we are required to compensate our purchasers for any delay in completing our delivery. If there is any significant delay in one or more property projects, our business and reputation could be adversely affected.

The business operations of property developers in China are subject to extensive governmental regulations and are susceptible to changes in such regulations

The business operations of property developers in China are subject to extensive governmental regulation. We must comply with various requirements mandated by PRC laws and regulations, including the policies and procedures established by local authorities designed for the implementation of such laws and regulations. In order to develop and complete a property development, we must obtain various permits, licences, certificates and other approvals from the relevant administrative authorities at various stages of our property development, including approvals in relation to the injection of capital into our project subsidiaries, land use rights documents, planning permits, construction permits, Pre-Sales Permits and certificates or confirmation of completion and acceptance. Each approval is also dependent on the satisfaction of certain conditions.

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Further information is set forth in Appendix V to this prospectus.

We cannot assure you that we will not encounter major problems in obtaining the necessary approvals or fulfilling the conditions precedent to the receipt of approvals, or that we will be able to adapt to new laws, regulations or policies that may come into effect from time to time with respect to the property development industry in general or the particular processes with respect to the granting of the approvals. There may also be delays on the part of the administrative bodies in reviewing our applications and granting approvals. If we fail to obtain, or experience material delays in obtaining the requisite governmental approvals, the development and sale of our developments could be substantially disrupted, which would result in a material adverse effect on our business, results of operations and financial condition. In addition, we cannot assure you that the implementation of the laws and regulations by the relevant authorities, or the interpretation or enforcement of such standards, will not require us to incur additional costs, which could have a material adverse effect on our business, financial condition and results of operations.

The total GFA of property projects may exceed the original permitted GFA and the additional GFA is subject to the governmental approval and the payment of additional land premium

The permitted total GFA for a property project is set forth in various government approvals issued at various stages. In many cases, the underlying land grant contract, the relevant planning approvals and construction permits will also specify the permitted total GFA. If we subsequently alter the designs of our property projects, the actual GFA may exceed the total permitted GFA. In such event, we may not be able to obtain the Completed Construction Works Certified Report for the property project. As a result, we may not be able to deliver our completed project projects to purchasers and to recognise our pre-sales proceeds as our turnover. We may also be required to pay additional land premium or subject to liability to purchasers under our sales and purchase agreements.

As of the Latest Practicable Date, we were not subject to any penalty or claim as a result of violation of the relevant GFA requirements. None of our completed property projects are found to have exceeded the permitted total GFA. If the total constructed GFA for our property projects under development or our other future property projects exceeds the permitted total GFA for that project, we cannot assure you that we would have sufficient funding or other means to take corrective action that may be required in a timely manner, or at all. Any of these circumstances could adversely affect our business, operating results and financial condition.

RISK FACTORS

Idle land may be subject to forfeiture by the PRC Government without compensation

In recent years, the State has introduced a number of policies and measures for the handling of idle land. Specifically, under the applicable laws and regulations, if we fail to commence development for more than one year from the commencement date stipulated in the assignment contract for the state-owned land use rights, the relevant PRC land authority may serve a warning notice on us and impose an idle land fee on the land of up to 20% of the land assignment price. If we fail to commence development for more than two years, the land is subject to forfeiture to the State without compensation unless the delay in development is caused by government actions, necessary preparatory work or force majeure. Even though the commencement of the land development may be in line with the assignment contract for the state-owned land use rights, if the developed GFA on the land is less than one-third of the total GFA of the project or that the total capital invested is less than one-fourth of the total investment of the project and the development of the land has been delayed for more than one year in time without government approval, the land will also be treated as idle land.

The land use rights transfer agreements we have entered into with the relevant PRC Government authorities usually stipulate a deadline for construction to commence. If the agreement does not stipulate a deadline, our PRC Legal Advisers confirm that, according to the relevant laws and regulations, the construction work should commence within one year after the effective date of the agreement.

Our PRC Legal Advisers further confirm that during the Track Record Period and up to the Latest Practicable Date, we did not violate any law or regulation in relation to idle land stated above and none of our property projects were treated as idle land. Our PRC Legal Advisers also confirm that we were not subject to any idle land penalty during the Track Record Period. However, we cannot assure you that circumstances leading to forfeiture of land or delays in the completion of a property development may not arise in the future. If a land use right is forfeited, we will not only lose the opportunity to develop the property projects on such land, but may also lose all of our investments already made on the land, including the land assignment price already paid and the development costs incurred.

Resettlement negotiations may add costs or cause delays to property projects

Under PRC laws and regulations, where we are responsible for the demolition of existing properties on a site for development and the relocation of existing residents, we will be required to pay resettlement costs to those residents.

On 16 March 2007, the State implemented 《中華人民共和國物權法》 (The Property Rights Law), which expressly provides legal protection of the private rights of home owners. This may increase the difficulties in effecting demolition and resettlement through administrative intervention, and the cost of demolition and resettlement may increase.

RISK FACTORS

Even if we are not responsible for the demolition and relocation, if the party responsible for the demolition and relocation and the party subject to the demolition and relocation fail to reach an 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 court in China within three months from the date of service of such ruling, which may cause delay in the development of property projects. Such proceedings and delays, if they occur, could adversely affect our reputation and will lead to an increase in our cost and the expected cash inflow resulting from the pre-sales of the relevant properties, which may in turn adversely affect our business, financial position and results of operations and may be material.

Substantial cost may be incurred for potential liabilities from environmental issues

We are subject to various PRC laws and regulations in relation to health and environmental protection. Specific environmental laws and regulations applicable to the development site of a certain project vary according to the site location, the site's environmental conditions, the present and previous uses of the site and the status and use of surrounding properties. We obtain the Construction Project Environmental Impact Assessment Approval for each of our property projects before the issuance of the relevant Construction Works Commencement Permit. Compliance with environmental laws and conditions may result in delays, may cause us to incur substantial compliance and other costs and can prohibit or severely restrict our project development activities.

RISKS RELATING TO CONDUCTING BUSINESS IN CHINA

The political and economic situation in China may have an adverse impact on our business operations

Since 1978, China's GDP has grown steadily with an average real GDP growth rate of approximately 9.9% from 2000 to 2009. We cannot assure you that such growth will continue in the future. If there is a slow down in the economic growth, the demand for residential properties may decrease and our business, operating results and financial condition could be and adversely affected.

The political, economic and social conditions in China differ from those in more developed countries in many respects, including structure, government involvement, level of development, growth rate, control of foreign exchange, capital reinvestment, allocation of resources, rate of inflation and trade balance position. During the past three decades, the PRC Government has implemented economic reform and measures emphasising the utilisation of market forces in the development of the PRC economy. Despite these economic reforms and measures, the PRC Government continues to play a significant role in regulating industrial development, the allocation of natural resources and production, pricing and management of currency, we cannot assure you that the PRC Government will continue to pursue a policy of economic reform or that the direction of reform will continue to be favourable to our business.

RISK FACTORS

In addition, demand for properties may be affected by a variety of factors in China which we may not have any control:–

- political stability or changes in social conditions in China;
- changes in laws and regulations or the interpretation thereof; and
- measures which may be introduced by the State to control inflation or deflation.

Any significant change in relation to any of these factors may materially and adversely affect our business, operating results and financial condition.

Changes in the PRC foreign exchange regulations

The State imposes controls on the conversion of RMB into foreign currencies and, in certain cases, the remittance of foreign exchange out of China. All of our income is denominated in RMB. Under our corporate structure, our income is primarily derived from dividend payments from our PRC subsidiaries, which must convert their RMB earnings into foreign currency before they may pay cash dividends to our Company or repay the foreign currency denominated obligations. Under existing PRC foreign exchange regulations, payments of current-account items may be made in foreign currencies without prior approval from SAFE by complying with certain procedural requirements. However, approval from the State is required when RMB is converted into foreign currencies and remitted out of China for capital-account transactions, such as the repatriation of equity investments in China and the repayment of the principal of loans denominated in foreign currencies. Such restrictions on foreign exchange transactions under capital accounts also affect our ability to finance our PRC subsidiaries.

Subsequent to the Global Offering, we have the choice, as permitted by the PRC foreign investment regulations, to invest our net proceeds from the Global Offering in the form of an increase in the registered capital of our PRC subsidiaries to finance our operations in China. Our choice of investment is affected by the relevant PRC regulations with respect to capital-account and current-account foreign exchange transactions in China. These limitations on the flow of funds between our Company and members of our Group in China could restrict our ability to act in response to changing market conditions.

RISK FACTORS

Interpretation of PRC laws and regulations involves uncertainty

Our business is conducted within China and is governed by the PRC laws and regulations. The PRC legal system is based on written statutes, and prior court decisions can only be cited as reference and are non-binding. Since 1979, the State has promulgated laws and regulations in relation to economic matters such as foreign investment, corporate organisation and governance, commerce, taxation and trade, with a view to developing a comprehensive system of commercial law. However, due to the fact that these laws and regulations have not been fully developed, and because of the limited volume of published cases which have limited precedential value, interpretation and enforcement of PRC laws and regulations involve a degree of uncertainty. Depending on the governmental agency or the presentation of an application or case to such agency, we may receive less favourable interpretations of laws and regulations than our competitors. In addition, any litigation in China may be protracted and result in substantial costs and diversion of our resources and management attention. All these uncertainties may cause difficulties in the enforcement of our entitlements under its permits, and other statutory and contractual rights and interests.

Natural disasters, acts of war, terrorist attacks, political unrest and other events may have negative impact

Natural disasters and other acts of god which are beyond our control may materially and adversely affect the economy and livelihood of the people in China. Our operations and financial condition may be adversely affected, especially when such events occur in regions in which our operations and property projects are located.

Acts of war, terrorists' attacks and political unrest may cause damage or disruption to our property development, our employees and our markets, any of which could materially and adversely affect our overall results of operations and financial condition.

In addition, China has in recent years encountered epidemics, such as the Severe Acute Respiratory Syndrome (SARS), avian flu and influenza A (H1N1), which have caused various degrees of damage to the economy in China. If an outbreak of epidemics occurs again, the economy of China may suffer which will in turn adversely affect our results of operations.

It may be difficult to effect service of process upon us or our Directors or senior officers who reside in China

Our assets and our operating subsidiaries are mostly located in China. In addition, most of our Directors and senior officers, and thus most of their assets, reside in China. As a result, it may not be possible to effect service of process outside China upon us or our Directors and senior officers, including with respects to matters arising under applicable securities laws.

RISK FACTORS

RISKS RELATING TO THE GLOBAL OFFERING

There has been no prior public market for our Shares and an active trading market for our Shares may not develop

Prior to the Global Offering, there has been no public market for our Shares. The initial Offer Price range for our Shares as disclosed in this prospectus was the result of negotiations between us and China Everbright Securities and the Offer Price may differ significantly from the market price for our Shares following the Global Offering. While we have applied for the listing of, and permission to deal in, our Shares on the Stock Exchange, there is no guarantee that an active and liquid trading market for our Shares will develop, or if it does develop, will be sustained following the Global Offering or that the market price of our Shares will not decline following the Global Offering.

The trading price and the trading volume of our Shares may be volatile

The trading price and the trading volume of our Shares may be volatile and may be affected by the following factors:—

- actual or anticipated fluctuations in our results of operations;
- recruitment or loss of key personnel by us or our competitors;
- changes in earnings estimates or recommendations by financial analysts;
- potential litigation or regulatory investigations;
- general market conditions or other developments affecting us or the property development industry;
- the operating and stock price performance of other companies, other industries and other events or factors beyond our control;
- political, social and economic conditions in China;
- release of lock-up on our Controlling Shareholders; and
- general market sentiment regarding the property development industry and companies engaged in this industry.

Moreover, in recent years, the securities markets have experienced significant price and volume fluctuations, some of which may not relate to the operating performance of particular companies. These market fluctuations may adversely affect the market price of our Shares.

RISK FACTORS

Investors will experience dilution if we issue additional Shares in the future or upon the exercise of the options granted under the Pre-IPO Share Option Scheme and any option which may be granted under the Share Option Scheme or upon the exercise of the subscription right attached with the Warrants by the holders

The Offer Price is higher than the net tangible assets value per Share immediately prior to completion of the Capitalisation Issue and the Global Offering. As a result, investors will experience immediate dilution in pro forma consolidated net tangible assets value per Share to HK\$1.11, assuming an Offer Price of HK\$1.6 (being the mid-point of the indicative Offer Price range). If the Over-allotment Option is exercised, investors may experience further dilution.

In addition, we have adopted the Pre-IPO Share Option Scheme and Share Option Scheme. Pursuant to the Pre-IPO Share Option Scheme, we have granted options to 83 employees, the full exercise of which would entitle the grantees an aggregate of 6,000,000 Shares, representing 0.6% of the Shares in issue immediately following completion of the Capitalisation Issue, Global Offering and the Compulsory Conversion (assuming that no Shares are issued pursuant to the exercise of the Over-allotment Option and the options granted under the Pre-IPO Share Option Scheme and any option which may be granted under the Share Option and that the Warrants will lapse upon Listing). Under the Share Option Scheme, we may in the future grant to our employees options to subscribe for our Shares. Exercise of the options under the Pre-IPO Share Option Scheme and any option that may be granted under the Share Option Scheme will cause a dilution in your Shareholding and to the earnings and net asset value per Share.

The value of the options granted under the Pre-IPO Share Option Scheme will be recognised as an expense and amortised on a straight-line basis over a period from the date of the grant to the end of the vesting period and hence, there will be an impact on our income statements. Further information on the Pre-IPO Share Option Scheme and the Share Option Scheme is set forth in the paragraphs under “D. Other Information” in Appendix VII to this prospectus.

The holders of the Warrants will also have the right to subscribe for our Shares in the future at a fixed price. Further information on the terms of the Warrants is set forth in Appendix IV to this prospectus.

To finance our business and expansion, we may need to raise additional funds through the issuance of new Shares or other securities which may be converted into Shares in the future, and if we do so the percentage shareholding of our Shareholders will be diluted accordingly.

RISK FACTORS

RISK RELATING TO STATEMENTS IN THIS PROSPECTUS

Certain facts and statistics included in this prospectus may not be relied upon

Certain information and statistics contained in the section headed “Industry Overview” in this prospectus are derived from various official governmental publications. While reasonable care has been exercised in the reproduction of such information, it has not been independently verified by us, the Sponsor, China Everbright Securities or any of their respective affiliates or advisers and may not be accurate, complete or up-to-date. Our Directors make no representation as to the correctness or accuracy of such information and, accordingly, such information should not be unduly relied upon.

The statistical information included in this prospectus are historical figures which may have little value in determining future trends and results

The historical information set forth in this prospectus relating to market conditions and valuation may not reflect the current market situation due to rapid changes in the global and the PRC economy. In order to provide context to the industry in which we operate, and greater understanding of our market presence and performance, various statistics and facts have been provided throughout this prospectus. However, this information may not reflect current market condition and the availability of the latest data may lag behind the date of this prospectus. As such, any information relating to market shares, sizes and growth, or performance in these markets and other similar industry data should be viewed as historical figures that may have little value in determining future trends and results.

Forward looking statements may not be accurate

Information in this prospectus contains certain forward-looking statements and information relating to us which is based on the belief of our Directors as well as assumptions based on the information currently available to them. In this prospectus, the words “believe”, “consider”, “expect”, and similar expressions, as they relate to our Company or our Group or our Directors, are intended to, among others, identify forward-looking statements. Such statements reflect the current views of our Directors with respect to, among others, future events and are subject to certain risks, uncertainties and assumptions, including the risk

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factors described in this prospectus. Should one or more of these risks or uncertainties materialise, or should the underlying assumptions prove to be incorrect, our Group's financial condition may be adversely affected and vary materially from that described herein as believed, considered, estimated or expected.

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES AND THE COMPANIES ORDINANCE

For the purpose of the Listing, we have sought a number of waivers from the Stock Exchange in relation to strict compliance with certain requirements under the Listing Rules and a certificate of exemption from the SFC from strict compliance with certain requirements under the Companies ordinance. Further information on such waivers and certificate of exemption is described below:—

1. MANAGEMENT PRESENCE IN HONG KONG

Rule 8.12 of the Listing Rules provides that a new applicant applying for a primary listing on the Stock Exchange must have a sufficient management presence in Hong Kong, which normally means that at least two of its executive directors must be ordinarily resident in Hong Kong.

We are a property development company with headquarters in Shijiazhuang, Hebei Province, China and our operations are all managed and conducted in China. Save that one of our independent non-executive Directors, Mr. CHEUNG Ying Kwan, who is ordinarily resident in Hong Kong, all our Directors are ordinarily resident in China, and all our executive Directors are based at our headquarters in Shijiazhuang, Hebei Province, China to oversee our business and operation, save for Mr. WU Zhen He who is based in Tianjin. Save for an office established in Hong Kong for liaison purpose, we do not and will not propose to have any business and operation located, conducted and managed in Hong Kong and therefore in the foreseeable future, will not have two executive Directors residing in Hong Kong.

We have applied to the Stock Exchange for a waiver from strict compliance with the requirements under Rule 8.12 of the Listing Rules and have been granted a waiver subject to the following conditions:—

- (a) our two authorised representatives, namely Mr. WU Zhen Shan, an executive Director, and Mr. CHEUNG Siu Yiu, our company secretary, shall act as the principal channel of communications with the Stock Exchange and will also ensure our full compliance with the Listing Rules at all times. Each of the authorised representatives will be available to meet with the Stock Exchange in Hong Kong within a reasonable time-frame upon the request of the Stock Exchange and will be readily contactable by telephone, facsimile and e-mail. Each of the authorised representatives is authorised to communicate on behalf of our Company with the Stock Exchange;
- (b) in compliance with Rule 3A.19 of the Listing Rules, we will retain a compliance adviser acceptable by the Stock Exchange for a period commencing on the Listing Date and ending on the date on which we distribute the annual report for the first full financial year commencing after the Listing Date in accordance with Rule 13.46 of the Listing Rules. The compliance adviser will provide us with advice on the obligation in compliance with the Listing Rules, all other applicable laws, rules, codes and guidelines and will act as an additional channel of communication with the Stock Exchange; and

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES AND THE COMPANIES ORDINANCE

- (c) the two authorised representatives have means of contacting all our Directors (including our independent non-executive Directors) promptly at all times as and when the Stock Exchange wishes to contact our Directors on any matters. To enhance communication with the Stock Exchange, we will implement a policy whereby:—
 - (i) each Director will have to provide his phone numbers, fax numbers and email addresses to the authorised representatives;
 - (ii) in the event that a Director expects to travel and be out of office, he shall provide to the authorised representatives the valid phone number of the place of his accommodation or other means of communications; and
 - (iii) our Directors will provide their respective phone numbers, fax numbers and email addresses to the Stock Exchange.
- (d) all our Directors (including our independent non-executive Directors) who are not ordinarily resident in Hong Kong possess or can apply for valid travel documents to visit Hong Kong and all our Directors and authorised representatives can meet with the Stock Exchange within a reasonable time.

2. CONNECTED TRANSACTIONS

After the Listing, certain transactions whereby we have entered into or will continue to conduct, will constitute non-exempt continuing connected transactions for our Company under the Listing Rules. Our Company has applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver from strict compliance with the independent Shareholders' approval and announcement requirements set forth in Chapter 14A of the Listing Rules for such non-exempt continuing connected transactions. Further information on such waiver is set forth in the section headed "Connected Transactions" in this prospectus.

3. DISCLOSURES OF DETAILS OF GRANTEES UNDER THE PRE-IPO SHARE OPTION SCHEME

We have applied for (i) a waiver from the Stock Exchange from strict compliance with the disclosure requirements under paragraph 27 of Appendix 1A to the Listing Rules; and (ii) a certificate of exemption from the SFC from strict compliance with the disclosure requirements of paragraph 10(d) of Part I of the Third Schedule to the Companies Ordinance in respect of the details of the grantees who have been granted options under the Pre-IPO Share Option Scheme. Details of such waiver are set forth in the paragraph headed "D. Other Information — 1. Pre-IPO Share Option Scheme" in Appendix VII to this prospectus.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

This prospectus, for which our Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Companies Ordinance, the Securities and Futures (Stock Market Listing) Rules (Chapter 571V of the Laws of Hong Kong) and the Listing Rules for the purpose of giving information to the public with regard to our Company. Our Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief:–

- the information contained in this prospectus is accurate and complete in all material respects and not misleading or deceptive;
- there are no other matters the omission of which would make any statement herein or this prospectus misleading; and
- all opinions expressed in this prospectus have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

INFORMATION ON THE GLOBAL OFFERING

Our Offer Shares are offered solely on the basis of the information contained and representations made in this prospectus and the Application Forms and on the terms and subject to the conditions set forth herein and therein. No person is authorised to give any information in connection with the Global Offering or to make any representation not contained in this prospectus, and any information or representation not contained herein must not be relied upon as having been authorised by us, the Sponsor, the Sole Lead Manager, any of their respective directors, agents, employees or advisors or any other party involved in the Global Offering.

Further information on the structure of the Global Offering, including its conditions, is set forth in the section headed “Structure of the Global Offering” in this prospectus, and the procedures for applying for Hong Kong Offer Shares are set forth in the section headed “How to Apply for our Hong Kong Offer Shares” in this prospectus and in the relevant Application Forms.

UNDERWRITING

This prospectus is published solely in connection with the Hong Kong Public Offer. For applicants under the Hong Kong Public Offer, this prospectus and the Application Forms contain the terms and conditions of the Hong Kong Public Offer.

The Listing is sponsored by the Sponsor.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

Pursuant to the Hong Kong Underwriting Agreement, the Hong Kong Public Offer is fully underwritten by China Everbright Securities. The International Underwriting Agreement is expected to be entered into on or about the Price Determination Date, subject to agreement on the Offer Price between us and China Everbright Securities. Further information on the underwriting arrangements is set forth in the section headed “Underwriting” in this prospectus.

DETERMINATION OF THE OFFER PRICE

Our Offer Shares are being offered at the Offer Price which is expected to be determined by us and China Everbright Securities on or about the Price Determination Date. **If we and China Everbright Securities are unable to reach an agreement on the Offer Price on or before Sunday, 11 July 2010, the Global Offering (including the Hong Kong Public Offer) will not become unconditional and will lapse.**

RESTRICTIONS ON OFFER AND SALE OF OUR OFFER SHARES

No action has been taken to permit an offering of our Offer Shares in any jurisdiction other than in Hong Kong, or the distribution of this prospectus in any jurisdiction other than Hong Kong. Accordingly, this prospectus may not be used for the purpose of, and does not constitute an offer or invitation in any jurisdiction or in any circumstances in which such an offer or invitation is not authorised or to any person to whom it is unlawful to make such an offer or invitation.

The distribution of this prospectus and the offering and sales of our Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorisation by the relevant securities regulatory authorities or an exemption therefrom.

Each person acquiring our Offer Shares will be required to, or be deemed by his/her/its subscription for our Offer Shares to, confirm that he/she/it is aware of the restrictions on offers of our Offer Shares described in this prospectus and that he/she/it is not acquiring, and has not been offered, any Offer Shares in circumstances that contravene any such restrictions.

APPLICATION FOR LISTING OF OUR SHARES ON THE STOCK EXCHANGE

We have applied to the Listing Committee of the Stock Exchange for the granting of listing of, and permission to deal in, our Shares in issue and to be issued pursuant to the Global Offering and the Capitalisation Issue and any Shares which may be issued pursuant to the exercise of the Over-allotment Option, options granted under the Pre-IPO Share Option Scheme, the Share Option Scheme, the subscription rights attached to the Warrants and the conversion rights attached to the Notes.

No part of our Shares is listed on or dealt in on any other stock exchange and no such listing or permission to list is being or proposed to be sought in the near future.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

OUR SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

Subject to the granting of listing of, and permission to deal in, our Shares on the Stock Exchange and our compliance with the stock admission requirements of HKSCC, our Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in our Shares on the Stock Exchange or any other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second business day after any trading day. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. All necessary arrangements have been made for our Shares to be admitted into CCASS.

REGISTER OF MEMBERS AND STAMP DUTY

Our principal register of members will be maintained by our principal registrar, Appleby Trust (Cayman) Ltd., in the Cayman Islands and our Hong Kong register of members will be maintained by our Hong Kong branch registrar, Tricor Investor Services Limited. Dealings in our Shares registered on our Hong Kong branch registrar will be subject to Hong Kong stamp duty.

PROFESSIONAL TAX ADVICE RECOMMENDED

Potential investors in the Global Offering are recommended to consult their professional advisors if they are in any doubt as to the taxation implications of subscribing for, purchasing, holding or disposal of, and dealing in our Shares (or exercising rights attached to them). None of us, the Sponsor, China Everbright Securities, any of their respective directors or any other person or party involved in the Global Offering accepts responsibility for any tax effects on, or liabilities of, any person resulting from the subscription, purchase, holding or disposal of, dealing in, or the exercise of any rights in relation to, our Shares.

OVER-ALLOTMENT AND STABILISATION

Stabilisation is a practice used by underwriters in some markets to facilitate the distribution of securities. To stabilise, the underwriters may bid for, or purchase, the newly issued securities in the secondary market, during a specified period of time (which will begin on the Listing Date, and is expected to expire on Thursday, 5 August 2010, being the 30th day after the last date for lodging applications under the Hong Kong Public Offer), to retard and, if possible, prevent a decline in the initial public market price of the securities below the offer price. Such transactions may be effected in all jurisdictions where it is permissible to do so, in each case in compliance with all applicable laws and regulatory requirements including those of Hong Kong. In Hong Kong, the stabilisation price is not permitted exceed the offer price.

In connection with the Global Offering, China Everbright Securities or its affiliates or any person acting for it, as stabilising manager, may over-allocate Shares or effect transactions with a view to stabilising or supporting the market price of our Shares at a level higher than that which might otherwise prevail for a limited period after the Listing Date.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

However, there is no obligation on China Everbright Securities or its affiliates or any persons acting for it, to conduct any such stabilising action. Such stabilisation action, if commenced, may be discontinued at any time, and is required to be brought to an end after a limited period. Should stabilising transactions be effected in connection with the Global Offering, this will be at the absolute discretion of China Everbright Securities or its affiliates or any person acting for it.

The number of Shares over-allocated will not be greater than the maximum number of Shares which may be issued upon exercise of the Over-allotment Option, being 37,500,000 Shares, which is 15% of the initial number of our Offer Shares.

Stabilisation action permitted in Hong Kong pursuant to the Securities and Futures (Price Stabilizing) Rules, as amended, includes (i) over-allocating for the purpose of preventing or minimising any reduction in the market price of our Shares, (ii) selling or agreeing to sell our Shares so as to establish a short position in them for the purpose of preventing or minimising any reduction in the market price of our Shares, (iii) purchasing or subscribing for, or agreeing to purchase or subscribe for, our Shares pursuant to the Over-allotment Option in order to close out any position established under (i) or (ii) above, (iv) purchasing, or agreeing to purchase, any of our Shares for the sole purpose of preventing or minimising any reduction in the market price of our Shares, (v) selling or agreeing to sell any Shares in order to liquidate any position established as a result of those purchases and (vi) offering or attempting to do anything as described in (ii), (iii), (iv) or (v).

Prospective applicants for and investors in our Offer Shares should note that:–

- (a) China Everbright Securities or its affiliates or any person acting for it, may, in connection with the stabilising action, maintain a long position in our Shares;
- (b) there is no certainty regarding the extent to which and the time or period for which China Everbright Securities or its affiliates or any person acting for it, will maintain such a long position;
- (c) liquidation of any such long position by China Everbright Securities or its affiliates or any person acting for it, may have an adverse impact on the market price of our Shares;
- (d) no stabilising action can be taken to support the price of our Shares for longer than the stabilising period which will begin on the Listing Date, and is expected to expire on Thursday, 5 August 2010, being the 30th day after the last date for lodging applications under the Hong Kong Public Offer. After this date, when no further stabilising action may be taken, demand for our Shares, and therefore the price of our Shares, could fall;
- (e) the price of our Shares cannot be assured to stay at or above the final Offer Price by the taking of any stabilising action; and
- (f) stabilising bids may be made or transactions effected in the course of the stabilising action at any price at or below the final Offer Price, which means that stabilising bids may be made or transactions effected at a price below the price paid by applicants for, or investors in, our Shares.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

For the purpose of covering any over-allocations, China Everbright Securities or its affiliates or any person acting for it, may borrow from Neway Enterprises up to 37,500,000 Shares, equivalent to the maximum number of our Shares to be issued on a full exercise of the Over-allotment Option, under the Stock Borrowing Agreement. The loan of our Shares by Neway Enterprises pursuant to the Stock Borrowing Agreement shall not be subject to the restrictions under Rule 10.07(1)(a) of the Listing Rules, which restricts the disposal of Shares by our Controlling Shareholders subsequent to the date of this prospectus, subject to compliance with the following requirements in accordance with the requirements of Rule 10.07(3) of the Listing Rules:–

- (a) the Stock Borrowing Agreement will be for the sole purpose of covering any short position prior to the exercise of the Over-allotment Option in connection with the International Placing;
- (b) the maximum number of our Shares which may be borrowed from Neway Enterprises must not exceed the maximum number of Shares which may be issued upon full exercise of the Over-allotment Option;
- (c) the same number of Shares so borrowed must be returned to Neway Enterprises or its nominees, as the case may be, on or before the third business day following the earlier of (a) the last day for exercising the Over-allotment Option and (b) the date on which the Over-allotment Option is exercised in full;
- (d) the borrowing of Shares pursuant to the stock borrowing arrangement will be effected in compliance with all applicable Listing Rules, laws and other regulatory requirements; and
- (e) no payments will be made to Neway Enterprises by China Everbright Securities or its affiliates or any person acting for it, in relation to such Stock Borrowing Agreement.

LANGUAGE

Translated English names of Chinese laws and regulations, governmental authorities, institutions, natural persons or other entities included in this prospectus and for which no official English translation exists are unofficial translations for your reference only.

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

DIRECTORS

Name	Residential address	Nationality
<i>Executive Directors</i>		
Mr. WU Zhen Shan (吳振山先生)	No. 50 Yuyingxi Road Liu Village Liu Village Township Yuhua District Shijiazhuang Hebei Province China	Chinese
Mr. WU Zhen Ling (吳振嶺先生)	No. 63 Jiuan Street Yuyingxi Road Liu Village Liu Village Township Yuhua District Shijiazhuang Hebei Province China	Chinese
Mr. ZHANG Zhen Hai (張振海先生)	No. 207 Xuetao Street Ershilipu Village Yuhua District Shijiazhuang Hebei Province China	Chinese
Mr. WU Zhen He (吳振河先生)	No. 201, Door 3 Building No. 6 Xingming Garden Baiti Road Nankai District Tianjin China	Chinese

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

Name	Residential address	Nationality
<i>Independent Non-executive Directors</i>		
Mr. TIAN Chong Hou (田崇厚先生)	Unit 23-1-301 Hebei University of Economics and Business China	Chinese
Mr. WANG Ping (王平先生)	10-306# Zhong Lane Cuiwei Small District Wanshou Road Beijing China	Chinese
Mr. CHEUNG Ying Kwan (張應坤先生)	Flat G, 2nd Floor Block 3 Palm Mansions 7 Shung King Street Site 4, Whampoa Garden Hung Hom Kowloon	Chinese

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

PARTIES INVOLVED IN THE GLOBAL OFFERING

Sponsor	China Everbright Capital Limited 40th Floor, Far East Finance Centre 16 Harcourt Road Hong Kong
Sole Global Coordinator, Sole Bookrunner and Sole Lead Manager	China Everbright Securities (HK) Limited 36th Floor, Far East Finance Centre 16 Harcourt Road Hong Kong
Hong Kong Underwriter	China Everbright Securities (HK) Limited 36th Floor, Far East Finance Centre 16 Harcourt Road Hong Kong
International Underwriter	China Everbright Securities (HK) Limited 36th Floor, Far East Finance Centre 16 Harcourt Road Hong Kong
Legal advisers to our Company	<i>as to Hong Kong law</i> Sidley Austin Level 39 Two International Finance Centre 8 Finance Street Central Hong Kong <i>as to PRC law</i> Commerce & Finance Law Offices 6th Floor, NCI Tower, A12 Jianguomenwai Avenue Chaoyang District Beijing 100022 China

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

	<i>as to Cayman Islands law</i> Appleby 8th Floor, Bank of America Tower 12 Harcourt Road, Central Hong Kong
Legal adviser to the Sponsor and the Sole Global Coordinator	<i>as to Hong Kong law</i> Squire, Sanders & Dempsey 24th Floor, Central Tower 28 Queen's Road Central Hong Kong
Auditors and reporting accountants	KPMG <i>Certified Public Accountants</i> 8th Floor, Prince's Building 10 Chater Road Central Hong Kong
Property valuer	Jones Lang LaSalle Sallmanns Limited 17th Floor, Dorset House Taikoo Place 979 King's Road Quarry Bay Hong Kong
Receiving banker	Bank of China (Hong Kong) Limited 1 Garden Road Hong Kong

CORPORATE INFORMATION

Registered office in the Cayman Islands	Clifton House 75 Fort Street P.O. Box 1350, Grand Cayman KY1-1108 Cayman Islands
Headquarters and principal place of business in China	No. 109 Tianshan Avenue Shijiazhuang Hi-Tech Industry Development Zone Shijiazhuang Hebei Province China
Principal Place of business in Hong Kong registered under Part XI of the Companies Ordinance	Unit 3, 7th Floor, Fairmont House No. 8 Cotton Tree Drive Hong Kong
Company secretary	Mr. CHEUNG Siu Yiu (張少耀), <i>FCPA</i>
Authorised representatives	Mr. WU Zhen Shan (吳振山) No. 50 Yuyingxi Road Liu Village Liu Village Township Yuhua District Shijiazhuang Hebei Province China Mr. CHEUNG Siu Yiu (張少耀), <i>FCPA</i> Flat G, 20th Floor, Block 10, Park Island 8 Pak Lai Road Ma Wan, New Territories Hong Kong
Audit committee of our Board	Mr. CHEUNG Ying Kwan (張應坤先生) (<i>Chairman</i>) Mr. TIAN Chong Hou (田崇厚先生) Mr. WANG Ping (王平先生)
Remuneration committee of our Board	Mr. WU Zhen Shan (吳振山先生) (<i>Chairman</i>) Mr. WU Zhen Ling (吳振嶺先生) Mr. CHEUNG Ying Kwan (張應坤先生) Mr. TIAN Chong Hou (田崇厚先生) Mr. WANG Ping (王平先生)

CORPORATE INFORMATION

**Nomination committee
of our Board**

Mr. WU Zhen Shan (吳振山先生) (*Chairman*)
Mr. WU Zhen Ling (吳振嶺先生)
Mr. CHEUNG Ying Kwan (張應坤先生)
Mr. TIAN Chong Hou (田崇厚先生)
Mr. WANG Ping (王平先生)

Principal bankers

In the PRC:–

Industrial and Commercial Bank of China
Jianshe Avenue Branch
No. 36 Jianshe South Avenue
Shijiazhuang
Hebei Province
China

Agriculture Bank of China
Shijiazhuang Development Zone Branch
No. 35 Xiangjiang Road
Shijiazhuang
Hebei Province
China

In Hong Kong:–

Bank of China (Hong Kong) Limited
1 Garden Road
Hong Kong

**Principal share registrar and
transfer office in
the Cayman Islands**

Appleby Trust (Cayman) Ltd.
Clifton House, 75 Fort Street
P.O. Box 1350
Grand Cayman, KY1-1108
Cayman Islands

**Hong Kong branch share
registrar and transfer office**

Tricor Investor Services Limited
26/F, Tesbury Centre
28 Queen's Road East
Wanchai
Hong Kong

INDUSTRY OVERVIEW

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

In addition, certain information and data contained in this prospectus are derived from market data extracted from the statistical year books in China.

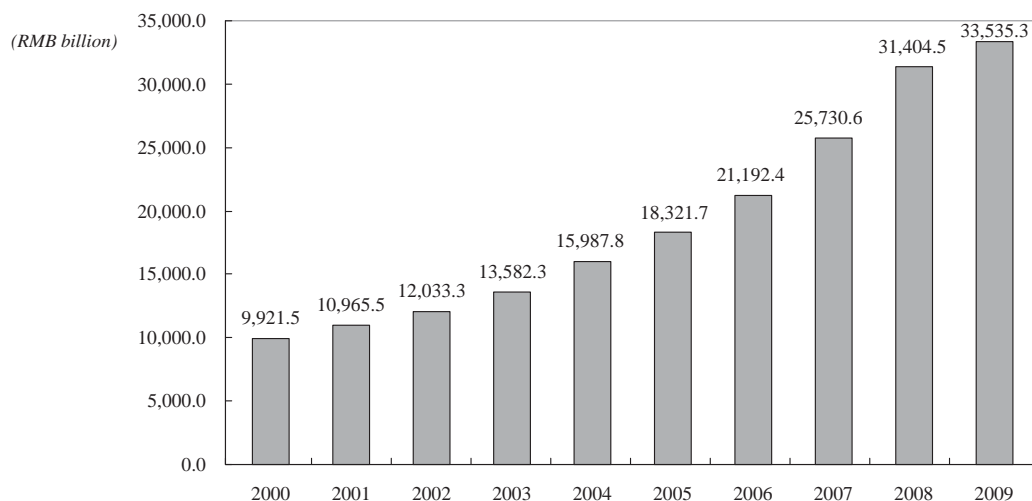
We believe that the sources of this information are appropriate sources for such information and have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is false or misleading or that any fact has been omitted that would render such information false or misleading. The information has not been independently verified by us, the Sponsor, China Everbright Securities or any other party involved in the Global Offering and no representation is given as to its accuracy.

OVERVIEW OF THE PRC ECONOMY

Overview

China is one of the fastest growing developing countries in the world with GDP of approximately RMB33,535.3 billion in 2009, representing a real GDP increase of approximately 8.7% over 2008, and an average real GDP growth rate of approximately 9.9% from 2000 to 2009.

The following diagram illustrates the total value of GDP of the PRC between 2000 and 2009:–



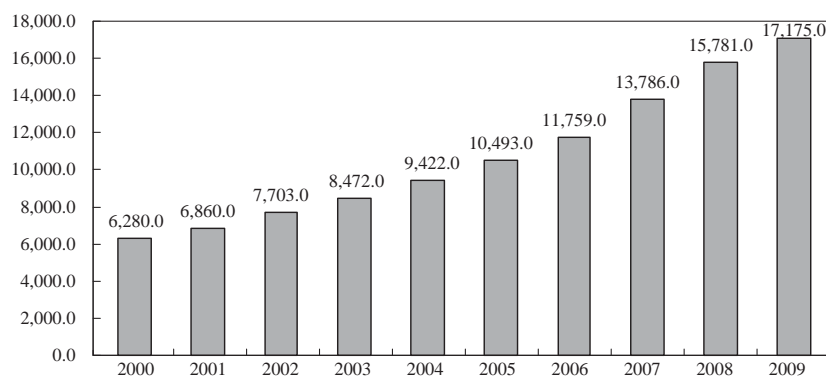
Sources: China Statistical Yearbook 2009, Announcement of National Statistics Bureau on 25 December 2009, Statistical Communiqué of the People's Republic of China on the 2009 National Economic and Social Development

INDUSTRY OVERVIEW

In 2009, the disposable income per capita in urban area in the PRC amounted to approximately RMB17,175.0, representing a CAGR of approximately 11.8% from 2000 to 2009.

The following diagram illustrates the disposable income per capita in urban area in the PRC between 2000 and 2009:–

(RMB)



Source: *China Statistical Yearbook 2003-2009, Statistical Communiqué of the People's Republic of China on the 2009 National Economic and Social Development*

OVERVIEW OF THE ECONOMY OF THE BOHAI ECONOMIC RIM

Tianjin

Tianjin is the economic hub in the Bohai Economic Rim and one of the four municipalities of the PRC directly under the State. By the end of 2009, there are total 136 enterprises out of the 500 largest enterprises worldwide have made their investment in Tianjin.

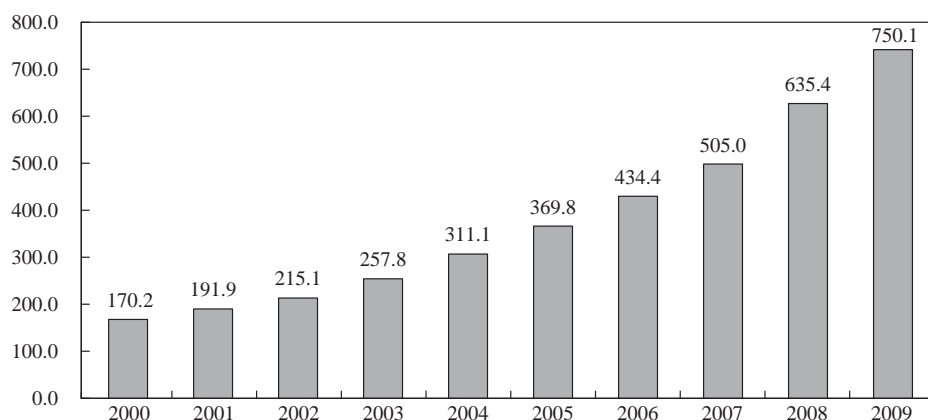
According to the Tianjin Municipal Bureau of Statistics, Tianjin had realised a GDP of RMB750.1 billion in 2009, representing an increase of approximately RMB114.7 billion and a real GDP growth rate of approximately 16.5% as compared with 2008. The disposable income per capita in urban area has also increased significantly. The disposable income per capita in urban area has reached the amount of approximately RMB21,430.0 in 2009, representing an increase of approximately 10.3% as compared to 2008.

During the period from 2000 to 2009, the total value of GDP of Tianjin increased from approximately RMB170.2 billion to RMB750.1 billion, representing an average real GDP growth rate of approximately 14.4%, making Tianjin one of the fastest developing regions in China.

INDUSTRY OVERVIEW

The following diagram illustrates the total value of GDP of Tianjin from 2000 to 2009:–

(RMB billion)



Sources: *China Statistical Yearbook 2005-2009, Statistical Communiqué of Tianjin on the 2009 National Economic and Social Development*

Hebei Province

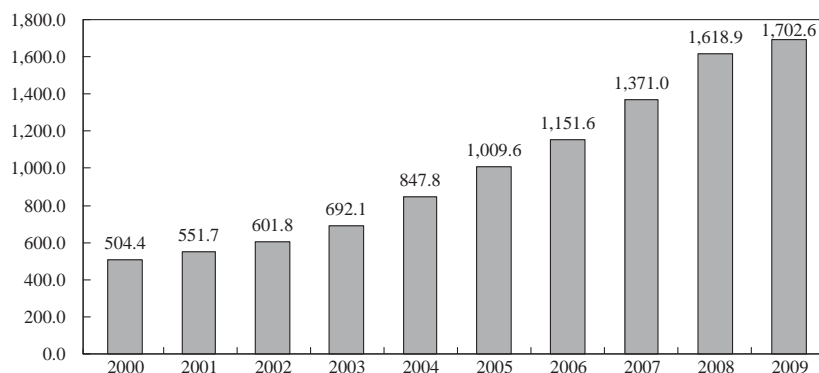
Hebei Province is located in the northern part of the PRC and comprises approximately 187,693.0 sq. km. in area. Hebei Province is situated in the Bohai Economic Rim and Beijing-Tianjin-Hebei economic zone. As at the end of 2009, Hebei Province had a population of approximately 70.3 million. In 2009, Hebei Province achieved a GDP of approximately RMB1,702.6 billion.

According to Hebei Provincial Bureau of Statistics, during the period from 2000 to 2009, the total value of GDP of Hebei Province increased from approximately RMB504.4 billion to RMB1,702.6 billion with an average real GDP growth rate of approximately 11.2%. The disposable income per capita in urban area has reached approximately RMB14,718.3, representing an increase of approximately 9.5% as compared to 2008.

INDUSTRY OVERVIEW

The following diagram illustrates the total value of GDP product of Hebei Province from 2000 to 2009:–

(RMB billion)



Sources: China Statistical Yearbook 2005-2009, Statistical Communiqué of Hebei on the 2009 National Economic and Social Development

Shijiazhuang

Shijiazhuang is the capital of Hebei Province. The city comprises six districts, twelve counties and five cities at country level and one high technology development zone at the State level, covering a total area of approximately 15,800.0 sq. km., with a population of approximately 9.4 million. The urban area of Shijiazhuang covers an area of approximately 455.8 sq. km., with a population of approximately 2.3 million.

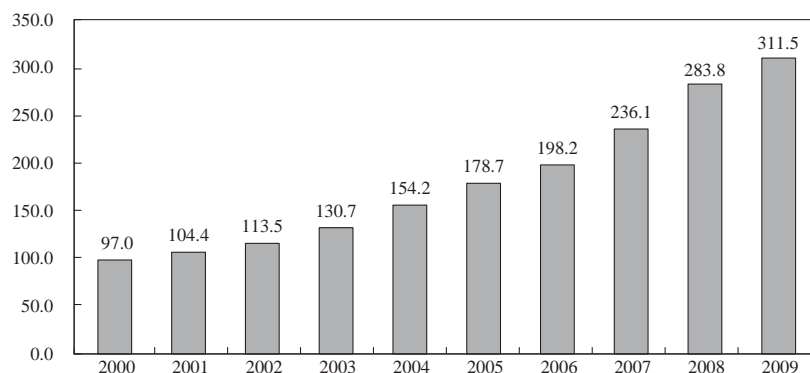
Shijiazhuang realised a GDP of approximately RMB311.5 billion in 2009, representing a growth of approximately 11.1% over 2008. The disposable income per capita in urban area grew in a fast rate with an amount of approximately RMB16,607.0, representing an increase of approximately 10.3% as compared with 2008.

During the period from 2001 to 2009, the total value of GDP of Shijiazhuang increased from approximately RMB104.4 billion to RMB311.5 billion, representing an average real GDP growth rate of approximately 11.9%.

INDUSTRY OVERVIEW

The following diagram illustrates the total value of GDP of Shijiazhuang from 2000 to 2009:–

(RMB billion)



Sources: *Hebei Economic Yearbook 2007-2009*, *Statistical Communiqué of Shijiazhuang on the 2009 National Economic and Social Development*

Chengde

Chengde is situated in the northeast part of Hebei Province and covers an area of approximately 39,500.0 sq.km., with a total population of approximately 3.7 million. The city comprises eight counties, three districts and one high technology development zone. It enjoys a unique geographical advantage of being a hub connecting Beijing, Tianjin, Hebei, Liaoning and Inner Mongolia.

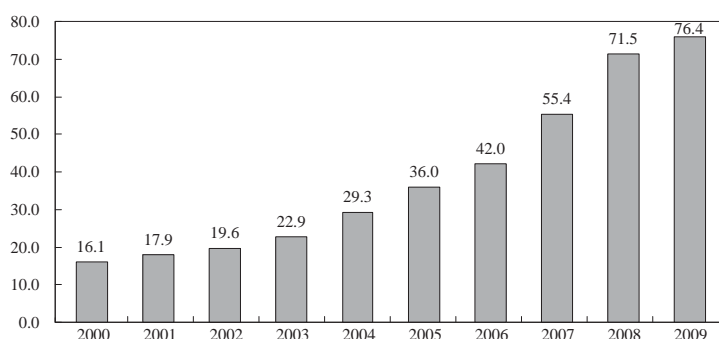
According to Chengde Municipal Bureau of Statistics, the GDP of Chengde was RMB76.4 billion in 2009, representing a real GDP increase of approximately 11.0% as compared to 2008. In 2009, the disposable income per capita in urban area amounted to approximately RMB11,951.0, representing a growth of approximately 10.0%.

During the period from 2001 to 2009, the total value of GDP of Chengde increased from approximately RMB17.9 billion to RMB76.4 billion, representing an average real GDP growth rate of approximately 12.6% from 2001 to 2009.

INDUSTRY OVERVIEW

The following diagram illustrates the total value of GDP of Chengde from 2000 to 2009:–

(RMB billion)



Sources: *Hebei Economic Yearbook 2007-2009, Statistical Communiqué of Chengde on the 2009 National Economic and Social Development*

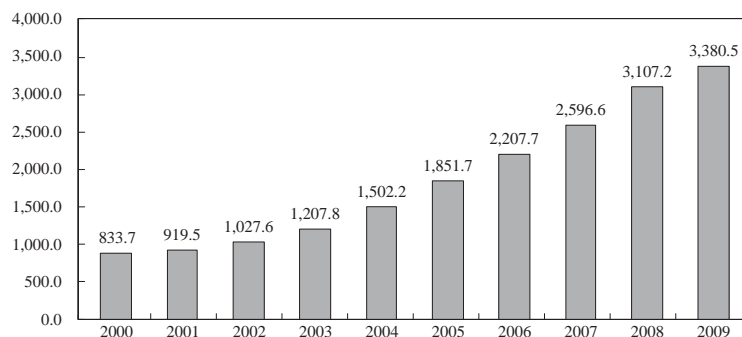
Shandong Province

Shandong Province covers an area of approximately 157,126.0 sq.km. with a population of approximately 94.7 million by the end of 2009. In 2009, the GDP for Shandong Province was approximately RMB3,380.5 billion.

During the period from 2000 to 2009, the total value of GDP of Shandong Province increased from approximately RMB833.7 billion to RMB3,380.5 billion, representing an average real GDP growth rate of approximately 12.9% from 2000 to 2009.

The following diagram illustrates the total value of GDP of Shandong Province for the period from 2000 to 2009:–

(RMB billion)



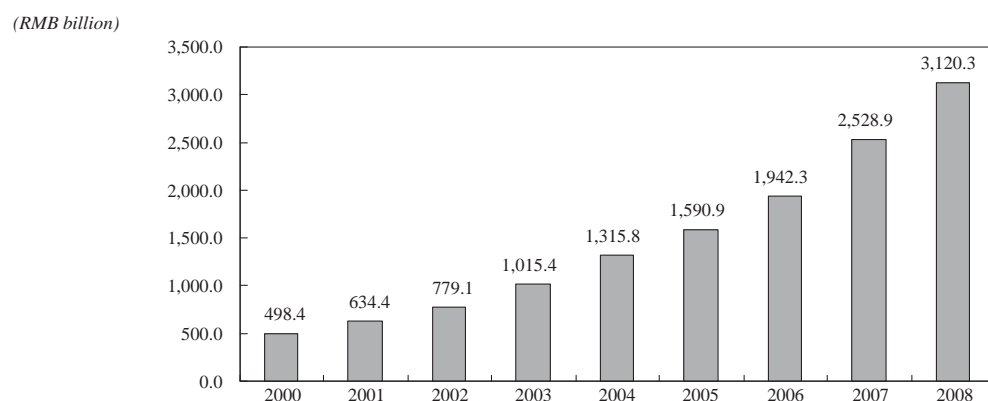
Sources: *China Statistical Yearbook 2005-2009, Statistical Communiqué of Shandong on the 2009 National Economic and Social Development*

INDUSTRY OVERVIEW

PROPERTY DEVELOPMENT INDUSTRY IN THE PRC

With a rapidly growing economy, the property development industry in the PRC has entered into a high-growth period. During the period from 2000 to 2008, the total number of property development enterprises in the PRC increased from 27,303 to 87,562; the aggregate amount of completed investment in the property development industry grew from approximately RMB498.4 billion to RMB3,120.3 billion with a CAGR of approximately 25.8%.

The following diagram illustrates the total amount of completed investment by property development enterprises in the PRC from 2000 to 2008:–

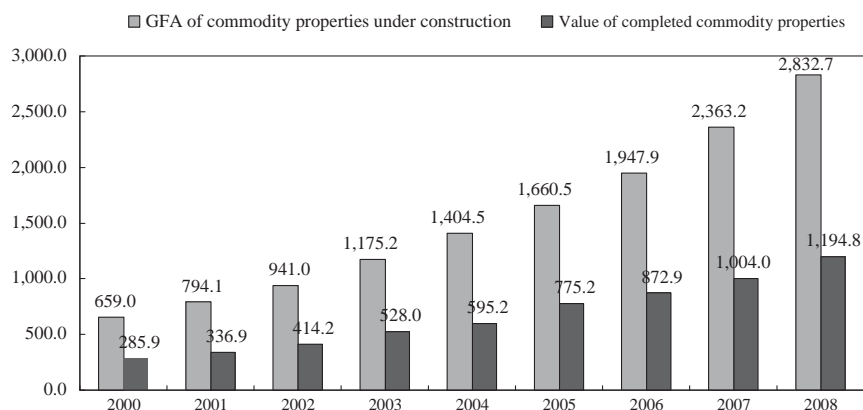


Source: *China Statistical Yearbook 2009*

The rapid growth of the property development industry is reflected by the fast growth in the GFA of commencement of commodity properties and by the substantial increase in the value of the completed commodity properties. From 2000 to 2008, the GFA of commencements of commodity properties was increased from approximately 295.8 million sq. m. to 1,025.5 million sq. m. with a CAGR of approximately 16.8%. The value of completed commodity properties amounted to approximately RMB1,194.8 billion in 2008 as compared with approximately RMB1,004.0 billion in 2007, representing an increase of 19.0%, and a CAGR of approximately 13.0% from 2000 to 2008.

INDUSTRY OVERVIEW

The following diagram illustrates the GFA of commodity properties under construction (Unit: million sq.m.) and the value of completed commodity properties (Unit: RMB billion) by property enterprises in the PRC from 2000 to 2008:–



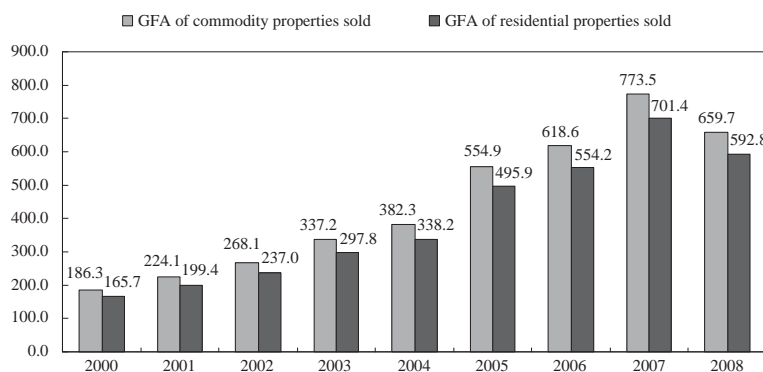
Source: China Statistical Yearbook 2009

During the period from 2000 to 2008, the GFA of commodity properties sold in the PRC increased from approximately 186.3 million sq. m. to 659.7 million sq. m. with a CAGR of approximately 17.1% from 2000 to 2008.

The growing sales volume has elevated property prices up since 2000. The average selling price of commodity properties sold increased from approximately RMB2,112.0 per sq. m. in 2000 to approximately RMB3,800 per sq. m. in 2008, representing a CAGR of 9.0%.

The following diagram illustrates the growth of commodity properties sold and residential properties sold in terms of GFA in the PRC from 2000 to 2008:–

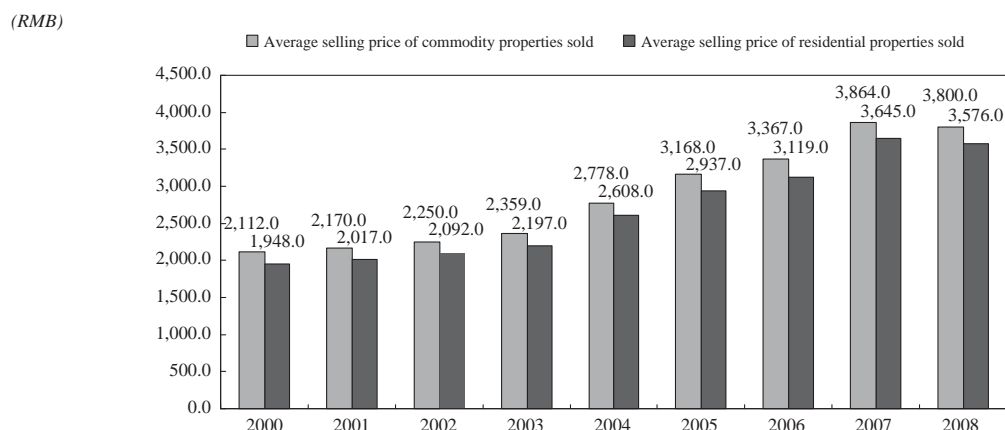
Million sq. m.



Source: China Statistical Yearbook 2009

INDUSTRY OVERVIEW

The following diagram illustrates the growth of average price of commodity properties and residential properties sold in the PRC from 2000 to 2008:–



Source: China Statistical Yearbook 2009

PROPERTY DEVELOPMENT INDUSTRY IN THE BOHAI ECONOMIC RIM

Tianjin

Completed investment in commodity property of Tianjin increased steadily from approximately RMB13.4 billion in 2000 to RMB65.4 billion in 2008, representing a CAGR of 21.9%.

In 2008, the GFA of commodity properties under construction in Tianjin was approximately 57.0 million sq. m., representing an increase of approximately 17.8% over 2007; the GFA of commodity properties completed was approximately 18.0 million sq. m. in 2008, representing a growth of approximately 5.9% over 2007. The GFA of commodity properties completed and sold in Tianjin rapidly grew at CAGR of approximately 15.2% and 15.7% respectively from 2000 to 2008.

The average selling price of commodity properties in Tianjin increased rapidly at a CAGR of approximately 12.6% between 2000 and 2008.

INDUSTRY OVERVIEW

The table below sets out selected property market indicators of Tianjin between 2000 and 2008:—

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2000-2008 CAGR
Completed investment in commodity property (RMB billion)	13.4	16.1	17.6	21.1	26.4	32.8	40.2	50.5	65.4	21.9%
Completed investment in residential property (RMB billion)	9.0	9.6	10.3	15.1	17.5	23.5	31.1	34.3	45.9	22.6%
GFA of commodity properties under construction (million sq. m.)	17.8	18.6	21.4	23.1	28.7	34.7	41.4	48.4	57.0	15.7%
GFA of commodity properties completed (million sq. m.)	5.8	6.9	7.5	9.1	11.1	14.8	15.2	17.0	18.0	15.2%
Value of the commodity properties completed (RMB billion)	5.7	7.1	7.2	12.0	24.9	27.9	35.4	44.2	40.4	27.7%
GFA of commodity properties sold (million sq. m.)	3.9	5.4	5.6	7.9	8.5	14.1	14.6	15.5	12.5	15.7%
GFA of residential properties sold (million sq. m.)	3.8	5.1	5.4	7.2	8.0	12.6	13.3	14.0	11.4	14.7%
Average selling price of commodity properties (RMB per sq. m.)	2,328.0	2,374.7	2,487.3	2,518.1	3,114.6	4,054.7	4,773.5	5,811.1	6,015.0	12.6%
Average selling price of residential properties (RMB per sq. m.)	2,274.2	2,307.6	2,413.8	2,392.7	2,950.3	3,987.2	4,649.3	5,575.7	5,598.0	11.9%

Sources: China Statistical Yearbook 2001-2009

INDUSTRY OVERVIEW

Hebei Province

Completed investment in commodity property in Hebei Province amounted to RMB108.4 billion in 2008, ranked the 12th in China and the 4th over the Bohai Economic Rim (the first three were Liaoning, Shandong and Beijing), representing a CAGR of approximately 33.4% from 2000 and 2008.

The GFA of commodity properties under construction in Hebei Province was approximately 89.6 million sq. m. in 2008, representing an increase of approximately 54.0% over 2007. The GFA of commodity properties completed was approximately 16.6 million sq. m. in 2008, representing a growth of approximately 23.9% over 2007. The GFA of commodity properties completed and the GFA of commodity properties sold in Hebei Province grew rapidly at CAGR of approximately 10.1% and 20.9%, respectively, from 2000 to 2008.

The average selling price of commodity properties in Hebei Province increased rapidly at a CAGR of approximately 8.5% between 2000 and 2008.

INDUSTRY OVERVIEW

The table below sets out selected property market indicators of Hebei Province between 2000 and 2008:—

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2000-2008 CAGR
Completed investment in commodity property (RMB billion)	10.8	14.1	17.5	25.1	31.6	39.2	48.2	70.9	108.4	33.4%
Completed investment in residential property (RMB billion)	7.1	8.4	10.5	16.4	22.4	29.2	38.0	57.4	85.9	36.6%
GFA of commodity properties under construction (million sq. m.)	16.7	20.2	21.4	29.1	32.7	38.2	47.7	58.2	89.6	23.4%
GFA of commodity properties completed (million sq. m.)	7.7	8.5	8.4	12.1	8.2	11.3	13.8	13.4	16.6	10.1%
Value of the commodity properties completed (RMB billion)	6.9	7.7	8.9	13.1	9.9	13.7	19.6	22.1	31.7	21.0%
GFA of commodity properties sold (million sq. m.)	4.9	6.0	6.6	9.4	8.6	14.1	18.2	20.7	22.3	20.9%
GFA of residential properties sold (million sq. m.)	4.4	5.1	5.6	8.4	7.8	13.2	16.9	19.7	21.3	21.8%
Average selling price of commodity properties (RMB per sq. m.)	1,448.2	1,462.8	1,503.5	1,463.2	1,605.4	1,862.0	2,111.4	2,585.8	2,779.1	8.5%
Average selling price of residential properties (RMB per sq. m.)	1,349.8	1,330.5	1,326.8	1,342.6	1,486.5	1,777.5	2,028.4	2,505.0	2,742.7	9.3%

Sources: China Statistical Yearbook 2001-2009

INDUSTRY OVERVIEW

Shijiazhuang

Growth in the property development sector of Shijiazhuang grew rapidly with completed investment in commodity property for 2008 amounting to approximately RMB28.0 billion, representing an increase of approximately 41.4% over 2007. Completed investment in residential property amounted to RMB19.8 billion, representing a CAGR of approximately 39.3% from 2000 to 2008.

The GFA of commodity properties under construction in Shijiazhuang was approximately 15.7 million sq. m. in 2008, representing an increase of approximately 70.6% over 2007. The GFA of commodity properties completed was approximately 2.9 million sq. m. in 2008, representing a growth of approximately 31.8% over 2007. The GFA of commodity properties completed and the GFA of commodity properties sold in Shijiazhuang grew rapidly at CAGR of approximately 12.9% and 21.8%, respectively from 2000 to 2008.

The average selling prices of commodity properties and residential properties in Shijiazhuang increased at a CAGR of approximately 5.3% and 5.7%, respectively, from 2000 to 2008.

INDUSTRY OVERVIEW

The table below sets out selected property market indicators of Shijiazhuang between 2000 and 2008:–

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2000-2008 CAGR
Completed investment in commodity property (RMB billion)	2.3	4.4	3.3	6.2	8.8	12.2	13.2	19.8	28.0	36.7%
Completed investment in residential property (RMB billion)	1.4	1.7	1.9	3.6	5.5	8.1	9.5	14.3	19.8	39.3%
GFA of commodity properties under construction (million sq. m.)	3.3	3.4	2.9	4.3	5.5	7.4	9.6	9.2	15.7	21.5%
GFA of commodity properties completed (million sq. m.)	1.1	1.0	0.8	1.4	0.8	1.9	2.8	2.2	2.9	12.9%
Value of the commodity properties completed (RMB billion)	1.4	0.8	1.0	1.3	2.5	2.1	4.2	3.3	6.6	21.4%
GFA of commodity properties sold (million sq. m.)	0.7	0.8	1.0	1.2	1.2	2.2	3.0	3.9	3.4	21.8%
GFA of residential properties sold (million sq. m.)	0.7	0.7	0.8	1.1	1.2	2.1	2.9	3.8	3.3	21.4%
Average selling price of commodity properties (RMB per sq. m.)	1,723.7	1,949.2	1,811.0	1,581.0	1,547.0	1,870.0	2,068.0	2,452.0	2,610.0	5.3%
Average selling price of residential properties (RMB per sq. m.)	1,685.0	1,907.3	1,555.0	1,570.0	1,534.0	1,705.0	2,005.0	2,378.0	2,630.0	5.7%

Sources: China Statistical Yearbook 2003-2009, Hebei Economic Yearbook 2001-2009

INDUSTRY OVERVIEW

Chengde

Completed investment in commodity property of Chengde increased from approximately RMB0.4 billion in 2000 to RMB4.8 billion in 2008, representing a CAGR of approximately 36.4%.

The GFA of commodity properties completed in Chengde recorded approximately 1.0 million sq. m. and the GFA of commodity properties sold were approximately 1.2 million sq. m. in 2008, representing a CAGR of approximately 12.1% and 18.9%, respectively from 2000 to 2008. The GFA of commodity properties under construction in Chengde amounted to approximately 4.1 million sq. m., representing a CAGR of approximately 20.9% from 2000 to 2008.

The average selling price of commodity properties in Chengde increased rapidly at a CAGR of approximately 7.2% from 2000 to 2008.

The table below sets out selected property market indicators of Chengde between 2000 and 2008:—

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2000-2008 CAGR
Completed investment in commodity property (RMB billion)	0.4	0.7	1.0	1.5	1.6	1.6	2.1	3.2	4.8	36.4%
Completed investment in residential property (RMB billion)	0.4	0.4	0.6	0.9	0.9	0.9	1.6	2.2	3.8	32.5%
GFA of commodity properties under construction (million sq. m.)	0.9	1.1	1.3	1.8	1.8	2.2	2.5	3.6	4.1	20.9%
GFA of commodity properties completed (million sq. m.)	0.4	0.5	0.5	1.1	0.8	0.6	0.6	0.8	1.0	12.1%
Value of the commodity properties completed (RMB billion)	0.3	0.4	0.6	1.2	0.8	0.6	0.9	1.3	1.7	24.2%
GFA of commodity properties sold (million sq. m.)	0.3	0.3	0.3	0.8	0.9	0.7	1.0	1.0	1.2	18.9%
GFA of residential properties sold (million sq. m.)	0.3	0.3	0.2	0.7	0.7	0.6	1.0	0.9	1.1	17.6%
Average selling price of commodity properties (RMB per sq. m.)	1,387.6	1,286.2	1,955.5	1,789.9	1,674.0	1,788.0	1,973.0	2,592.0	2,429.0	7.2%
Average selling price of residential properties (RMB per sq. m.)	1,285.8	1,208.2	1,522.2	1,402.8	1,348.0	1,569.0	1,838.0	2,329.0	2,339.0	7.8%

Sources: Hebei Economic Yearbook 2001-2009

INDUSTRY OVERVIEW

Shandong Province

Completed investment in commodity property in Shandong Province reached approximately RMB203.9 billion in 2008, representing a CAGR of approximately 31.9% from 2000 to 2008. For the completed investment in residential property, the amount grew from approximately RMB119.1 billion to RMB160.0 billion with a growth rate of approximately 34.3% from 2007 to 2008.

The GFA of commodity properties under construction in Shandong Province was approximately 201.0 million sq. m. in 2008, representing an increase of approximately 32.5% over 2007. The GFA of commodity properties completed was approximately 45.4 million sq. m. in 2008, representing a growth of approximately 19.8% over 2007. The GFA of commodity properties completed and the GFA of commodity properties sold in Shandong Province grew rapidly at CAGR of approximately 15.5% and 22.6% respectively from 2000 to 2008.

The average selling price of commodity properties in Shandong Province increased rapidly at a CAGR of approximately 9.6% between 2000 and 2008.

INDUSTRY OVERVIEW

The table below sets out selected property market indicators of Shandong Province between 2000 and 2008:—

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2000-2008 CAGR
Completed investment in commodity property (RMB billion)	22.3	29.7	39.1	58.2	76.5	97.8	118.5	152.1	203.9	31.9%
Completed investment in residential property (RMB billion)	14.6	21.8	27.6	40.9	55.0	69.8	89.5	119.1	160.0	34.9%
GFA of commodity properties under construction (million sq. m.)	35.5	43.6	52.5	72.5	82.8	106.7	123.9	151.7	201.0	24.2%
GFA of commodity properties completed (million sq. m.)	14.3	17.3	21.9	26.9	24.0	36.0	37.0	37.9	45.4	15.5%
Value of the commodity properties completed (RMB billion)	12.8	16.1	22.4	28.0	28.0	47.0	47.3	55.7	78.8	25.5%
GFA of commodity properties sold (million sq. m.)	10.8	14.0	17.0	22.5	25.2	37.5	41.7	50.6	55.1	22.6%
GFA of residential properties sold (million sq. m.)	9.3	12.4	14.8	20.1	22.1	34.2	38.2	47.1	50.4	23.5%
Average selling price of commodity properties (RMB per sq. m.)	1,427.0	1,457.0	1,604.8	1,698.3	2,045.3	2,425.2	2,540.5	2,904.1	2,969.9	9.6%
Average selling price of residential properties (RMB per sq. m.)	1,343.3	1,360.8	1,535.1	1,623.5	1,885.9	2,294.6	2,399.9	2,799.3	2,851.4	9.9%

Sources: China Statistical Yearbook 2001-2009

HISTORY AND DEVELOPMENT

OUR BUSINESS DEVELOPMENT

Introduction

Our history can be traced back to 1998, when our Founders established Tian Shan Real Estate, our principal operating subsidiary. At that time, we focused on real estate development in the suburban area of Shijiazhuang, Hebei Province, China. In 2001, we commenced the construction of our first residential property project, *Shijiazhuang Tian Shan Garden*.

During the period between 2001 and 2007, we focused on the development of residential property projects in Shijiazhuang and its neighborhood area, including *Shijiazhuang Tian Shan Garden*, *Tian Shan Waterside View (Phases I to IV)*, *Xinji Tian Shan Garden*, *Luancheng Tian Shan Wonderful Waters View*, *Tian Shan Guanlan Haoting* and *Liangcun Industrial Zone*. Hence, we established ourselves as one of the residential property developers in Hebei Province, China.

In 2008, leveraging our experience and reputation gained in the suburban area of Shijiazhuang, we started the expansion of our business into other areas within the Bohai Economic Rim. We started the construction of *Chengde Tian Shan Wonderful Waters View* and *Tianjin Tian Shan Wonderful Waterside View (Phase I)* in 2008.

We develop residential, commercial and industrial properties targeting the middle class population in the Bohai Economic Rim. As the Bohai Economic Rim is expected to continue to enjoy high economic growth, we focus on the development of quality residential properties with modern design, scenic environment and landscape to meet the increasing demand of our target customers for comfortable living environment.

As of the Latest Practicable Date, we had a total of 22 property projects in the Bohai Economic Rim at different development stages.

Further information on the working experience and qualifications of our executive Directors and our senior management, who led our business development during the Track Record Period, is set forth in the section headed “Directors, Senior Management and Staff” in this prospectus.

HISTORY AND DEVELOPMENT

Business milestones

The following table sets forth our business development milestones since our establishment:–

Years	Business achievements
September 1998	Tian Shan Real Estate obtained the Second Class Property Development Enterprise Qualification Certificate (房地產開發企業二級資質證書).
December 1998	Tian Shan Real Estate was established to carry on the business of development and trading of urban properties.
April 2001	We commenced the construction work of <i>Shijiazhuang Tian Shan Garden</i> , which is the first property project developed by us.
October 2002	We commenced the construction of <i>Xinji Tian Shan Garden</i> .
February 2003	We commenced the construction of <i>Tian Shan Waterside View (Phases I, II and III)</i> . This project has subsequently received awards and recognitions which establish our reputation in the property development industry in Shijiazhuang, Hebei Province, China.
October 2003	We completed the construction of <i>Shijiazhuang Tian Shan Garden</i> .
November 2003	<i>Tian Shan Waterside View</i> received the award of “ <i>China Renowned Property Project</i> ” (中國名盤).
February 2004	Tian Shan Real Estate was granted the First Class Property Development Enterprise Qualification Certificate which enabled us to develop property projects throughout China without geographical and scale limitations.
May 2005	We commenced the construction of <i>Luancheng Tian Shan Wonderful Waters View</i> .
February 2006	We commenced the construction of <i>Tian Shan Guanlan Haoting</i> .
September 2006	<i>Tian Shan Guanlan Haoting</i> received the award of “ <i>Gold Medal Project of Outstanding Residential Buildings in Hebei Province, the Second Awards</i> ” (第二屆河北省優秀住宅金獎實施項目).

HISTORY AND DEVELOPMENT

July 2007	We commenced the construction of <i>Ningjin Tian Shan Wonderful Waterside View</i> .
August 2008	We commenced the construction of <i>Chengde Tian Shan Wonderful Waters View</i> and <i>Tianjin Tian Shan Wonderful Waterside View (Phase I)</i> .
December 2008	We commenced the construction of <i>Contemporary Noble Territory</i> .
March 2009	Tian Shan Real Estate obtained the award of “2007-2008 Creditable Property Development Enterprises in China” (2007-2008 年度中國房地產誠信企業).
June 2009	We commenced the construction of <i>New Great Earldom</i> .
November 2009	We commenced the construction of <i>Tian Shan Long Hu Wan (Phases I & II)</i> .
December 2009	We commenced the construction of <i>Tian Shan Long Hu Wan (Phases III)</i> .

OUR CORPORATE HISTORY

The following sets forth the corporate development of each member of our Group since their respective dates of establishment/incorporation. Our principal operating entities are Tian Shan Real Estate and its branch company, Tian Shan Tianjin Real Estate, Tian Shan Hengji Real Estate and Tian Shan Weihai Real Estate, all of which are our wholly-owned subsidiaries. We also underwent certain reorganisation steps for the purpose of the Global Offering, further information on which is set forth in the section headed “Reorganisation” in this prospectus.

Our PRC Legal Advisers confirm that all contributions and increases of the respective registered capitals of members of our Group in China, with particulars set forth in this section, have been fully paid up in the required manner and within the required timeframe.

HISTORY AND DEVELOPMENT

Tian Shan Real Estate

Tian Shan Real Estate was established as 石家莊高新技術產業開發區天山房地產開發有限公司 (Shijiazhuang Hi-tech Industry Development Zone Tian Shan Real Estate Development Company Limited*) by our Founders on 21 December 1998 in China as a limited liability company. At the time of establishment, Tian Shan Real Estate had a registered capital of RMB10.2 million, and its business scope included development and trading of urban properties. Tian Shan Real Estate was owned as to 26.47% by Mr. WU Zhen Shan, and 24.5098% by each of Mr. WU Zhen Ling, Mr. ZHANG Zhen Hai and Mr. WU Zhen He.

In April 2000, our Founders transferred in aggregate approximately 52.94% equity interest (equivalent to RMB5.4 million), comprising approximately 14.71% (equivalent to RMB1,500,000) owned by Mr. WU Zhen Shan and approximately 12.75% (equivalent to RMB1,300,000) owned by each of Mr. WU Zhen Ling, Mr. ZHANG Zhen Hai and Mr. WU Zhen He, in Tian Shan Real Estate to Tianshan Industrial Group. Upon completion of the transfers, Tian Shan Real Estate was owned as to approximately 52.94% by Tianshan Industrial Group and as to approximately 11.765% by each of our Founders.

In December 2000, Tian Shan Real Estate was renamed as 河北天山實業集團房地產開發有限公司 (Hebei Tian Shan Industrial Group Real Estate Development Company Limited*).

In March 2001, the registered capital of Tian Shan Real Estate increased to RMB20.2 million and after the increase, the equity interest in Tian Shan Real Estate was owned as to 52.0% by Tianshan Industrial Group and as to 12% by each of our Founders. The additional registered capital of RMB10.0 million was fully paid up within the permitted schedule.

In May 2003, the registered capital of Tian Shan Real Estate further increased to RMB50.2 million. The additional registered capital of RMB30.0 million was contributed by Tianshan Industrial Group. After injection of the said additional capital, Tian Shan Real Estate was owned as to approximately 81% by Tianshan Industrial Group and as to approximately 4.75% by each of our Founders. According to our PRC Legal Advisers, the additional registered capital of RMB30.0 million was fully paid up within the permitted schedule by Tianshan Industrial Group, the relevant procedures for registration of the changes in the registered capital with the regulatory authority were duly and timely completed, and accordingly the increase in the registered capital was legal and valid.

HISTORY AND DEVELOPMENT

In early 2004, our Founders decided to integrate the property development business with the construction business. Our Founders expected that such business integration would enhance the property development business because of the construction teams and thereby, our income source would be expanded. As such, on 10 July 2004, each of our Founders entered into an equity interest transfer agreement with Tianshan Industrial Group, pursuant to which Tianshan Industrial Group transferred in aggregate 80.6852% equity interest, being its then entire interest in Tian Shan Real Estate, to our Founders at a total cash consideration of approximately RMB40.5 million. The amount of consideration was based on the respective percentage of equity interest transferred in the then registered capital. Following completion of the transfer, Tian Shan Real Estate was owned as to 25.021% by Mr. WU Zhen Shan and as to 24.993% by each of Mr. WU Zhen Ling, Mr. ZHANG Zhen Hai and Mr. WU Zhen He. All of them are our Founders.

On 22 July 2004, Tian Shan Real Estate was renamed to its existing name 河北天山房地產開發有限公司 (Hebei Tian Shan Real Estate Development Limited*).

In July 2004, all the equity holders of Tian Shan Real Estate passed a resolution to transfer the entire equity interest in Tian Shan Real Estate to Sunnet Enterprises Limited (“**Sunnet**”), a company incorporated in the BVI on 21 July 2003 and owned by Neway Enterprises, for cash consideration of approximately RMB150.0 million. In this connection, each of the Founders signed an equity interest transfer agreement with Sunnet on 31 July 2004. Tian Shan Real Estate was granted the business licence on 16 August 2004 as a wholly foreign-owned enterprise. However, Sunnet was not able to settle the consideration for the transfer, Tian Shan Real Estate was therefore subsequently converted into a limited liability company established in China in November 2004 and owned by the Founders.

In November 2004, the registered capital of Tian Shan Real Estate was further increased to RMB110.0 million, of which Tianshan Industrial Group contributed approximately RMB42.7 million and each of our Founders contributed approximately RMB4.3 million. After completion of the increase in registered capital, the equity interest in Tian Shan Real Estate was held as to 38.806% by Tianshan Industrial Group, as to 15.3114% by Mr. WU Zhen Shan and as to 15.2942% by each of Mr. WU Zhen Ling, Mr. ZHANG Zhen Hai and Mr. WU Zhen He. According to our PRC Legal Advisers, the additional registered capital in the amount of RMB59.8 million was fully paid up within the permitted schedule by each of our Founders, the relevant procedures for registration of the changes in the registered capital were duly and timely completed, and accordingly the increase in the registered capital was legal and valid.

HISTORY AND DEVELOPMENT

In November 2004, Tianshan Industrial Group transferred 9.7096% equity interests in Tian Shan Real Estate to Mr. WU Zhen Shan at a cash consideration of approximately RMB10.7 million, and 9.6988% to each of Mr. WU Zhen Ling, Mr. ZHANG Zhen Hai and Mr. WU Zhen He, respectively, at a cash consideration of approximately RMB10.7 million each. The amount of consideration was based on the respective percentage of equity interest transferred in the then registered capital. Following completion of the transfer, Tian Shan Real Estate was owned as to 25.021% by Mr. WU Zhen Shan and as to 24.993% by each of Mr. WU Zhen Ling, Mr. ZHANG Zhen Hai and Mr. WU Zhen He.

On 18 December 2004, each of our Founders entered into an equity interest transfer agreement with Neway Enterprises pursuant to which our Founders transferred the entire equity interests in Tian Shan Real Estate to Neway Enterprises (the “**Share Transfer**”). Mr. WU Zhen Shan transferred his 25.021% equity interests in Tian Shan Real Estate to Neway Enterprises at a cash consideration of HK\$25,794,800 (equivalent to approximately RMB28.0 million at the then prevailing exchange rate), while each of Mr. WU Zhen Ling, Mr. ZHANG Zhen Hai and Mr. WU Zhen He transferred his respective 24.993% equity interest in Tian Shan Real Estate to Neway Enterprises at a cash consideration of HK\$25,766,000 (equivalent to approximately RMB28.0 million at the then prevailing exchange rate) each. The consideration was determined with reference to the value of Tian Shan Real Estate as of 22 November 2004 as confirmed by an independent accounting firm. Tian Shan Real Estate was granted the business licence on 30 December 2004 as a wholly foreign-owned enterprise.

In May 2005, Tian Shan International acquired the entire equity interest in Tian Shan Real Estate from Neway Enterprises at a consideration of approximately HK\$103.1 million (equivalent to approximately RMB109.3 million at the then prevailing exchange rate) which was satisfied by the allotment and issue of 19,999 shares of US\$1.00 each in Tian Shan International to Neway Enterprises. The consideration was determined with reference to the value of Tian Shan Real Estate as of 22 November 2004 confirmed by an independent accounting firm.

In November 2007, the registered capital of Tian Shan Real Estate was increased to RMB830 million.

On 3 November 2007, Tian Shan Real Estate and Tian Shan Commerce and Trading entered into an agreement to merge Tian Shan Commerce and Trading into Tian Shan Real Estate Pursuant to the merger agreement, all assets of Tian Shan Commerce and Trading, including fixed assets, current assets, bank deposits and other creditors’ rights would be merged into Tian Shan Real Estate and all liabilities and obligations of Tian Shan Commerce and Trading would be assumed by Tian Shan Real Estate. Tian Shan Commerce and Trading would cease to carry out its then business of leasing of market stalls and properties. Upon completion of the merger, Tian Shan Commerce and Trading would be dissolved, and

HISTORY AND DEVELOPMENT

its then staff would become staff of Tian Shan Real Estate. Following completion of the necessary procedures and notification requirements, the merger was approved by the PRC Government on 4 November 2008 and Tian Shan Commerce and Trading was de-registered on 5 November 2009. Our Directors confirm that the de-registration of Tian Shan Commerce and Trading has resulted no liability or obligation imposed against any Director or our senior management.

On 28 September 2009, the registered capital of Tian Shan Real Estate was reduced from RMB830 million to RMB510 million. The reduction was made for the principal purpose of funding the repayment of the outstanding principal of and the interest accrued on the Notes. Our PRC Legal Advisers confirm that reduction in the registered capital was approved in accordance with the applicable laws and regulations in China.

Tian Shan Hengji Real Estate

Tian Shan Hengji Real Estate was established on 15 December 2006 with a registered capital of RMB20.0 million and its business scope included the development, manufacturing and sales of energy-saving pumps and other alloy equipment and computer software development. The entire equity interest of Tian Shan Hengji Real Estate was owned by Tian Shan Real Estate.

In order to focus on its core business in property development, pursuant to an equity interest transfer agreement dated 11 April 2007 entered into between Tian Shan Real Estate and Tianshan Industrial Group, Tian Shan Real Estate transferred the entire equity interest in Tian Shan Hengji Real Estate to Tianshan Industrial Group at a consideration of RMB4.0 million, which was determined based on the actual paid amount of the registered capital of Tian Shan Hengji Real Estate.

As Tian Shan Hengji Real Estate was the then owner of the parcel of land for *Sanhe Tian Shan International Enterprise Base*, but neither Tian Shan Hengji Real Estate nor Tianshan Industrial Group had the relevant property development qualification, we decided to transfer back all the equity interest of Tian Shan Hengji Real Estate and change the scope of business of Tian Shan Hengji Real Estate so as to include the property project of *Sanhe Tian Shan International Enterprise Base*. Pursuant to an equity interest transfer agreement dated 16 November 2007 entered into between Tian Shan Real Estate and Tianshan Industrial Group, Tian Shan Real Estate acquired the entire equity interest in Tian Shan Hengji Real Estate from Tianshan Industrial Group at a consideration of RMB4.0 million, which was determined based on the actual paid amount of the registered capital of Tian Shan Hengji Real Estate.

HISTORY AND DEVELOPMENT

In October 2008, Tian Shan Hengji Real Estate was renamed to its existing name 三河市恒基房地產開發有限公司 (Sanhe Hengji Real Estate Development Company Limited*). The business scope of Tian Shan Hengji Real Estate was changed to include the development and sales of urban and industrial properties and rental of properties.

Tian Shan Real Estate Chengde Branch Company

Tian Shan Real Estate Chengde Branch Company was established on 22 October 2007 as a branch company of Tian Shan Real Estate in Chengde, Hebei Province. The scope of business includes the development and sales of urban properties and property rental.

Tian Shan Tianjin Real Estate

Tian Shan Tianjin Real Estate was established on 18 March 2008 in China as a limited liability company with a registered capital of RMB10 million and is wholly-owned by Tian Shan Real Estate. The scope of business of Tian Shan Tianjin Real Estate includes development and sales of urban and commercial properties.

In August 2008, the registered capital of Tian Shan Tianjin Real Estate increased to RMB60 million and the additional registered capital of RMB40 million was contributed by Tian Shan Real Estate.

In October 2008, the registered capital of Tian Shan Tianjin Real Estate further increased to RMB153 million, and the increased portion registered capital of RMB93 million was contributed by Tian Shan Real Estate by way of cash.

Tian Shan Weihai Real Estate

Tian Shan Weihai Real Estate was established on 16 November 2009 in China as a limited liability company, with the registered capital of RMB38 million. Tian Shan Weihai Real Estate is a wholly-owned subsidiary of Tian Shan Real Estate. The business scope of Tian Shan Weihai Real Estate includes the development and sales of urban properties.

In December 2009, the registered capital of Tian Shan Weihai Real Estate was increased to RMB88.0 million.

In April 2010, the registered capital of Tian Shan Weihai Real Estate was increased to RMB105.0 million.

Tian Shan International

Tian Shan International was incorporated on 23 December 2003 in the BVI as a limited liability company. Upon its incorporation, Tian Shan International had an authorized share capital of US\$50,000 divided into 50,000 shares of US\$1.0 each and one share, being the entire issued share capital, was issued and allotted to Neway Enterprises for cash at par on 14 January 2004.

HISTORY AND DEVELOPMENT

On 2 June 2005, Tian Shan International allotted and issued 19,999 shares of US\$1.00 each to Neway Enterprises as consideration for the acquisition of the entire equity interests in Tian Shan Real Estate from Neway Enterprises.

On 21 December 2006, our Company acquired the entire issued share capital of Tian Shan International from Neway Enterprises in consideration of the allotment and issue of 1,560,000 Shares credited as fully paid to Neway Enterprises. As a result of the acquisition, Tian Shan International became our wholly-owned subsidiary.

Dragon China

Dragon China was incorporated on 26 February 2009 in Hong Kong as a limited liability company. Upon its incorporation, Dragon China had an authorized share capital of HK\$10,000 divided into 10,000 shares of HK\$1.00 each, and one share, being the entire issued share capital, was issued and allotted to the initial subscriber on 26 February 2009.

On 3 April 2009, Tian Shan International acquired the one share of Dragon China from the initial subscriber at the consideration of HK\$1.00, and as a result of the transfer, Dragon China became a wholly-owned subsidiary of the Company. We acquired Dragon China to hold the property being used as our employees' dormitory in Hong Kong.

Our Company

Our Company was incorporated on 10 June 2005 in the Cayman Islands as an exempted company with limited liability. At the time of incorporation, our Company had an authorised share capital of HK\$380,000 divided into 3,800,000 Shares. One Share was allotted and issued to the initial subscriber, and was transferred to Neway Enterprises on the same day.

On 21 December 2006, our Company allotted and issued 1,560,000 Shares to Neway Enterprises, credited as fully paid, as consideration for the acquisition by our Company of the entire issued share capital of Tian Shan International from Neway Enterprises.

On 16 June 2010, pursuant to various resolutions passed by our sole Shareholder, further information on which is set forth in the paragraphs under "A - Further information about our Company and our subsidiaries - 3. Resolutions in writing of the sole Shareholder passed on 16 June 2010" in Appendix VII to this prospectus, the authorised share capital of our Company has been increased to HK\$1,000,000,000 divided into 10,000,000,000 Shares, of which 1,560,001 Shares were issued as of the Latest Practicable Date.

Tian Shan Hong Kong

Tian Shan Hong Kong was incorporated on 26 March 2010 in Hong Kong as a limited liability company. Upon its incorporation, Tian Shan Hong Kong has a share capital of US\$10,000 divided into 10,000 shares of US\$1.00 each, and 10,000 shares were issued and allotted to Tian Shan Real Estate on 26 March 2010.

REORGANISATION

INTRODUCTION

We have undergone certain reorganisation steps in preparation for the Listing. The Reorganisation involved the following principal steps:–

Before our Company becoming the ultimate holding company of our Group:–

- incorporation of our Company;
- establishment of Tian Shan Hengji Real Estate; and
- acquisition of the entire issued share capital of Tian Shan International by our Company.

After our Company becoming the ultimate holding company of our Group:–

- establishment of Tian Shan Real Estate Chengde Branch Company;
- establishment of Tian Shan Tianjin Real Estate;
- merger between Tian Shan Real Estate and Tian Shan Commerce and Trading and de-registration of Tian Shan Commerce and Trading;
- incorporation/acquisition of Dragon China;
- establishment of Tian Shan Weihai Real Estate; and
- incorporation of Tian Shan Hong Kong.

Our PRC Legal Advisers confirm that, to the extent PRC law is concerned, members of our Group and Neway Enterprises have complied with all the relevant laws and regulations and have obtained all the relevant regulatory approvals in respect of the Reorganisation and the Listing.

DETAILED REORGANISATION STEPS

Before our Company becoming the ultimate holding company of our Group

Incorporation of our Company

On 10 June 2005, our Company was incorporated in the Cayman Islands and one Share was allotted and issued to the initial subscriber. The one allotted Share was transferred to Neway Enterprises on the same day for cash at par.

REORGANISATION

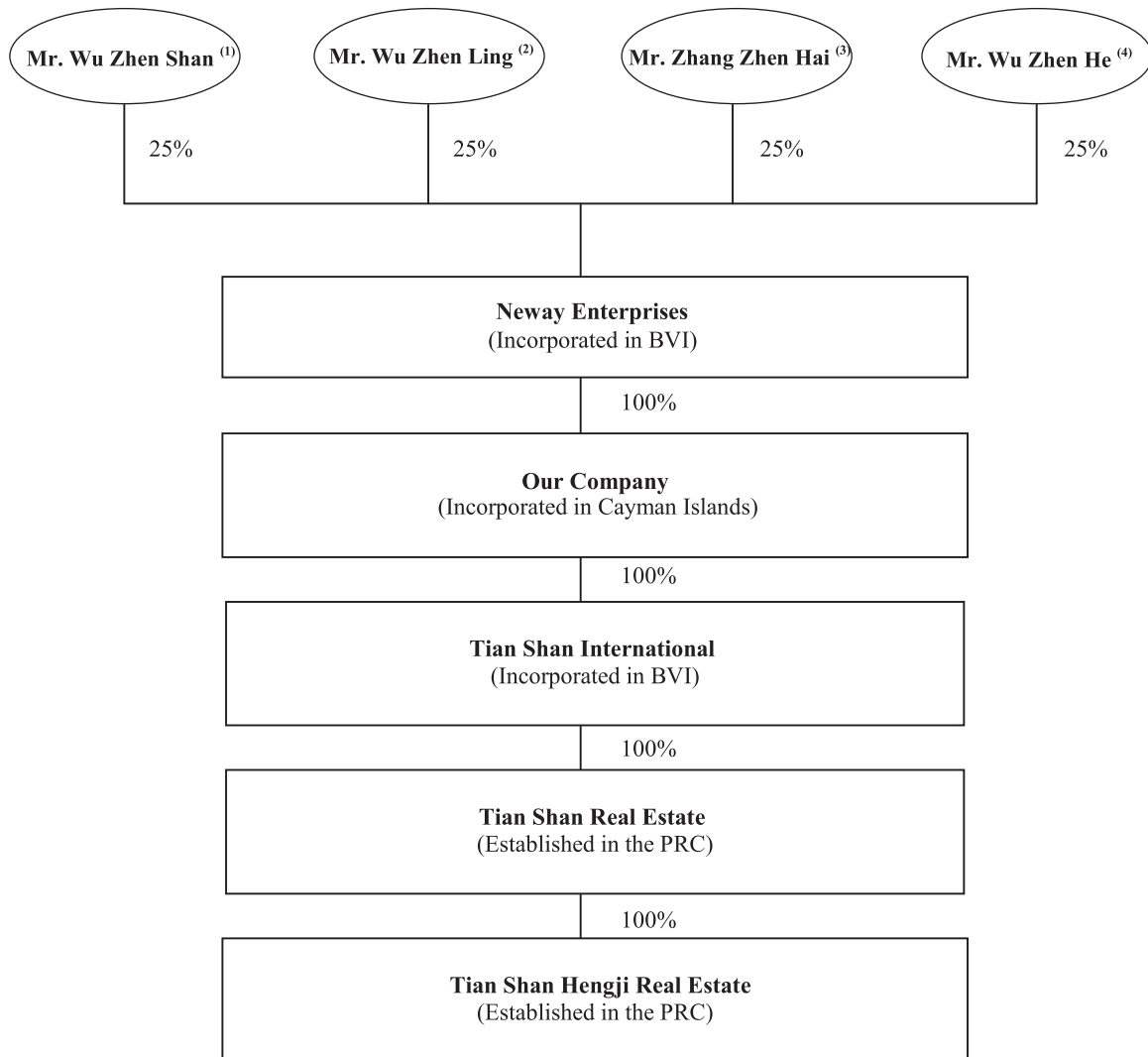
Establishment of Tian Shan Hengji Real Estate

On 15 December 2006, Tian Shan Hengji Real Estate was established in the PRC with an initial registered capital of RMB20.0 million as a wholly-owned subsidiary of Tian Shan Real Estate.

Acquisition of the entire issued share capital of Tian Shan International by our Company

On 21 December 2006, our Company acquired the entire issued share capital of Tian Shan International from Neway Enterprises in consideration of the allotment and issue of 1,560,000 Shares credited as fully-paid to Neway Enterprises. As a result of the acquisition, our Company became the ultimate holding company of our Group.

The following diagram illustrates our shareholding and corporate structure as of 1 January 2007, being the date of commencement of the Track Record Period:–



REORGANISATION

Notes:

1. Mr. WU Zhen Shan, an executive Director and one of our Founders, is the elder brother of Mr. WU Zhen Ling and Mr. WU Zhen He, and the brother-in-law of Mr. ZHANG Zhen Hai.
2. Mr. WU Zhen Ling, an executive Director and one of our Founders, is the younger brother of Mr. WU Zhen Shan, the elder brother of Mr. WU Zhen He, and the brother-in-law of Mr. ZHANG Zhen Hai.
3. Mr. ZHANG Zhen Hai, an executive Director and one of the Founders, is the spouse of Ms. WU Zhi Lan, who is the elder sister of Mr. WU Zhen Shan, Mr. WU Zhen Ling and Mr. WU Zhen He.
4. Mr. WU Zhen He, an executive Director and one of our Founders, is the younger brother of Mr. WU Zhen Shan and Mr. WU Zhen Ling, and the brother-in-law of Mr. ZHANG Zhen Hai.

After our Company becoming the ultimate holding company of our Group

Establishment of Tian Shan Real Estate Chengde Branch Company

On 22 October 2007, Tian Shan Real Estate Chengde Branch Company was established as a branch company of Tian Shan Real Estate in Chengde, Hebei Province.

Establishment of Tian Shan Tianjin Real Estate

On 18 March 2008, Tian Shan Tianjin Real Estate was established in the PRC with an initial registered capital of RMB10.0 million and was wholly-owned by Tian Shan Real Estate.

Merger between Tian Shan Real Estate and Tian Shan Commerce and Trading and de-registration of Tian Shan Commerce and Trading

Pursuant to the merger agreement dated 3 November 2007 entered into between Tian Shan Real Estate and Tian Shan Commerce and Trading, Tian Shan Commerce and Trading would be merged with Tian Shan Real Estate and be dissolved upon completion of the merger. We decided to merge Tian Shan Commerce and Trading with Tian Shan Real Estate because at that time, Tian Shan Commerce and Trading was the owner of the parcel of land for *Xin Nan Jue* and the land was for commercial use. We would like to convert the land for both residential and commercial use. However, upon such conversion, Tian Shan Commerce and Trading would not be able to develop the land as it did not have the relevant property development qualification. Since Tian Shan Real Estate had such property development qualification, we merged Tian Shan Commerce and Trading with it to facilitate the proposed land use conversion and property project development. Further information is set forth in the section headed “History and Development – Our corporate history – Tian Shan Real Estate” in this prospectus.

REORGANISATION

By an approval issued by 河北商務廳 (Hebei Commerce Bureau), Tian Shan Commerce and Trading was allowed to be merged into Tian Shan Real Estate and all assets and debts of Tian Shan Commerce and Trading were assumed by Tian Shan Real Estate. As a result of the merger, Tian Shan Commerce and Trading was de-registered on 5 November 2009.

Incorporation/Acquisition of Dragon China

On 26 February 2009, Dragon China was incorporated. On 3 April 2009, the one subscriber share in Dragon China was transferred to Tian Shan International for cash at par. We acquired Dragon China to hold the property being used as our employees' dormitory in Hong Kong.

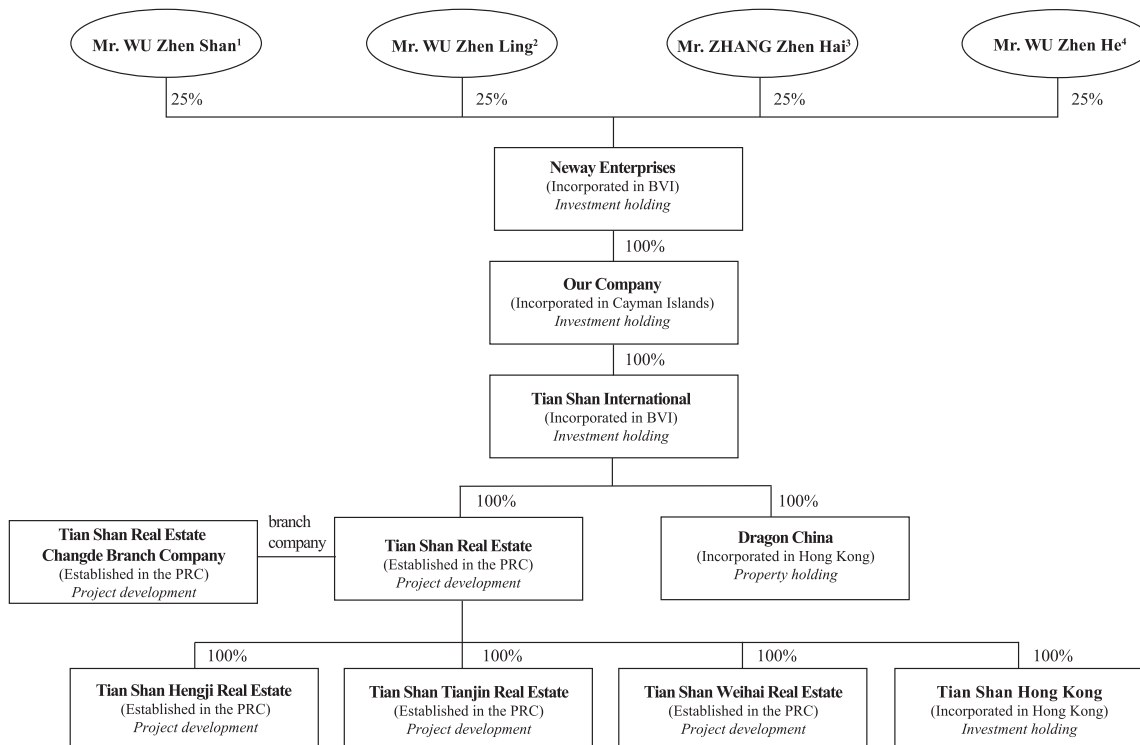
Establishment of Tian Shan Weihai Real Estate

On 16 November 2009, Tian Shan Weihai Real Estate was established in the PRC with an initial registered capital of RMB38.0 million and was wholly-owned by Tian Shan Real Estate.

Incorporation of Tian Shan Hong Kong

On 26 March 2010, Tian Shan Hong Kong was incorporated in Hong Kong with a share capital of US\$10,000 and was wholly-owned by Tian Shan Real Estate.

The following diagram illustrates our shareholding and corporate structure as of the Latest Practicable Date:–

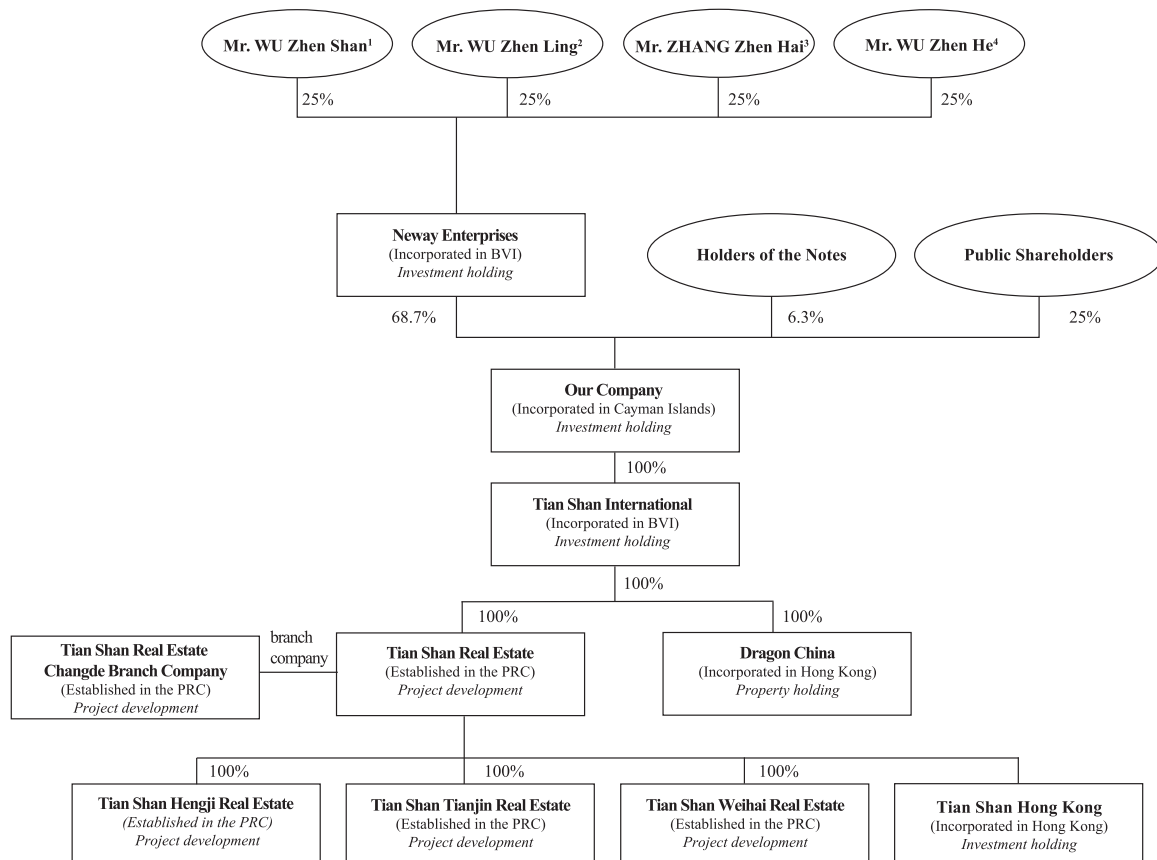


REORGANISATION

Notes:–

1. Mr. WU Zhen Shan, an executive Director and one of our Founders, is the elder brother of Mr. WU Zhen Ling and Mr. WU Zhen He, and the brother-in-law of Mr. ZHANG Zhen Hai.
2. Mr. WU Zhen Ling, an executive Director and one of our Founders, is the younger brother of Mr. WU Zhen Shan, the elder brother of Mr. WU Zhen He, and the brother-in-law of Mr. ZHANG Zhen Hai.
3. Mr. ZHANG Zhen Hai, an executive Director and one of our Founders, is the spouse of Ms. WU Zhi Lan, who is the elder sister of Mr. WU Zhen Shan, Mr. WU Zhen Ling and Mr. WU Zhen He.
4. Mr. WU Zhen He, an executive Director and one of our Founders, is the younger brother of Mr. WU Zhen Shan and Mr. WU Zhen Ling, and the brother-in-law of Mr. ZHANG Zhen Hai.

The following diagram illustrates our shareholding and corporate structure following completion of the Capitalisation Issue, the Global Offering and the Compulsory Conversion, based on the low-end of the indicative range of the Offer Price of HK\$1.4 and on the basis that the Warrants will expire upon Listing (taking no account Shares which may be issued pursuant to the exercise of the Over-allotment Option, the options granted under the Pre-IPO Share Option Scheme and any options which may be granted under the Share Option Scheme):–



REORGANISATION

Notes:–

1. Mr. WU Zhen Shan, an executive Director and one of our Founders, is the elder brother of Mr. WU Zhen Ling and Mr. WU Zhen He, and the brother-in-law of Mr. ZHANG Zhen Hai.
2. Mr. WU Zhen Ling, an executive Director and one of our Founders, is the younger brother of Mr. WU Zhen Shan, the elder brother of Mr. WU Zhen He, and the brother-in-law of Mr. ZHANG Zhen Hai.
3. Mr. ZHANG Zhen Hai, an executive Director and one of our Founders, is the spouse of Ms. WU Zhi Lan, who is the elder sister of Mr. WU Zhen Shan, Mr. WU Zhen Ling and Mr. WU Zhen He.
4. Mr. WU Zhen He, an executive Director and one of our Founders, is the younger brother of Mr. WU Zhen Shan and Mr. WU Zhen Ling, and the brother-in-law of Mr. ZHANG Zhen Hai.

Upon completion of the Compulsory Conversion, on the basis that the Warrants will expire upon Listing and assuming that the Over-allotment Option is not exercised and that no Shares have been issued pursuant to the exercise of the options granted under the Pre-IPO Share Option Scheme and any option which may be granted under the Share Option Scheme, and based on the high-end of the indicative range of the Offer Price of HK\$1.8, our shareholding structure will be as follows:–

Shareholders	<i>Based on the high-end of the indicative range of the Offer Price of HK\$1.8</i>
Newway Enterprises	701,250,000 Shares (70.1%)
Holders of the Notes of US\$11,250,000.....	48,750,000 Shares (4.4%)
Public Shareholders other than holders of the Notes of US\$11,250,000	250,000,000 Shares (25%)
Total.....	<u>1,000,000,000 Shares (100%)</u>

BUSINESS

OVERVIEW

We are a property developer with headquarters in Shijiazhuang, Hebei Province, China. We focus on the development of a series of quality residential properties with modern design, scenic environment and landscape in selected leading cities in the Bohai Economic Rim, such as Shijiazhuang, Tianjin and Chengde. Our property projects include medium-to high-end villas, condominiums, duplexes and residential units in multi-storey buildings. Our Directors believe that we are well positioned in the market with thorough understanding of the needs and the preferences of our target customers.

Our Directors believe that our brand “*Tian Shan*” (天山) is well recognised by our target customers. Our business objective is to provide a comfortable living environment to our target customers. We will continue to leverage the economic growth in the Bohai Economic Rim to further expand our business.

In addition to residential property projects, we are also engaged in the development of privately-owned industrial complex for small- to medium-size enterprises in the Bohai Economic Rim. We have completed *Liangcun Industrial Zone*. The other two industrial complex, namely *Tian Shan Science and Technology Industrial Park* and *Sanhe Tian Shan International Enterprise Base*, are under construction and the pre-sales and sales have commenced since July 2005 and June 2007, respectively.

In March 2009, we were awarded the “*2007-2008 Creditable Property Development Enterprises in China*” (2007-2008年度中國房地產誠信企業) by the China Real Estate Association (中國房地產業協會). In October 2009, we were awarded the “*Hebei Province Outstanding Service Quality Unit*” (河北省服務質量優秀單位) and “*Hebei Province Credibility Representative Unit*” (河北省誠信示範單位) by the Hebei Province Service Quality Promotion Association (河北省服務質量促進會).

Since February 2004, we have been granted the First Class Property Development Enterprise Qualification Certificate which allows us to develop property projects in China without geographical and scale limitations.

As of the Latest Practicable Date, we had a total of 22 property projects in the Bohai Economic Rim at different development stages as follows:–

- ***Completed property projects*** – We had completed seven property projects namely *Shijiazhuang Tian Shan Garden*, *Tian Shan Waterside View (Phases I, II and III)*, *Tian Shan Waterside View (Phase IV)*, *Xinji Tian Shan Garden*, *Luancheng Tian Shan Wonderful Waters View*, *Tian Shan Guanlan Haoting* and *Liangcun Industrial Zone*, with a total GFA of approximately 1,028,898 sq. m.

BUSINESS

- ***Property projects under development*** – We had 11 property projects under development, namely *Tian Shan Science and Technology Industrial Park, Ningjin Tian Shan Wonderful Waterside View, Chengde Tian Shan Wonderful Waters View, Sanhe Tian Shan International Enterprise Base, Contemporary Noble Territory, Tianjin Tian Shan Wonderful Waterside View (Phase I), New Great Earldom, Tian Shan Long Hu Wan (Phase I), Tian Shan Long Hu Wan (Phase II), Tian Shan Long Hu Wan (Phase III)* and *Weihai Tian Shan Waterside View (Phase I)*, with a total GFA of approximately 2,118,119 sq. m.
- ***Properties for future development*** – We had four parcels of land for our future property projects, with a total GFA of approximately 1,484,211 sq. m.

In addition, we have entered into six preliminary framework agreements with the local government authorities for preliminary development of certain possible property projects and possible acquisition of land with a total site area of approximately 10,416,856 sq. m. As of 31 December 2009, we had incurred a total land and development cost of approximately RMB120.9 million pursuant to these agreements and had outstanding estimated commitment on property projects under development and property projects for future development of approximately RMB1,820.6 million in 2010. However, as we have yet to complete the applicable land acquisition procedures required by the relevant PRC laws and regulations, we may or may not be able to obtain the relevant land use rights or any or all of the requisite government approvals for the development of these possible property projects.

During the three years ended 31 December 2009, we sold in aggregate GFA of approximately 301,827 sq. m., 263,528 sq. m. and 254,430 sq. m., respectively, and our turnover derived from our property development business was approximately RMB463.2 million, RMB648.2 million and RMB752.6 million, respectively.

We also leased certain residential, commercial and industrial properties during the three years ended 31 December 2009 with rental income generated therefrom amounted to approximately RMB3.4 million, RMB1.0 million and RMB1.3 million, respectively. Property leasing is not our core business, and we will sell all the leased properties at acceptable prices as and when we consider appropriate. All the properties held by us (other than those for our own use) and the property projects under development are held for sales and will not be classified as our investment properties.

OUR COMPETITIVE ADVANTAGES

Our Directors believe that our success is attributable to the following competitive advantages:–

We have a successful track record in the development of quality residential property projects

We focus on the development of quality residential property projects with modern design and scenic environment and landscape. We have retained internationally recognised firms for the landscape and architectural designs for our property projects. To enrich the environment of our property projects, we have included gardens, streams and lagoons in our property projects. This theme will continue to be adopted in some of our property projects under development, such as *Tianjin Tian Shan Wonderful Waterside View (All Phases)* and *Chengde Tian Shan Wonderful Waters View*. Our Directors believe that these amenities distinguish our property projects from those of our competitors. We have also obtained various awards for our property projects.

Tian Shan Waterside View (Phases I, II and III) was awarded as “*Renowned Properties in China*” (中國名盤) at the 5th China (Shenzhen) International Real Estate and Archi-Tech Fairs (CIHAF) (第五屆中國(深圳)國際住交會與建築科技展覽會) in November 2003, “*Creative Properties*” (創新樓盤) at the 4th China International Housing Industry Exhibition (第四屆中國國際住宅產業展覽會) in July 2004, “*Shijiazhuang Top 10 Renowned Properties*” (石家莊十大名盤) and “*Shijiazhuang Top 10 Best Communities*” (十大最佳社區) in February 2005. *Tian Shan Guanlan Haoting* was awarded as “*Gold Medal Project of Outstanding Residential Buildings in Hebei Province*” (河北省優秀住宅金獎實施項目) in September 2006. The proposed design of *Tian Shan Long Hu Wan (Phase I)* was awarded “*2007 Best Leisure and Holiday Project*” (2007年度最佳休閒度假項目) by Accreditation Committee of the Outstanding Property Development Enterprises Board of Shijiazhuang (石家莊房地產企業風雲榜評委會).

BUSINESS

We have established business reputation

Through our track record for the development of quality residential property projects and our well-recognised brand “*Tian Shan*” (天山), we have earned the reputation as a well-established and responsible property developer in Shijiazhuang, Hebei Province, China. Tian Shan Real Estate was named as the “*Top 10 Influential Property Development Enterprises of Shijiazhuang in 2006*” (2006年度石家莊房地產十大最具影響力企業) and “*Top 30 Property Developers (by Comprehensive Strength) of Hebei Province in 2006*” (2006年河北省房地產開發綜合實力30強) in December 2006 and “*Outstanding Contribution Award for Assessment of Comprehensive Strength of Property Developers of Hebei Province in 2006*” (2006年石家莊房地產業綜合開發實業強企) in December 2006. In March 2008, Tian Shan Real Estate received the award of “*2008 Best Brand Enterprise in respect of Social Reliability and Creditability*” (2008年度最佳社會公信力暨誠信品牌企業) granted by Association of Real Estate in Shijiazhuang (石家莊房地產業協會). In March 2009, Tian Shan Real Estate received the award of “*2007-2008 Creditable Property Development Enterprises in China*” (2007-2008年度中國房地產誠信企業) by the China Real Estate Association (中國房地產協會). In October 2009, Tian Shan Real Estate was awarded the “*Hebei Province Outstanding Service Quality Unit*” (河北省服務質量優秀單位) and “*Hebei Province Credibility Representative Unit*” (河北省誠信示範單位) by Hebei Province Service Quality Promotion Association (河北省服務質量促進會). Further information on these awards is set forth in the section headed “Business – Awards and Honours” in this prospectus. Our Directors believe that our reputation differentiates ourselves from our competitors in securing new property projects.

Our management team is experienced in the property development and the construction businesses

Our management team has extensive experience in the property development and the construction businesses. Two of our executive Directors have approximately 30 years of experience in the construction industry. With this solid industry background, we emphasis on the quality and the materials used in our property projects and have the advantage of maintaining the quality of our property projects with effective control on the construction cost. Our Directors also believe that our experienced management team assists us in formulating well-planned growth strategies through the volatility of the property development industry in China.

Further information on the background and the working experience of our executive Directors and our management team is set forth in the section headed “Directors, Senior Management and Staff” in this prospectus.

BUSINESS

We leverage the rapid business development of the Bohai Economic Rim

We have obtained the First Class Property Development Enterprise Qualification Certificate since February 2004, and as of 31 December 2009, only 24 property developers, including us, had this qualification in Hebei Province. With our long operating history and our headquarters in Shijiazhuang, our Directors believe that we are well positioned to leverage the economic growth of the Bohai Economic Rim which will accelerate the increasing demand for quality residential villas, condominiums, duplexes and apartments. Shijiazhuang is connected with Beijing, Tianjin and other leading cities in the area through railways and highways, and this will further promote the economic development of the city and the surrounding suburban areas. According to the State's economic policies, the Bohai Economic Rim will become the third largest economic zone in China. Our Directors therefore believe that our established leading position in Shijiazhuang will provide us with a good platform for future business development in the Bohai Economic Rim.

OUR GROWTH STRATEGIES

We intend to become one of the leading property developers in the Bohai Economic Rim focusing on the development of a wide range of residential and industrial property projects with our well-recognised brand “*Tian Shan*” (天山). In this connection, we intend to implement the following growth strategies:–

We will expand our business to other selected major cities in the Bohai Economic Rim

We will continue to promote our well-recognised brand “*Tian Shan*” (天山) in other selected major cities in the Bohai Economic Rim, such as Tianjin, Chengde and Wendeng, through the development of middle- to high-end residential property projects. We believe that this focused strategy will facilitate our growth and expand our customer base and enhance our brand recognition. With the economic growth and the improving living standards of the local population in the Bohai Economic Rim, we believe that the area will provide us with ample business opportunities in the future.

We will increase our land reserve for our property projects

As of the Latest Practicable Date, we had 11 property projects under development. In addition, we have entered into agreements with the local government in Tianjin and Shandong Province for the development of residential and industrial property projects, namely *Tianjin Tian Shan Wonderful Waterside View*, *Weihai Tian Shan Waterside View* and *Weihai Tian Shan International Enterprise Base*. Our Directors consider that, with our extensive experience in property development business, we will be able to secure additional land through the public tender or public auction process from the State. We will take the appropriate steps to increase our land reserve with a well-maintained balance between abundant land reserve and our working capital level.

BUSINESS

We will continue to focus on the development of medium- to high-end residential property projects with innovative designs and scenic environment

Our business is focused on the development of villa, condominiums, duplexes and apartments with modern design, scenic environment and landscape, in order to capture our target customers who can afford to purchase medium- to high-end residential properties. Our Directors believe that this niche market position is important to us and that we can command a brand premium for our property projects. We will therefore continue to explore this market segment with different themes for our newly developed property projects. “*Tian Shan Waterside View*” is a successful theme of our condominiums, duplexes and apartments. We will continue to develop our new property projects with other themes at different locations in order to attract new customers.

AWARDS AND HONOURS

In addition to the awards and honours relating to our property projects as set forth in the paragraphs under “_____ – Overview of our property projects” in this prospectus, the following table sets forth the other major awards and honours received by us up to the Latest Practicable Date:—

Awards/Honours	Awarded by	Date of award
“ <i>Contract Honoring and Trustworthy Enterprise</i> ” (守合同重信用單位) ¹	Hebei Administration for Industry and Commerce (石家莊市工商行政管理局) ²	March 2006
“ <i>2006 Outstanding Property Development Enterprise by Comprehensive Strength of Shijiazhuang</i> ” (2006年石家莊房地產業綜合開發實業強企) ³	Accreditation Committee of the Outstanding Property Development Enterprises Board of Shijiazhuang (石家莊房地產企業風雲榜評選委員會) ⁴	December 2006
“ <i>2006 Top 30 Property Development Enterprises (by Comprehensive Strength) of Hebei Province</i> ” (2006年河北省房地產開發綜合實力30強) ⁵	Housing and Real Estate Industry Association of Hebei Province (河北省住宅與房地產業協會) ⁶	December 2006

BUSINESS

Awards/Honours	Awarded by	Date of award
<p>“2006 Outstanding Contribution Award for Assessment of Comprehensive Strength of Property Development Enterprises of Hebei Province” (2006年河北省房地產開發綜合實力評選突出成就獎)⁵</p>	<p>Housing and Real Estate Industry Association of Hebei Province (河北省住宅與房地產業協會)⁶</p>	December 2006
<p>“2006 Creditable Property Development Enterprise in Shijiazhuang” (2006年度房地產開發誠信企業)⁷</p>	<p>Construction Bureau of Shijiazhuang/Committee of Urban Development of Shijiazhuang (石家莊市建設局/ 石家莊市城建開發協會)⁹</p>	April 2007
<p>“2008 Best Brand Enterprise in respect of Social Reliability and Creditability” (2008年度最佳社會公信力暨誠信品牌企業)¹⁰</p>	<p>Association of Real Estate in Shijiazhuang (石家莊市房地產業協會)¹¹</p>	March 2008
<p>“2007 Contract Honoring and Trustworthy Enterprise” (2007年度守合同重信用企業)¹²</p>	<p>Shijiazhuang Administration for Industry and Commerce (石家莊市 工商行政管理局)</p>	May 2008
<p>“2007 Hebei Province Outstanding Property Development Enterprise by Comprehensive Strength” (2007年度河北省房地產開發綜合實力強企) and “2007 Hebei Province Outstanding Contribution Award for Property Development Enterprise by Comprehensive Strength” (2007年河北省房地產開發綜合實力突出貢獻獎)¹³</p>	<p>Hebei Province Residents and Real Estate Development Industry Association (河北省住宅與房地產業協會)</p>	June 2008

BUSINESS

Awards/Honours	Awarded by	Date of award
<p>“2008 Famous Brand Enterprise” (2008年度知名品牌企業)¹⁴</p>	<p>Accreditation Committee of the Outstanding Property Development Enterprises Board of Shijiazhuang (石家莊房地產企業 風雲榜評委會)⁴</p>	<p>January 2009</p>
<p>“Most Influential Industrial Real Estate Developer in China” (中國最具影響力的工業地產 發展商)¹⁵</p>	<p>China Economic Trade Herald, China Institute of Industrial Cluster and China Industrial Zones Scientific Development Assessment Group* (中國經貿導刊雜誌社、 中國產業集群研究院、 中國產業園區科學發展 評價課題組)¹⁶</p>	<p>April 2009</p>
<p>“2007-2008 Creditable Property Development Enterprises in China” (2007-2008年度 中國房地產誠信企業)¹⁷</p>	<p>China Real Estate Association (中國房地產業協會)¹⁸</p>	<p>March 2009</p>
<p>“Hebei Province Outstanding Service Quality Unit” (河北省服務質量優秀單位)¹⁹ and “Hebei Province Credibility Representative Unit” (河北省誠信示範單位)²⁰</p>	<p>Hebei Province Service Quality Promotion Association (河北省服務質量促進會)²¹</p>	<p>October 2009</p>

Notes:–

1. The assessment criteria for this award include, amongst others: (i) the candidate company has not been involved in any investigation or litigation arising from or in connection with the breach of trust or undertaking and (ii) the candidate company has not been involved in any conviction arising from or in connection with the breach of trust or undertaking.
2. This is a department of the Shijiazhuang government, responsible for the administration and annual inspection of enterprises their business registrations, and other regulatory matters in Shijiazhuang.
3. The assessment criteria for this award include, amongst others: (i) the candidate company is duly established and has obtained all necessary certificates and maintained a good record; (ii) in terms of the registered capital, development standard and development scale, the candidate company has the leading status in the Shijiazhuang property development market and (iii) for the developed/developing projects of the candidate company, all necessary certificates and permits are obtained.

BUSINESS

4. This committee was set up for the purpose of promoting an activity called “2006 Outstanding Real Estate Development Enterprises Board” (2006石家莊房地產企業風雲榜) and was jointly organized and sponsored by the Housing and Real Estate Industry Association of Hebei Province (河北省住宅與房地產產業協會) and other website, magazines and radio stations.
5. The assessment criteria for this award include, amongst others: (i) the total investment amount for the property development; (ii) completed GFA of the properties and (iii) saleable GFA of the properties.
6. This association was formed in July 2005 and is administered by Hebei Provincial Department of Construction (河北省建設廳).
7. The main assessment criteria for this award include whether the candidate company maintains a good credit record in the society and whether the candidate company has been or is involved in any substantial dispute relating to dishonesty.
8. This is a department of the Shijiazhuang government responsible for the administration of construction in Shijiazhuang.
9. This is an association established in 2002 aiming to advise the Shijiazhuang government in relation to the construction issues.
10. To qualify for this award, the enterprise must have outstanding performance in its own industry, must have launched branded products within the awarding year with good response, and have high creditability.
11. This is an association voluntarily established by organisations and enterprises in Shijiazhuang which are related to the property development industry, including property development intermediaries, valuation companies, consultancy companies and property developers.
12. To qualify for this award, the enterprise must have been established for at least one year, must have a sound contract management system, is not involved in investigation or punishment in the last three years due to product quality, consumer rights or other actions in violation of laws and regulations.
13. To qualify for the award, the enterprise must have been in the property development industry for an extended period, have outstanding results compared to other local enterprises and have a leading position in the local property development market.
14. To qualify for this award, the enterprise must be recognised as providing good after-sales services and have good reputation.
15. To qualify for this award, the enterprise must be recognised as innovative, responsible and influential.
16. China Economic Trade Herald (中國經貿導刊雜誌社) is responsible for the publication of China Economic & Trade Herald (中國經貿導刊), a magazine regarding the National Development and Reform Commission of the PRC. China Institute of Industrial Cluster (中國產業集群研究院) is a research institute focusing on enhancing the competitiveness of industrial cluster.
17. To qualify for this award, the enterprise must be a property developer in compliance with national laws and regulations in its operations, have significant contribution in social and charitable activities and have obtained local awards and honours.

BUSINESS

18. This association is managed by the Ministry of Construction and members include property developers, property agents, property managers and other organizations involved in the property industry.
19. To qualify for this award, the enterprise must have been in operation for at least two years, have complied with all national laws and regulations, and can provide quality products and services to customers at reasonable prices.
20. To qualify for this award, the enterprise must provide product/service in compliance with national laws and regulations, have good credit history and must not conduct any activity to mislead customers.
21. This association was set up to promote the competitiveness of the service industry in Hebei Province.

OVERVIEW OF OUR PROPERTY PROJECTS

Classification of our property projects

As of the Latest Practicable Date, we had a total of 22 property projects in the Bohai Economic Rim at different development stages as follows:–

- **Completed property projects** – We had completed seven property projects namely *Shijiazhuang Tian Shan Garden, Tian Shan Waterside View (Phases I, II and III), Tian Shan Waterside View (Phase IV), Xinji Tian Shan Garden, Luancheng Tian Shan Wonderful Waters View, Tian Shan Guanlan Haoting* and *Liangcun Industrial Zone*, with a total GFA of approximately 1,028,898 sq. m.
- **Property projects under development** – We had 11 property projects under development, namely *Tian Shan Science and Technology Industrial Park, Ningjin Tian Shan Wonderful Waterside View, Chengde Tian Shan Wonderful Waters View, Sanhe Tian Shan International Enterprise Base, Contemporary Noble Territory, Tianjin Tian Shan Wonderful Waterside View (Phase I), New Great Earldom, Tian Shan Long Hu Wan (Phase I), Tian Shan Long Hu Wan (Phase II), Tian Shan Long Hu Wan (Phase III)* and *Weihai Tian Shan Waterside View (Phase I)*, with a total GFA of approximately 2,118,119 sq. m.
- **Properties for future development** – We had four parcels of land for our future property projects, with a total GFA of approximately 1,484,211 sq. m.

In addition, we have entered into six preliminary framework agreements with the local government authorities for preliminary development of certain possible property projects and possible acquisition of land with a total site area of approximately 10,416,856 sq. m. As of 31 December 2009, we had incurred a total land and development cost of approximately RMB120.9 million and had outstanding commitment on property projects under development and property projects for future development of approximately RMB1,752.8 million in 2010.

BUSINESS

During the three years ended 31 December 2009, we sold in aggregate GFA of approximately 301,827 sq. m., 263,528 sq. m. and 254,430 sq. m., respectively, and our turnover derived from our property development business was approximately RMB463.2 million, RMB648.2 million and RMB752.6 million, respectively.

The table below sets forth the classification of our property projects and the corresponding classification of these property projects in the property valuation report in Appendix III to this prospectus:–

Classification of our property projects	Disclosure in this prospectus	Property valuation report
Property projects for which we have received the Completed Construction Works Certified Reports	Completed property projects	Property held and occupied, held for sale
Property projects for which we have obtained the Construction Works Commencement Permits but have not received the Completed Construction Works Certified Reports	Property projects under development	Property held under development, held for future development
Projects for which we have entered into a State-owned land use rights transfer contract or we have obtained the relevant land use rights certificates but have not received the Construction Works Commencement Permits	Properties for future development	Property held for future development, contracted to be acquired

Other information on our property projects

Site area calculation

The site area information for an entire project is based on either the relevant land use right certificates, land grant contracts or tender documents, depending on which documents are available.

GFA calculation

For the purpose of this prospectus, saleable GFA figures are derived from permits or reports issued by the relevant government authorities at various stages of a property project as follows:–

- estimated saleable GFA is derived from the relevant construction works planning permit; and
- saleable GFA is derived from pre-sale survey certified by the relevant government authorities and once the construction is completed, saleable GFA is derived from the completion survey certified by the relevant authorities.

For the purpose of this prospectus, total GFA figures are derived from permits or reports issued by the relevant government authorities at various stages of a property project as follows:–

- initially, the total GFA is derived from figures set forth in the preliminary approval documents relating to the property project and in some cases, the land grant contract;
- if a land use rights certificate has been issued, the total GFA is derived from the land use rights certificate;
- if a Construction Land Planning Permit has been issued, the total GFA is derived from it;
- if a Construction Works Planning Permit has been issued, the total GFA is derived from it;
- if a Construction Work Commencement Permit has been issued, the total GFA is derived from it;
- if a Pre-sales Permit has been issued, the total GFA is derived from it; and
- if a Construction Project Environmental Impact Assessment Approval has been issued, the total GFA is derived from it.

BUSINESS

The information on the construction period for the completed blocks and phases of our property projects in this prospectus is based on the relevant government documents or our internal records.

Revenue recognition

Revenue arising from the sale of properties held for sale is recognised in profit or loss when the significant risks and rewards of ownership have been transferred to the buyers. We consider that the significant risks and rewards of ownership are transferred when the properties are completed and delivered to the buyers. Revenue from instalment sales is recognised by discounting the instalments receivable at the imputed rate of interest to present value.

Project names

The project names set forth in this prospectus are used, or are to be used by us, to market the property projects.

Total development cost

The total development cost of each property project mainly includes the land related acquisition cost, the construction cost and the finance cost incurred during the construction period.

Completed property projects

We have paid the land acquisition cost and obtained the land use rights certificates for all of our completed property projects, which are all wholly-owned and developed by us, save for *Liangcun Industrial Zone*. There are unsold units comprising our completed property projects. Our Directors confirm that we will continue to promote the sales of these properties and as an interim measure, we may lease out some of these properties under short-term leases. The following table sets forth the information with respect to our completed property projects as of 31 March 2010 (unless specified otherwise):—

BUSINESS

Name of our property projects	Date of commencement of construction	Date of completion of construction	Land acquisition cost RMB' million	Total site area sq. m.	Total completed GFA sq. m.	Total saleable GFA sq. m.	Total GFA sold sq. m.	Total GFA unsold/leased sq. m.	Incurred cost as of 31 December 2009 RMB' million	For the Track Record Period			Reference to the property valuation report Property number
										Average development cost per sq. m. RMB	Average selling price per sq. m. RMB	Total recognised turnover RMB' million	
1. Shijiazhuang Tian Shan Garden	April 2001	October 2003	10.8	53,409	130,341	126,987	126,987	–	126.2	1,470	3,273	1.7	2
2. Tian Shan Waterside View (Phases I, II and III)	February 2003	December 2005	45.4	181,767	243,603	215,703	212,176	3,527	319.0	1,612	4,431	169.2	3,5
3. Tian Shan Waterside View (Phase IV)	December 2006	December 2009	25.5	48,366	196,081	192,238	179,948	12,290	440.7	2,155	4,020	741.2	3,5
4. Xijiji Tian Shan Garden	October 2002	April 2006	14.6	59,657	80,481	80,267	80,267	–	77.7	–	–	–	N/A
5. Luancheng Tian Shan Wonderful Waters View	May 2005	December 2007	20.8	56,577	100,785	96,530	95,865	665	128.5	1,745	2,272	74.6	6
6. Tian Shan Guanlan Haoting	February 2006	November 2007	109.0	36,673	107,650	104,341	103,790	551	295.3	2,830	3,753	168.0	4,7
7. Liangcun Industrial Zone	December 2005	December 2007	25.4	169,957	169,957	169,931	169,931	–	27.8	164	274	46.5	N/A
Total			251.5	606,406	1,028,898	985,997	908,964	17,033	1,415.2				

BUSINESS

1. Shijiazhuang Tian Shan Garden (石家莊天山花園小區)

Shijiazhuang Tian Shan Garden is located at No. 49 Zhujiang Avenue, Shijiazhuang, Hebei Province, China. This property project consists of commercial and residential buildings and a kindergarten.

This property project occupies a site area of 53,409 sq. m. and has a total saleable GFA of 126,987 sq. m.



This property project was developed by Tian Shan Real Estate.

The construction of this project commenced in April 2001 and was fully completed in October 2003. The total costs incurred for the development of this property project amounted to approximately RMB126.2 million and the average development cost was approximately RMB1,470 per sq. m.

This property project started pre-sales in June 2001 and as of 31 March 2010, all the residential and commercial units were sold to our customers. Our total turnover derived from this property project during the Track Record Period was approximately RMB1.7 million with an average selling price of approximately RMB3,273 per sq. m.

BUSINESS

2. Tian Shan Waterside View (Phases I, II and III) (天山•水榭花都(一至三期))

Tian Shan Waterside View (Phases I, II and III) is one of our leading residential property projects located at No. 218 Zhufeng Avenue, Shijiazhuang, Hebei Province, China. The entire project comprises condominiums and villas with residential units and other ancillary facilities including a residents' clubhouse, a kindergarten and commercial units.

The site area of this property project is approximately 181,767 sq. m., and the total saleable GFA is approximately 215,703 sq. m.



This property project was developed by Tian Shan Real Estate.

The construction work of this property project commenced in February 2003 and completed in December 2005. The total development cost incurred for this property project was approximately RMB319.0 million.

Pre-sales of this property project commenced in August 2003. As of 31 March 2010, five residential units with a total GFA of approximately 1,577 sq. m. and 13 commercial units with a total GFA of 1,950 sq. m. were not sold. These unsold residential and commercial units are currently available for sales and we plan to sell them when the market condition is appropriate. Our total turnover derived from this property project during the Track Record Period was approximately RMB169.2 million with an average selling price of approximately RMB4,431 per sq. m.

BUSINESS

This property project received a number awards, and the following table sets forth these awards in relation to this project:–

Date of issue	Issuing organisations	Awards
November 2003	Organising Committee for CHIAF (中國住交會組委會) /Mainstream Media Alliance of CHIAF (中國住交會主流媒體聯盟)	<i>Renowned Project – the 5th China (Shenzhen) International Real Estate & Archi-tech Fair (CHIAF) in 2003</i> (2003年第五屆中國(深圳)國際住交會與建築科技展覽會「中國名盤」)
July 2004	Office of the Organising Committee for the 4th China International Housing Industry Exhibition, MOC (建設部第四屆中國國際住宅產業展覽會組委會辦公室)	<i>Creative Project – the 4th China International Housing Industry Exhibition</i> (第四屆中國國際住宅產業展覽會「創新樓盤」)
December 2004	The Center for Housing Industrialisation of the Department of Construction of Hebei Province/ (河北省建設廳住宅產業化促進中心) Construction Information Center of Hebei Province (河北省建設信息中心)	<i>Third Prize of “Yanzhao Affordable Housing Awards 2004 Best Housing Type Competition of Hebei Province” for housing including three bedrooms, two living rooms, two washrooms (C type)</i> (三室二廳二衛(C戶型)獲燕趙康居杯2004年度河北省優秀住宅戶型評選活動三等獎)
December 2004	The Centre for Housing Industrialisation of the Department of Construction of Hebei Province/ (河北省建設廳住宅產業化促進中心) Construction Information Centre of Hebei Province (河北省建設信息中心)	<i>Merit Award of “Yanzhao Affordable Housing Awards 2004 Best Housing Type Competition of Hebei Province” for housing including three bedrooms, two living rooms, two washrooms (D type)</i> (三室二廳二衛(D戶型)獲燕趙康居杯2004年度河北省優秀住宅戶型評選活動表揚獎)

BUSINESS

This property project also obtained the awards of “*Shijiazhuang Top 10 Renowned Projects in the eyes of hundred of property managers (Lifestyles Advertising Magazine) of 2004*” (2004年度《生活時尚》百位地產經理人眼中的石家莊「十大名盤」) and “*Shijiazhuang Top 10 Best Communities in the eyes of hundred of property managers (Lifestyles Advertising Magazine) and in overall ranking of the property market in China (Shijiazhuang) of 2004*” (2004年度中國(石家莊)樓市總評榜暨《生活時尚》百位地產經理人眼中的石家莊「十大最佳社區」) issued by Yanzhao Metropolis Daily (燕趙都市報)/Lifestyles Advertising Magazine (生活時尚廣告雜誌)/Shijiazhuang Federation of Commerce (石家莊商業聯合會).

3. Tian Shan Waterside View (Phase IV) (天山 • 水榭花都(四期))

Tian Shan Waterside View (Phase IV) is a residential property project situated at 218 Zhufeng Avenue, Shijiazhuang, Hebei Province, China. This property project comprises eight condominiums and ancillary facilities including basement car parks, street-side shops and commercial units.

The total site area of this property project is approximately 48,366 sq. m. The total saleable GFA is approximately 192,238 sq. m., and the total development cost incurred for this property project as of 31 December 2009 was approximately RMB440.7 million.



Construction of Phase IV commenced in December 2006, and was fully completed in December 2009.

Same as Phases I, II and III, Phase IV was developed by Tian Shan Real Estate.

As of 31 March 2010, 11 residential units with a total GFA of 1,513 sq. m. and 29 commercial units with a total GFA of 10,777 sq. m. were unsold.

Pre-sales for Phase IV commenced in April 2007, and as of 31 December 2009, our total proceeds derived from this project during the Track Record Period amounted to approximately RMB741.2 million. The average selling price during the Track Record Period was approximately RMB4,020 per sq. m.

Tian Shan Waterside View (Phase IV) was awarded the “2007 Project with the Best Scenery in the Eyes of the Public” (2007年度公眾心目中最佳景觀專案) in January 2008 by Association of Real Estate in Shijiazhuang (石家莊房地產業協會) and Yanzhao Metropolis Daily (燕趙都市報), and “2008 Most Influential Project” (2008年度最具影響力樓盤) in January 2009 by Shijiazhuang Outstanding Property Development Enterprises Evaluation Committee (石家莊房地產企業風雲榜評委會).

BUSINESS

4. Xinji Tian Shan Garden (辛集天山花園)

Xinji Tian Shan Garden is a residential property project located south of An Ding Street and east of Wen Chang Road, Xinji City, Hebei Province.

This property project occupies a site area of 59,657 sq. m. and has a total saleable GFA of approximately 80,267 sq. m. which comprises multi-storey residential buildings.



This property project was developed by Tian Shan Real Estate.

The construction commenced in October 2002 and completed in April 2006. The total development cost incurred for this property project was approximately RMB77.7 million.

Pre-sales commenced in October 2002, and all saleable units were sold by 31 December 2006. Our total turnover derived from this property project during the Track Record Period was nil as the sales were completed before commencement of the Track Record Period.

BUSINESS

5. Luancheng Tian Shan Wonderful Waters View (樂城 • 天山水榭花都)

Luancheng Tian Shan Wonderful Waters View is a residential property project located at No. 8 Yutai Road, Luancheng County, Shijiazhuang, Hebei Province, China. This property project comprises multi-storey residential buildings and commercial units.

This property project occupies a total site area of approximately 56,577 sq. m. with a total saleable GFA of approximately 96,530 sq. m.



This property project was developed by Tian Shan Real Estate.

The construction of this property project commenced in May 2005 and completed in December 2007. The total development cost incurred for this property project was approximately RMB128.5 million.

Pre-sales of this property project commenced in June 2005. As of 31 March 2010, three residential units with a total GFA of 423 sq. m. and a commercial unit with a total GFA of 242 sq. m. had not been sold. Our total turnover derived from this property project during the Track Record Period was approximately RMB74.6 million with an average selling price of approximately RMB2,272 per sq. m.

BUSINESS

6. Tian Shan Guanlan Haoting (天山觀瀾豪庭)

Tian Shan Guanlan Haoting is located at the south of Yu Hua Road, the north of Xiao Tan Village, the west of Yuan Dong Street and the east of Da Tan Village, Shijiazhuang, Hebei Province, China. This property project comprises residential buildings with commercial units.

The total site area of this property project is approximately 36,673 sq. m. and the total saleable GFA is approximately 104,341 sq. m.



This property project was developed by Tian Shan Real Estate.

The construction of this property project commenced in February 2006 and completed later in the same year. As of 31 March 2010, two residential units with a total GFA of 240 sq. m. and two commercial units with a total GFA of 311 sq. m. had not been sold yet.

The total development cost incurred for this project was approximately RMB295.3 million.

Pre-sales of this property project commenced in April 2006. Our total turnover derived from this property project during the Track Record Period was approximately RMB168.0 million with an average selling price of approximately RMB3,753 per sq. m.

BUSINESS

Tian Shan Guanlan Haoting was awarded “*Gold Medal Project of Outstanding Residential Buildings in Hebei Province, the Second Awards*” (第二屆河北省優秀住宅金獎實施項目) by the Centre for Housing Industrialisation of the Department of Construction of Hebei Province (河北省建設廳住宅產業化促進中心) and the Construction Information Centre of Hebei Province (河北省建設信息中心) in September 2006.

7. Liangcun Industrial Zone (良村工業園)



Liangcun Industrial Zone is located at the east of Gong Ye Road, south of Bei Xi Road, west of Qing Yuan Street and north of Feng Chan Road, Shijiazhuang, Hebei Province, China which covers a total site area of approximately 169,957 sq. m.

This property project is an industrial project. In 2004, Tianshan Industrial Group entered into an agreement with the local government of Liangcun regarding the development of the land. As Tianshan Industrial Group did not have the relevant qualification to engage in the property development business, it cooperated with Tian Shan Real Estate which was qualified to develop the land by entering into the Liangcun Development Agreement. Pursuant to the Liangcun Development Agreement, Tianshan Industrial Group would provide the land use rights for the development of this property project and Tian Shan Real Estate would be responsible for the financing, operation and sales and other development related matters. All land premium for the land was paid by Tian Shan Real Estate to the relevant government authorities in the PRC and hence, Tianshan Industrial Group did not receive any amount for the contribution of the land use rights to this property project. All economic benefits and risks of this property project are borne by Tian Shan Real Estate solely with no contribution, other than the land, made by Tianshan Industrial Group.

BUSINESS

Construction of this property project commenced in December 2005 and completed in December 2007. All the land and the property interests on *Liangcun Industrial Zone* have been sold to a number of purchasers who are Independent Third Parties with all of them having obtained the relevant land use rights certificates. They are in the process of obtaining the building ownership certificates. The total development cost incurred by Tian Shan Real Estate for this project was approximately RMB27.8 million.

Property projects under development

As of the Latest Practicable Date, we had 11 property projects under development. The properties under these projects are intended for sales. All of these property projects under development are wholly owned and developed by us, and we have paid the land acquisition cost and have obtained the land use rights certificates for all of them.

The following table sets forth the information as of 31 March 2010 (unless specified otherwise) with respect to our property projects under development:–

BUSINESS

Name of our property projects	Date of commencement of construction	Expected date of completion of construction	Date of commencement of pre-sales permit	Land acquisition cost RMB million	Totalsite area sq. m.	Total planned GFA sq. m.	Total GFA under development sq. m.	Total GFA with pre-sales permit sq. m.	Total pre-sold GFA sq. m.	Estimated total development cost RMB million	Incurred development cost as of 31 December 2009 RMB million	Further development cost expected to be incurred RMB million	(c)	For the Track Record Period				Reference to property valuation report
														(d)-(b)+(c)(i)	(e)	(f)	(g)-(f)(e)	
1. Tianjin Tian Shan Wankefu Waterside View (Phase I)	August 2008	December 2011	October 2008	3190	243,714	509,379	167,984	88,495	51,719	1,471.7	529.9	941.8	3,050	72,671	322.2	4,437	88.4	10, 17
2. Chengde Tian Shan Wankefu Waters View	August 2008	December 2011	September 2008	4560	80,845	173,205	102,286	87,453	26,441	787.9	631.9	156.0	5,019	41,538	251.2	6,043	91.0	11
3. Tian Shan Science and Technology Industrial Park	March 2005	December 2012	July 2005	360	201,087	463,586	205,007	97,840	8,386	597.4	232.9	364.5	1,480	93,487	163.3	1,746	139.1	8, 18
4. Contemporary Noble Territory	December 2008	August 2011	December 2008	3210	36,481	110,155	109,686	72,143	51,000	598.7	420.3	169.4	5,569	49,906	335.7	6,277	-	12
5. Sante Tian Shan International Enterprise Base	May 2008	September 2011	June 2007	27.6	181,198	288,535	59,767	-	46,976	253.8	66.1	189.7	1,365	111,744	129.8	1,162	72.9	13, 19
6. New Great Eandom	June 2009	December 2011	August 2009	21.3	37,967	68,513	62,227	61,776	15,937	180.5	51.1	129.4	2,635	13,192	50.5	3,828	-	14, 20
7. Tian Shan Long Ha Wan (Phase I)	November 2009	February 2013	June 2010	3.8	41,936	24,548	2,415	2,470	-	72.0	15.3	56.7	2,932	-	-	-	-	15
8. Nujing Tian Shan Wankefu Waterside View	July 2007	September 2011	August 2007	15.4	93,328	214,022	208,298	207,070	5,391	320.9	273.1	47.8	1,541	140,545	272.5	1,699	268.8	9, 16, 22
9. Tian Shan Long Ha Wan (Phase II)	November 2009	February 2013	May 2010	18.9	49,313	110,000	3,475	3,475	-	260.0	19.1	240.9	2,364	-	-	-	-	15
10. Tian Shan Long Ha Wan (Phase III)	December 2009	October 2014	-	13.6	63,333	120,000	1,861	-	-	420.0	13.6	406.4	3,500	-	-	-	-	21
11. Weiwei Tian Shan Waterside View (Phase I)	February 2010	December 2012	-	9.9	79,880	146,176	47,200	-	-	338.0	61.0	277.0	-	-	-	-	-	25
Total				1,292.5	1,111,062	2,118,119	970,306	620,722	265,800	5,293.9	2,314.3	2,979.6		533,113				

Notes:—

- As the local government in Shijiazhuang did not issue pre-sales permits for dormitory buildings built on land for industrial purpose we did not apply for pre-sales permits for the pre-sales of certain dormitory buildings. The local government in Shijiazhuang has confirmed in writing on 26 March 2010 that the absence of the pre-sales permits did not violate the relevant laws and regulations. In addition, some dormitory buildings were sold after completion and thus no pre-sales permits were required. On this basis, the sold GFA of this property project is larger than the GFA with pre-sales permits.
- Our PRC Legal Advisers confirm that as the factories of this property project are classified as self-owned factories (自有廠房) rather than industrial commercial property (工業商品房), 《城市商品房預售管理辦法》 governing the application of pre-sales permits is not applicable and thus could not be pre-sold as commercial properties.
- The total GFA under development refers to GFA with Construction Works Commencement Permits.

BUSINESS

1. Tianjin Tian Shan Wonderful Waterside View (Phase I) (天津•天山水榭花都(一期))

Tianjin Tian Shan Wonderful Waterside View (Phase I) is a residential and commercial property project situated at Xiaozhan Town, Jinnan District, Tianjin, China. The total site area is approximately 243,714 sq. m. and the planned total GFA will be approximately 509,379 sq. m.



This property project is developed by Tian Shan Tianjin Real Estate.

The construction of this property project commenced in August 2008 and is expected to complete in December 2011. The total development cost is estimated to be approximately RMB1,471.7 million, with an estimated average development cost of approximately RMB2,889 per sq. m. As of 31 December 2009, we incurred approximately RMB529.9 million as the total development cost.

Pre-sales for this property project commenced in October 2008. As of 31 March 2010, we pre-sold and sold in aggregate approximately 73,925 sq. m. of GFA, and our total proceeds derived from this property project during the Track Record Period amounted to approximately RMB322.2 million with an average selling price during the Track Record Period of approximately RMB4,437 per sq. m.

BUSINESS

2. Chengde Tian Shan Wonderful Waters View (承德 • 天山水榭花都)

Chengde Tian Shan Wonderful Waters View is a residential and commercial property project situated at Huo Yao Ku Gou Kou, Cuiqiao Road, Shuangqiao District, Chengde City, Hebei Province, China. This property project occupies a total site area of 80,845 sq. m. and a total GFA of approximately 173,205 sq. m., and is positioned as a high-end residential and commercial complex in the downtown area of Chengde.

Chengde is located at approximately 200 kilometers away from Beijing, and is known as a place for retreat for residents of Beijing. According to the development plan of Chengde, its population and thus the needs in residential properties will increase during the next decade.



This property project is developed by Tian Shan Real Estate.

The construction of this property project commenced in August 2008 and is expected to complete in December 2011.

The total development cost is expected to be approximately RMB869.3 million with an estimated average development cost of approximately RMB5,019 per sq. m. As of 31 December 2009, we incurred approximately RMB631.9 million as the total development cost.

Pre-sales for this project commenced in September 2008, and as of 31 March 2010, we pre-sold in aggregate approximately 26,441 sq. m. of GFA, and our proceeds derived from this property project during the Track Record Period amounted to approximately RMB251.2 million. The average selling price during the Track Record Period was approximately RMB6,043 per sq. m.

BUSINESS

3. Tian Shan Science and Technology Industrial Park (天山科技工業園)

Tian Shan Science and Technology Industrial Park is an industrial property project situated at No. 319 Xiangjiang Road, Shijiazhuang Hi-tech Industry Development Zone, Hebei Province, China. The project is divided into two zones: zone A comprises standard factory buildings and zone B comprises purpose-built factory buildings. This property project is one of the major projects of the Tenth Five-Year Plan of Shijiazhuang (石家莊市「十五」期間重大項目).

This property project occupies a site area of 201,087 sq. m. and the planned GFA is approximately 403,586 sq. m. Construction of this property project commenced in March 2003 and is scheduled to complete in December 2012.



We are considering to lease the nine completed residential buildings within the site area with a total GFA of approximately 53,145 sq. m.. In addition, there are two parcels of land with the site area of 13,763 sq. m. and 55,231 sq. m., respectively, which we have yet to determine any construction plan.

This property project is developed by Tian Shan Real Estate.

The total development cost for this property project is estimated to be approximately RMB597.4 million, of which approximately RMB232.9 million was incurred as of 31 December 2009. The estimated average development cost is approximately RMB1,480 per sq. m.

Pre-sales for this property project commenced in July 2005 and as of 31 December 2009, our aggregate proceeds derived from this property project during the Track Record Period amounted to approximately RMB163.3 million, with an average selling price during the Track Record Period of approximately RMB1,746 per sq. m.

BUSINESS

In this property project, in addition to the standardised factory premises, we also construct factory premises according to customers' specific requirements. Pursuant to the relevant agreements, we received the land premium payments from these customers who would be responsible for submitting land planning and design proposals to us for construction. The total proceeds derived from such sales of land amounted to approximately RMB17 million during the three years ended 31 December 2009.

This property project was awarded the “*Annual Prize of Commercial Properties in China*” (中國商業地產年度大獎) in the 7th China (Shanghai) International Real Estate and Archi-Tech Fairs (CIHAF) (第七屆中國(上海)國際住交會與建築科技展覽會) in 2005 and the “*2005 Best Commercial Property*” (2005年最佳商業地產) by the Organising Committee of CIHAF (中國住交會組委會).

4. Contemporary Noble Territory (天山 • 新公爵)

Contemporary Noble Territory is a residential property project situated at No. 203 Zhonghua North Avenue, Xinhua District, Shijiazhuang, Hebei Province, China. This property project comprises ten condominiums and two 30-storeys high-rise residential buildings, with ancillary facilities including a kindergarten.

This property project has a total site area of approximately 36,481 sq. m., and the GFA is expected to be approximately 110,155 sq. m. Construction commenced in December 2008 and is expected to complete before August 2011.

BUSINESS



The total development cost for this project is expected to be approximately RMB613.5 million, of which approximately RMB420.3 million was incurred as of 31 December 2009.

This property project is developed by Tian Shan Real Estate.

Pre-sales for this property project commenced in December 2008, and as of 31 March 2010, we pre-sold in aggregate approximately 51,010 sq. m. of GFA, and our proceeds derived from this property project during the Track Record Period amounted to approximately RMB335.7 million with an average selling price during the Track Record Period of approximately RMB6,727 per sq. m.

Contemporary Noble Territory was awarded the “2008 Most Well-known Project” (2008年最具人氣樓盤) in January 2009 by Galaxy – The Second Ximan City Famous Listing Selection Committee (銀河網第二屆石門樓市網路紅榜評選組委會), and “Top 10 Gold Medal Projects” (十佳金牌項目) by Changcheng Online news website (長城在線新聞網站).

5. Sanhe Tian Shan International Enterprise Base (天山國際創業基地)

Sanhe Tian Shan International Enterprise Base is situated at the Sanhe Yanjiao Economic Technical Development Zone, Sanhe City, Hebei Province, China with a site area of 181,198 sq. m. The total planned GFA is 238,535 sq. m. The Yanjiao Economic Technical Development Zone is situated at approximately 30 kilometers away from the downtown area of Beijing, and was designated as a provincial economic technical development zone of Hebei Province in 1992. It has comprehensive infrastructure for supporting enterprises of various industries.



Sanhe Tian Shan International Enterprise Base is an industrial project aimed at attracting enterprises which wish to relocate to an area in proximity to Beijing.

This project is developed by Tian Shan Hengji Real Estate.

The construction of this property project commenced in May 2008 and is expected to complete in September 2011. The total development cost of this project is expected to be approximately RMB255.8 million, with an estimated average development cost of approximately RMB1,072 per sq. m. As of 31 December 2009, we incurred approximately RMB66.1 million as the total development cost.

BUSINESS

Sales for this property project commenced in June 2007, and during the Track Record Period, and our total sales proceeds derived from this property project amounted to approximately RMB129.8 million with an average selling price during the Track Record Period of approximately RMB1,162 per sq. m.

In this property project, in addition to the standardised factory premises, we also sold parcels of land within the site to certain customers so that they could construct their factory premises. Pursuant to the relevant agreements, we received the land premium payments from these customers who would be responsible for submitting land planning and design proposals to us for approval. Upon the receipt of our approval, these customers could commence the construction process for which we would assist to obtain all the relevant planning and construction permits and the land use rights certificates. The total proceeds derived from such sales of land amounted to approximately RMB24 million during the three years ended 31 December 2009.

6. New Great Earldom (天山 • 新伯爵)

New Great Earldom is a residential property project situated at No. 45 Huiyuan Road, Luancheng County, Shijiazhuang, Hebei Province, China. This property project is a low-density residential complexes comprising villas and high-rise residential buildings. The total site area is approximately 37,967 sq. m. and the total planned GFA is approximately 68,513 sq. m.



BUSINESS

This project is developed by Tian Shan Real Estate.

The construction of this project commenced in June 2009 and is expected to complete in December 2011.

The total development cost is estimated to be approximately RMB180.5 million, with an estimated average development cost of approximately RMB2,635 per sq. m. As of 31 December 2009, we incurred approximately RMB51.1 million as the total development cost.

Pre-sales for this property project commenced in August 2009, and as of 31 December 2009, our proceeds derived from this property project during the Track Record Period amounted to approximately RMB50.5 million with an average selling price of approximately RMB3,828 per sq. m.

7. Tian Shan Long Hu Wan (Phase I) (天山 • 龍湖灣(一期))

Tian Shan Long Hu Wan (Phase I) is a property project situated at the south coast of Panlong Lake, Yuanshi County, Shijiazhuang, Hebei Province, China. Panlong Lake is a reservoir located at approximately 22.0 kilometers away from Shijiazhuang and is an area designated for retreat and tourism. We intend to develop this property project as a low-rise residential and holiday complex, with villas to be built along the shore of the lake, together with ancillary facilities including gymnasium, swimming pool and park.

This property project occupies a site area of approximately 41,936 sq. m. with planned total GFA of approximately 24,548 sq. m. The estimated total development cost is approximately RMB72.0 million. The estimated average development cost is approximately RMB2,932 per sq. m.



This property project is developed by Tian Shan Real Estate.

The construction of this property project commenced in November 2009, and is expected to complete in February 2013. As of 31 December 2009, we incurred approximately RMB15.3 million as the total development cost. Pre-sales commenced in June 2010.

This property project was awarded “2007 Best Leisure and Holiday Project” (2007 年度最佳休閒度假項目) by Accreditation Committee of the Outstanding Property Development Enterprises Board of Shijiazhuang (石家莊房地產企業風雲榜評委會).

8. Ningjin Tian Shan Wonderful Waterside View (寧晉 • 天山水榭花都)

Ningjin Tian Shan Wonderful Waterside View is a residential and commercial property project situated at the west of Xinxing Road in Ningjin County, Hebei Province, China. This property project occupies a total site area of approximately 93,328 sq. m. with a total GFA of approximately 214,022 sq. m.

Ningjin County is located at approximately 60 kilometers away from Shijiazhuang, and is a rapidly developing city in Hebei Province, China. The site area of *Ningjin Tian Shan Wonderful Waterside View* is located at the western side of the county, which is an industrial zone. We decided to develop *Ningjin Tian Shan Wonderful Waterside View* and have positioned it as a high-quality residential complex in Ningjin County in view of the growing income of the local population and their demand for quality living environment. As part of our property project, we constructed a lake and an adjacent park with various recreational facilities of approximately 37,687 sq. m. next to *Ningjin Tian Shan Wonderful Waterside View*. The lake and the park not only enhance the view of some of the high-rise residential units of *Ningjin Tian Shan Wonderful Waterside View*, but also create a new leisure and recreational space for the residents in the area.

BUSINESS



This property project is developed by Tian Shan Real Estate.

The total development cost of this property project is estimated to be approximately RMB320.9 million with an estimated average development cost of approximately RMB1,541 per sq. m., of which approximately RMB273.1 million was incurred as of 31 December 2009.

The construction of this project commenced in July 2007 and is expected to be completed in September 2011.

Pre-sales of this property project commenced in August 2007. As of 31 March 2010, the total pre-sold GFA was approximately 5,391 sq. m., and the proceeds derived from this property project during the Track Record Period was approximately RMB272.5 million with an average selling price of approximately RMB1,939 per sq. m.

BUSINESS

9. Tian Shan Long Hu Wan (Phase II) (天山 • 龍湖灣(二期))

This property project is situated at the south coast of Panlong Lake, Yuanshi County, Shijiazhuang, Hebei Province.

We plan to develop this property project as a residential area. This property project occupies a total site area of approximately 49,313 sq. m., and we plan to have a GFA of approximately 110,000 sq. m.

The total development cost of this property project is estimated to be approximately RMB260.0 million with an estimated average development cost of approximately RMB2,364 per sq. m., of which approximately RMB19.1 million was incurred as of 31 December 2009.

The construction of this property project commenced in November 2009 and is expected to be completed in February 2013. Pre-sales commenced in May 2010.

10. Tian Shan Long Hu Wan (Phase III) (天山龍湖灣(三期))

This property project is situated at the south coast of Panlong Lake, Yuanshi County, Shijiazhuang, Hebei Province, China with a site area of approximately 65,333 sq. m. We plan to develop this property project as a residential area with a planned GFA of approximately 120,000 sq. m.

The construction of this property project commenced in December 2009. We expect to complete the construction of this project in October 2014. The total development cost of this property project is expected to be approximately RMB420.0 million. As of 31 December 2009, we incurred development cost of approximately RMB13.6 million.

11. Weihai Tian Shan Waterside View (Phase I) (威海 • 天山水榭花都 (一期))

Weihai Tian Shan Waterside View (Phase I) has a site area of 79,860 sq. m. and is located at Wendeng, Shandong Province, China. We plan to develop this property project as a residential area with a planned GFA of approximately 146,176 sq. m.

The construction of this property project commenced in February 2010 and is expected to complete in December 2010. The total development cost of this property project is expected to be approximately RMB338.0 million. As of 31 December 2009, we incurred approximately RMB61.0 million.

Properties for future development

As of the Latest Practicable Date, we had four properties for future development. The properties are intended for sales. All of these properties for future development will be wholly-owned and developed by us, and we have paid the land acquisition cost and have either obtained the land use rights certificates or have entered into a State-owned land use rights transfer agreement for these properties.

The following table sets forth the information with respect to our properties for future development:—

Description of relevant land/property projects	Expected date of commencement of construction	Expected date of completion of construction	Land acquisition cost RMB' million	Total site area sq. m.	Total planned GFA sq. m.	Estimated total development cost RMB' million	(a)	(b)	(c)=(a)-(b)	Reference to property valuation report Property number
1. Xin Nan Jue	August 2010	December 2012	17.9	84,336	320,570	644.3	26.8	617.5	23	
2. Xin Zi Jue	December 2010	December 2011	7.4	26,527	80,000	200.0	8.1	191.9	24	
3. Tianjin Tian Shan Wonderful Waterside View (Phase II)	August 2010	August 2015	590.5	589,476	976,975	3,207.4	0.1	3,207.3	27	
4. Weihai Tian Shan Contemporary Noble Territory (Phase I)	July 2010	July 2012	25.3	53,333	106,666	239.5	16.9	222.6	26	
Total			641.1	753,672	1,484,211	4,291.2	51.9	4,239.3		

BUSINESS

1. **Xin Nan Jue (天山 • 新男爵)**

Xin Nan Jue has a site area of approximately 84,336 sq. m. and is located at Zhufeng Avenue, Shijiazhuang, Hebei Province, China. We plan to develop this property project as a residential and commercial complex with a total planned GFA of approximately 320,570 sq. m.

We are in the process of obtaining the relevant permits in order to commence construction of this property project in August 2010. We expect to commence pre-sales in August 2010 and to complete the construction of this project in December 2012. The total development cost of this project is expected to be approximately RMB644.3 million, and as of 31 December 2009, we incurred approximately RMB26.8 million as the total development cost, approximately RMB17.9 million of which was the land acquisition cost.

2. **Xin Zi Jue (天山 • 新子爵)**

Xin Zi Jue is located at the west of Chengshang Village, Yehe Town, Luancheng County, Hebei Province, China. It has a site area of approximately 26,527 sq. m. The total development cost of this property project is expected to be approximately RMB200.0 million. As of 31 December 2009, we incurred approximately RMB8.1 million as total development cost, approximately RMB7.4 million of which was the land acquisition cost. We plan to commence construction of this property project as a commercial complex in December 2010 and complete in December 2011.

3. **Tianjin Tian Shan Wonderful Waterside View (Phase II) (天津 • 天山水榭花都 (二期))**

Tianjin Tian Shan Wonderful Waterside View (Phase II) is a residential and commercial property project situated at Xiaozhan Town, Jinnan District, Tianjin, China. The total site area is approximately 589,476 sq. m. and the planned total GFA will be approximately 976,975 sq. m.

The construction of this property project is expected to commence in August 2010 and to complete in August 2015. The total development cost is expected to be approximately RMB3,207.4 million. As of 31 December 2009, we incurred approximately RMB0.1 million as the total development cost.

Pre-sales for this property project is expected to commence in August 2010.

4. Weihai Tian Shan Contemporary Noble Territory (Phase I) (威海天山新公爵(一期))

Weihai Tian Shan Contemporary Noble Territory (Phase I) has a site area of 53,333 sq. m. and is located at Wendeng Economics Development Zone, Shandong Province, China. It can be developed for commercial and residential use with an aggregate GFA of 106,666 sq. m.

We plan to commence construction and pre-sales of this property project in July 2010 and complete construction in July 2012. The total development cost of this property project is expected to be approximately RMB239.5 million. As of 31 December 2009, we incurred approximately RMB16.9 million as development cost on this property project.

Our PRC Legal Advisers confirm that, as of the Latest Practicable Date, none of our properties held for future development are subject to forfeiture or any idle land fee, and each complies with the 《關於促進節約集約用地的通知》 (Circular on Conservation of Intensive Land Use), pursuant to the Notice on Promoting the Economic Use of Land issued by the State Council on 3 January 2008.

Possible property projects

We are actively exploring opportunities for additional property projects in China. We have entered into six preliminary framework agreements with the local government authorities for preliminary development of certain possible property projects and possible of land with a total site area of approximately 10,416,856 sq. m. We have not entered into any further agreement and have not obtained relevant land use rights certificate for each of the possible property projects. We normally make payments to the relevant local government authorities for the improvement of the basic conditions of the land. Before we are able to obtain the relevant land use rights certificates, we are still required by the relevant PRC laws and regulations to complete the applicable land acquisition procedures. We may or may not be able to obtain the relevant land use rights or any or all of the requisite government approvals for the development of these possible property projects. Because some of these possible property projects are still at a very preliminary stage, we may not be able to estimate the total development cost or determine the target commencement dates for these possible property projects. Our Directors confirm that the counter-parties to all of these preliminary framework agreements are Independent Third Parties.

BUSINESS

The following table sets forth the information with respect to such potential property projects:—

Name of possible property project	Site area <i>sq. m.</i>	Total planned GFA <i>sq. m.</i>	Estimated total development cost <i>RMB'million</i>	Incurred development cost as of 31 December 2009 <i>RMB'million</i>	Expected date of commencement of construction	Reference to property valuation report <i>Property number</i>
1. Tianjin Tian Shan Wonderful Waterside View (Phase III)	533,336	1,066,672*	5,715.0	102.8	—	31
2. Weihai Tian Shan International Enterprise Base	866,671	693,337 ^{&}	449.8	18.1	July 2010	32
3. Weihai Tian Shan Waterside View (Phase II)	653,477	1,633,693 ^{<}	3,104.0	—	—	33
4. Weihai Tian Shan Contemporary Noble Territory (Phase II)	91,372	182,744*	343.0	—	—	34
5. Heng Shan Ling Project	8,000,000	8,000,000 [#]	N/A	—	—	35
6. Tian Shan Shijiazhuang Mechanical Industry Park	272,000	217,600 ^{&}	53.0	—	August 2010	36
	<u>10,416,856</u>	<u>11,794,046</u>				

* The total planned GFA is based on our assumption of a plot ratio of 2.0.

The total planned GFA is based on the estimated plot ratio of 1.0.

& The total planned GFA is based on our assumption of a plot ratio of 0.8.

< The total planned GFA is based on a plot ratio of 2.5 pursuant to the relevant agreement.

BUSINESS

1. **Tianjin Tianshan Wonderful Waterside View (Phase III) (天津 • 天山水榭花都(三期))**

On 20 November 2009, Tian Shan Tianjin Real Estate entered into an agreement with the Xiaozhan Town Government for the cooperation to develop a parcel of land of approximately 533,336 sq. m. in Xiaozhan Town, Jinnan District, Tianjin, China. The agreement was further supported by a supplemental memorandum dated 25 November 2009. Tian Shan Tianjin Real Estate agrees to invest RMB200.0 million and cooperate with the Xiaozhan Town Government to improve the basic conditions of the land. Upon completion, the parcel of land will be available for public tender, auction and listing-for-sales, in which we intend to participate to acquire the land use rights of the land. If we succeed in the acquisition of the land, we can deduct the land improvement cost of RMB200.0 million from the acquisition cost. If we fail to acquire the land, the Xiaozhan Town Government will repay the amount of RMB200.0 million to us. Save as disclosed above, the agreement does not stipulate any other investment amount or investment/development schedule. We intend to develop this project for hotel and residential use.

Although we do not have prior experience in the hotel business and have not obtained the relevant approval and permit, we intend to explore the business opportunity because of the strong demand for hotels in China and that their presence is expected to strengthen the economy in the surrounding area which will increase the value of the nearby property projects.

We will first engage a project director to oversee the selection of major facilities for the hotel. In the subsequent planning stage, we plan to enter into a hotel management agreement. We will proceed to the design stage during which we will engage specialised design firm for the design of the hotel and will engage a construction and planning manager. We will then commence construction of the hotel premises. We believe we will have sufficient resources and expertise to carry out the hotel business.

We expect the total development cost of this property project to be approximately RMB5,715.0 million, of which approximately RMB500.0 million will be the land premium for acquiring the land. As of 31 December 2009, we incurred approximately RMB102.8 million as the total development cost. We expect the public tender, auction or listing-for-sales procedures will take place by the end of 2010.

Our PRC Legal Advisers confirm that the agreement, together with the supplemental memorandum, for this project is not in breach of the relevant contract law in China and is legally binding and enforceable under the applicable PRC laws and regulations.

2. Weihai Tian Shan International Enterprise Base (威海天山國際創業基地)

Tian Shan Real Estate entered into an agreement with the Wendeng Economics Development Zone Management Committee (文登經濟開發區管理委員會) (the “**Management Committee**”) in October 2009 and a supplemental agreement in April 2010 regarding the development of a parcel of land situated at the Wendeng Economics Development Zone, Shandong Province, China of a site area of approximately 866,671 sq. m. at a consideration of approximately RMB91.1 million. If the land premium actually paid by Tian Shan Real Estate for the acquisition of the land is more than the amount stated in the agreement, the Management Committee has agreed to refund the difference between the amount paid by Tianshan Real Estate and the amount stated in the agreement to Tian Shan Real Estate. Our PRC Legal Advisers confirm that this refund arrangement when the land premium exceeds the amount agreed between the Management Committee and Tian Shan Real Estate may be invalid and Tian Shan Real Estate may not be lawfully entitled to receive any refund from the Management Committee as contemplated in the agreement. The estimated total development cost of this property project is expected to be approximately RMB449.8 million. As of 31 December 2009, we incurred approximately RMB18.1 million as the total development cost.

The project consists of two phases. The first phase consists of approximately 599,400 sq. m. of land for industrial use with a land premium of approximately RMB63.0 million. Pursuant to the agreement, the Management Committee shall procure that the relevant land use rights certificate, the Construction Land Planning Permit, the Construction Works Planning Permit and the Construction Works Commencement Permit be issued to us.

The second phase consists of a parcel of land of approximately 266,400 sq. m. for ancillary facilities with a land premium of approximately RMB28.0 million. We have paid RMB18.0 million to the Management Committee. We expect the tender, auction or listing-for-sales will be held by the end of June 2010. If we succeed in obtaining the land, we expect to commence construction by July 2010.

Pursuant to the agreement, we may construct standard industrial premises and purpose-built industrial premises. In addition, we may also sell part of land to individual customers.

Save for the abovementioned refund provision, our PRC Legal Advisers confirm that the agreement is legally binding and enforceable under the applicable PRC laws and regulations.

BUSINESS

3. Weihai Tian Shan Waterside View (Phase II) (威海·天山水榭花都(二期))

In December 2008, Tian Shan Real Estate and an Independent Third Party jointly succeeded in the acquisition of a parcel of land of 79,860 sq. m. located at Wendeng, Shandong Province, China for a land premium of approximately RMB59.9 million. Subsequently, the Independent Third Party entered into an agreement with Tian Shan Real Estate confirming that it withdrew its rights, and accordingly Tian Shan Real Estate entered into a State-owned construction land transfer agreement with the relevant land authority in December 2008. We did not make any progress in relation to the payment of the land premium or obtaining the relevant land use rights due to the then unsatisfactory economic conditions then.

In May 2009, Tian Shan Real Estate started to negotiate with the People's Government of Wendeng City (文登市人民政府) (the "**Wendeng Government**") regarding the acquisition of an entire parcel of land of approximately 733,337 sq. m. situated at Wendeng, Shandong Province, China, which includes the above parcel of land of approximately 79,860 sq. m. Tian Shan Real Estate entered into an agreement with the Wendeng Government in October 2009 and a supplemental agreement in April 2010 regarding the development of this entire parcel of land for a consideration of approximately RMB411.0 million. If the land premium actually paid by Tian Shan Real Estate for the acquisition of the land is more than the amount stated in the agreement, the Wendeng Government has agreed to refund the difference between the amount paid by Tian Shan Real Estate and the amount stated in the agreement to Tian Shan Real Estate. Our PRC Legal Advisers confirm that this refund arrangement when the land premium exceeds the amount agreed between the Wendeng Government and Tian Shan Real Estate may be invalid and Tian Shan Real Estate may not be lawfully entitled to receive any refund from the Management Committee as contemplated in the agreement.

Pursuant to the agreement, the entire parcel of land should be acquired by us in two phases. The first phase consists of the 79,860 sq. m. of land and is now occupied by *Weihai Tian Shan Waterside View (Phase I)*, the details of which are set forth under "____— Overview of our property projects – Properties for future development - 3. Weihai Tian Shan Waterside View (Phase I)" in this prospectus.

The second phase consists of the remaining land of approximately 653,477 sq. m. The Wendeng Government plans to arrange the public tender, auction or listing-for-sales of the land by July 2011.

Wendeng City is a rapidly growing city in the Weihai area of Shandong Province, China, and is conveniently located at the coastal area. With two economic development areas established in Wendeng City, it is expected that its population and the demand for residential properties will both increase in the future.

BUSINESS

We plan to develop this, in conjunction with the land occupied by *Weihai Tian Shan Waterside View (Phase I)* as a residential property project consisting of high-rise residential buildings, condominiums and villas, with residents' clubhouse and scenery based on the theme of water.

Save for the abovementioned refund provision, our PRC Legal Advisers confirm that the agreement is legally binding and enforceable under the applicable PRC laws and regulations.

4. **Weihai Tian Shan Contemporary Noble Territory (Phase II)** (威海天山新公爵(二期))

In November 2009, Tian Shan Weihai Real Estate entered into an agreement with the Management Committee regarding the development of two parcels of land located in Wendeng Economics Development Zone, Shandong Province, China of a total site area of approximately 144,705 sq. m. at an aggregate consideration of approximately RMB51.7 million. The entire site area consists of two parcels of land. The first parcel of land consists of an area of approximately 129,313 sq. m. for commercial and residential use, and the total land premium is approximately RMB45.0 million. The second parcel of land consists of an area of approximately 15,392 sq. m. for residential use and the total land premium is approximately RMB6.7 million. We did not incur any development cost as of 31 December 2009. The Management Committee is responsible for arranging the public tender, auction or listing-for-sale of the land, and we have entered into a State-owned land use rights transfer contract for a portion of the land under *Weihai Tian Shan Contemporary Noble Territory (Phase I)*. The Management Committee is planning the use of the remaining portion of the land with a site area of approximately 91,372 sq. m., and thus we do not have any concrete development plan for this project yet.

Our PRC Legal Advisers confirm that the agreement for this project is not in breach of the relevant contract law in China and is legally binding and enforceable under the applicable PRC laws and regulations.

5. **Heng Shan Ling Project** (橫山嶺項目)

In May 2006, Tian Shan Real Estate entered into a framework agreement with the government of Lingshou County (the "**Lingshou County Government**"), Hebei Province, China for the development of a parcel of land of a site area of approximately 8,000,000 sq. m. located at the south of Hengshan Lake, Lingshou County, Hebei Province, China. This project is intended to consist of a proposed theme park. The Lingshou County Government is responsible for assisting Tian Shan Real Estate to obtain the land use rights by obtaining approval from the provincial governments for the development of the land and making it available for public tender, auction or listing-for-sale. The Lingshou County Government will also arrange publication of the overall land use plan of the region prior to the tender, public auction or listing-for-sale of the land so that Tian Shan Real Estate can design the property project in compliance with such plan. Tian Shan Real Estate is responsible for the relocation and compensation for the local residents and planning the development. The agreement does not stipulate any investment amount or investment/development schedule.

BUSINESS

As of the Latest Practicable Date, we did not incur any cost on this project and we were not required to pay any amount to the Lingshou County Government or its officials. Since the date of the agreement, we have not received any further information from the Lingshou County Government regarding the overall planning for the development of the land. As a result, we have not proceeded with the development of this project. The land is currently owned by the Lingshou County Government and is vacant. Our Directors confirm that we have not encountered any major obstacle in the implementation of this project. The development plan for this project has not yet finalised, and we do not have any specific strategy or intention to develop the theme park business in the near future.

Our PRC Legal Advisers confirm that the agreement for this project is not in breach of the relevant contract law in China and is legally binding and enforceable under the applicable PRC laws and regulations.

6. Tian Shan Shijiazhuang Mechanical Industry Park (石家莊天山重機產業園)

In January 2010, Tian Shan Real Estate entered into a framework agreement with Yuanshi County Government (“**Yuanshi County Government**”), Shijiazhuang, Hebei Province, China for the development of a parcel of land of approximately 272,000 sq. m. in the Southern Industrial Area of Shijiazhuang, Hebei Province, China. The development will consist of factory buildings, office buildings and comprehensive service buildings. Tian Shan Real Estate shall invest not less than RMB50.0 million in 2010 and about RMB1,000.0 million in total for the entire development of this parcel of land. The Yuanshi County Government is responsible for reclaiming the entire site area and making arrangement for its public tender, auction or listing-for-sales. If Tian Shan Real Estate succeeds in obtaining the land, the investment cost incurred can be set off against the land price. Otherwise, the Yuanshi County Government will repay Tian Shan Real Estate its investment cost incurred together with interest. The agreement does not stipulate any specific development schedule. Based on our communication with the Yuanshi County Government, we expect that the tender, public auction or listing-for-sale of the land will take place in August 2010. If we succeed in obtaining the land, we expect to commence construction in August 2010.

Our PRC Legal Advisers confirm that the agreement for this project is not in breach of the relevant contract law in China and is legally binding and enforceable under the applicable PRC laws and regulations.

BUSINESS

SALES AND MARKETING

Our sales team is responsible for formulating and executing our overall marketing strategy and sales and promotion plans for each property project. As of 31 December 2009, we had 129 sales staff. We provide training programs and courses to our sales staff with different levels of experience. Our sales team conducts market analyses, prepares promotional designs and project brochures, organises on-site promotions, arranges advertising campaigns, recommends pricing and determines sales-related policies and manages our customer relationships.

We start the positioning study and the related advertising campaign once we have secured the land use rights attached with the relevant parcel of land for a property project. In most cases, we engage third-party advertising companies to assist us in the formulation of the promotional campaigns and more importantly, in determining the appropriate market positioning strategy of the property project. Our budgeted amount to be incurred on advertising and promotional activities would be no more than two per cent. of the expected sales proceeds generated from the relevant property project.

Depending on the positioning of each property project, we may launch marketing campaigns by advertising on newspapers, magazines, public transport, mobile devices through short message service, internet and outdoor advertising boards and participates in various property development exhibitions. As part of our marketing strategy, we have organised tours for our potential customers to visit our completed projects.

For the sales of our property, we usually engage third-party property sales agents, who are responsible for conducting market research on our projects, recommending the price levels, devising sales plans and conducting the actual sales.

During the Track Record Period, we engaged in total six sales agents to conduct promotion and sales of almost all of our property projects. Most of these sales agents have been established for over 10 years, and we have business relationship with them from around one to five years. We engage sales agents on a project-by-project basis. They are required to comply with our sales target and are remunerated through commission at the range between 1% and 3% of the transaction amount. During the three years ended 31 December 2009, the recognised sales generated by the sales agents amounted to approximately RMB206.0 million, RMB450.0 million and RMB246.5 million, representing approximately 44.5%, 69.4% and 32.8% of our total turnover, respectively. We do, however, use our sales staff for some of property projects, such as *Tian Shan Science and Technology Park* and *Liangcun Industrial Zone*. The purpose of this arrangement is to enhance the working knowledge and experience of our sales staff.

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The following sets forth a summary of the principal terms and conditions of the sales agency agreements:–

1. We are responsible for providing to the sales agent the property project background materials, including sales brochures and mortgage plans which we have negotiated with banks, and the management of the sales centre located at the property project site.
2. The sales agent is responsible for the overall planning and implementation of the sales activities of the property project. The advertising expenses incurred by the sales agent shall not exceed a certain percentage of the total sales proceeds fixed by us, and any excessive amount shall be borne by the sales agent.
3. We require the sales agent to provide us with weekly sales reports, weekly sales forecast and target customer lists, and monthly sales reports, sales plans for the following month, sales analysis reports and market research reports.
4. We require the sales agent to form a sales team consisting of a minimum number of personnels and roles according to our project requirements. If the performance of the sales agent is not satisfactory, we will request for replacement of the team. If the sales agent does not comply with such request, we are entitled to terminate the agreement and seek compensation for our loss.
5. The sales agent will provide sales personnel on-site to liaise with our customers and will gather feedback from our customers for analysis and provide sales recommendation to us.
6. The sales agent will enter into sales confirmation with the customers and will then arrange the customers to enter into formal sale and purchase agreement with us.
7. The sales agent is required to comply with our monthly sales target, which varies across property projects, and we may terminate the agreement if the sales agent fails to meet such target for a certain period.
8. The sales agent is remunerated through commission at the range between 1% and 3% of the transaction amount, which is in line with industry practice, and is usually paid on a monthly basis in cash.

BUSINESS

We have detailed guidelines which we require our sales agents to comply with, which include specific requirements such as the attire of the sales staff, the presentation and the manner on the promotion of our property projects and distribution of the promotion material, timetable and the storage of information relating to our customers.

To ensure due compliance, management members of our sales and marketing teams regularly perform routine checks on the performance of our sales agents. If we identify non-compliance with our guidelines and any material breach of the sales agency agreements, we will terminate the sales agency agreement with the relevant sales agent. During the Track Record Period, we did not identify any non-compliance by any sales agent and we did not terminate any sales agency agreement.

During the three years ended 31 December 2009, we incurred commission expenses for the sales agents of approximately RMB3.2 million, RMB9.0 million and RMB3.3 million, respectively.

For projects where sales agents are appointed, our management will discuss with the sales agent in relation to the proposed selling price and will finally determine the selling price.

For projects where no sales agent is appointed, i.e. *Tian Shan Science and Technology Industrial Park* and *Liangcun Industrial Zone*, the selling price is set by our management after taking into account a number of factors such as construction costs, investment returns, market demand and local competition.

Apart from residential property development, industrial property development is another significant part of our business. An example of our industrial project is *Tian Shan Science and Technology Industrial Park* and the purchasers are mainly small and medium-sized enterprises.

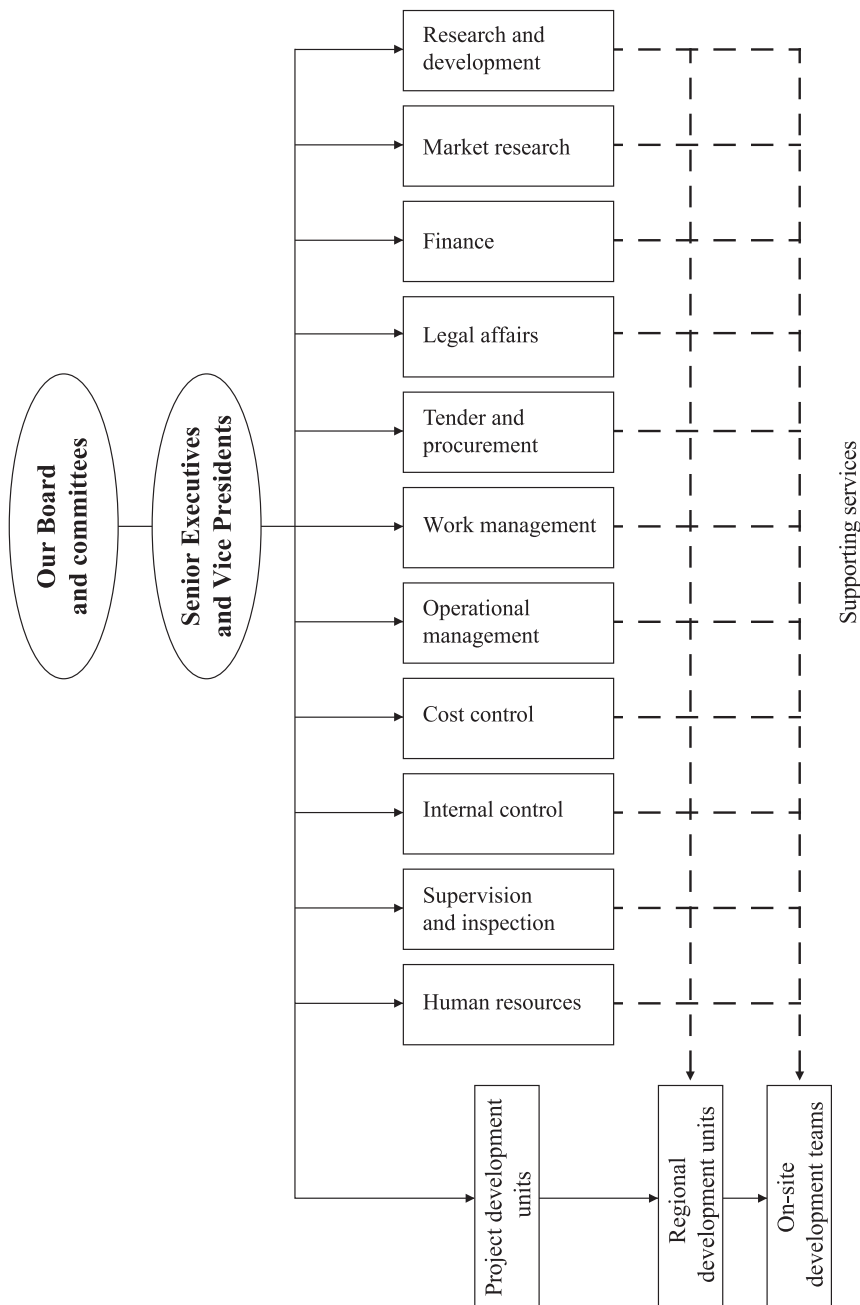
Regarding our commercial units, the tenants are mainly individuals or entities providing retail or ancillary services to the residential zone such as clinic and restaurant.

PROJECT DEVELOPMENT PROCESS

Introduction

The development process of our property projects involves various departments and offices and is undertaken comprehensively from different perspectives before making any commitment.

The following diagram illustrates the management structure of our various departments and offices involved in the project development process:–



BUSINESS

In addition to the functional departments which are headed by our vice-presidents, we have also established dedicated project development teams for our property projects in different regions. The project development teams are also headed by our vice-presidents. The functional departments are overseeing each major step involved in our project development process and providing supporting services to our property projects. The project development teams are responsible for the overall implementation and management of our property projects.

The project development teams also include project managers who report to our vice-presidents. The project managers are responsible for the coordination and due implementation of the relevant property project in accordance with the relevant time schedule. The project managers are assisted by various deputy project managers in different areas.

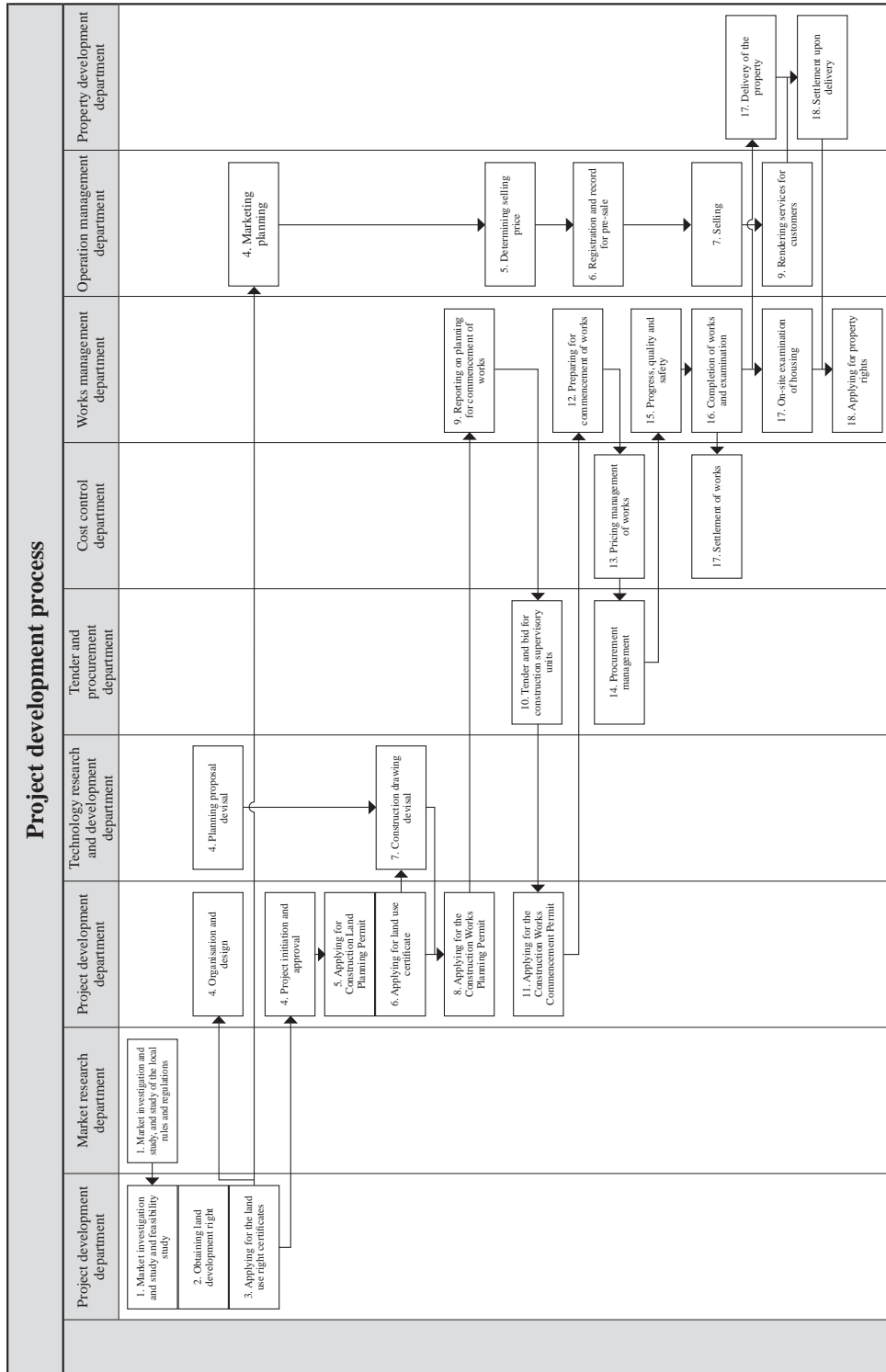
Our Directors believe that our project development process enable us to monitor the progress of each property project under development and to ensure that each property project receives sufficient support from us.

In order to ensure that all our property projects are duly implemented, we have also adopted the following measures:–

1. key members of each project management team usually work at the relevant construction site jointly with our external contractors for the purpose of identifying any major problem that may affect the construction schedule;
2. regular meetings are held between the key members of the project management teams and our functional departments to make sure that all of our projects are fully supported by the services provided;
3. there are meetings amongst the functional departments and our external contractors and suppliers and other professional parties on supply of raw materials, major design change, major technical issues and issues on sales and marketing of our property projects; and
4. independent construction supervisors are appointed to supervise the overall construction progress with close monitoring on the use of raw materials and the actual construction cost.

BUSINESS

Generally speaking, the entire process will take approximately 36 months to complete. The following diagram illustrates the principal steps involved in the project development process:—



BUSINESS

The entire project development process may be divided into the following stages:–

- Site selection and project valuation;
- land acquisition;
- construction planning;
- project financing;
- project design;
- project construction and construction supervision;
- pre-sales;
- settlement of the purchase price;
- delivery and after-sales services; and
- property management.

Further information on each of the above stages is set forth below.

Site selection and project valuation

Site selection

We place a strong emphasis on site selection and consider it fundamental to the success of a property project. Our key site selection criteria include:–

- national policies on the development and positioning of different geographical regions;
- the government’s development plans for the area;
- accessibility and surrounding environment of the site and available infrastructure support;
- general economic development and property purchasing power in that area; and
- competition from other developments in the locality.

After site selection, we conduct a thorough project evaluation based on the expected investment returns of the relevant property project. In determining the expected return on investment of each property project, we take into account the following principal factors:–

- whether the property project is consistent with the overall development trend of the neighbouring areas;
- the strategic importance and the weaknesses of the location of the property project;
- market demand for the relevant property and the expected sales conditions; and
- any competition which the property project may encounter.

Land acquisition

Under current PRC laws and regulations, land use rights attached with lands for commercial use, industrial use, entertainment, tourism and residential projects must be granted by the State through public tender, auction or listing-for-sales. If the land use rights are granted by way of an auction, a public auction is held by the relevant local land bureau and the land use rights are granted to the highest bidder. In determining the bidder of the relevant parcel of land, the State will consider the tender price, the qualifications of the enterprises submitting the tender and the merits of the proposed development project. An evaluation committee consisting of not less than five members (including a representative of the grantor, if applicable and other experts) would be formed to evaluate each tender submitted.

BUSINESS

Under current PRC laws and regulations, original grantees of land use rights may sell, assign or transfer the land use rights granted to them in the secondary markets. The “primary market” commonly refers to the grant of the land use rights by the State, whereas the “secondary market” refers to the acquisition of land use rights from entities or persons which hold granted land use rights.

Under the current PRC laws and regulations, grantees of land may transfer the land use rights through secondary market sales, subject to the terms and conditions of the original land grant contract and the prescribed procedures. Generally speaking, acquisition of land in the secondary market may be completed by private treaty.

The Land Administration Bureau in Shijiazhuang announced 《石家莊市土地管理局關於進一步推行招標拍賣出讓國有土地使用權的通告》 (Notice of Shijiazhuang Land Administration Bureau about Further Regulations on the Transfer of State-Owned Land Use Rights through Tender and Public Auction) on 3 March 1999 stating that State-owned land use rights for commerce, tourism, entertainment, office and luxury residential purposes must be obtained by tender, public auction or listing-for-sale. We comply with the related laws and regulations in obtaining the rights to develop our projects.

In relation to our land acquisition, updated information about government land development plan and the property development market in the target areas will be collected by our responsible staff in cities of the Bohai Economic Rim from local land authorities. A feasibility report will then be prepared and presented to our Board for consideration and approval. Once approved, we will proceed to submit a bid or tender for the relevant piece of land. All payment methods or procedures will be in accordance with the terms of the relevant sale and purchase agreements.

During the Track Record Period, we had not acquired any property development companies which hold land and properties in China. During the Track Record Period, all the land was vacant before being acquired by us. Therefore, we did not experience any difficulties or disputes in relation to resettlement and relocation. No payment in respect of resettlement and relocation had been made by us during the three years ended 31 December 2009.

BUSINESS

We pay the purchase price of the land use rights granted to us in accordance with the relevant agreements. We normally pay the purchase price out of our own financial resources. However, between 2000 and 2003, Tianshan Construction, undertook a number of construction works for the Management Commission of Shijiazhuang Hi-tech Industry Development Zone (石家莊高新技術開發區管理委員會) (the “**Management Commission**”). Upon the approvals of the relevant local authorities, we accepted the arrangement proposed by the Management Commission that the purchase price of the land use rights of certain lands would be set off by the unpaid construction fees owed by the Management Commission to Tianshan Construction. In three of our property projects, namely: *Shijiazhuang Tian Shan Garden*, *Tian Shan Waterside View (Phases I, II & III)*, *Tian Shan Waterside View (Phase IV)* and *Tian Shan Science and Technology Industrial Park*, the payment of the purchase price was satisfied through the abovementioned arrangement. The unpaid construction fees were partially set off by the purchase price of the land use rights for the above three property projects, which amounted to RMB10.7 million, RMB44.7 million and RMB26.0 million respectively, and since then we had no unpaid construction fees receivable from the Management Commission. As advised by our PRC Legal Advisers, the above settlement arrangement is not in breach of any relevant laws and regulations in Shijiazhuang, Hebei Province, China.

Further information on the relevant laws and regulations regarding land acquisition in China is set forth in Appendix V to this prospectus.

Construction planning

According to the PRC laws and regulations, once we have entered into the relevant land grant contract, we will arrange for payment of the land premium relating to the parcel of land. We will then apply for the various permits and licenses that are needed in order to begin construction and sale of our properties, including but not limited to:–

- land use rights certificate;
- Construction Land Planning Permit;
- Construction Works Planning Permit;
- Construction Works Commencement Permit; and
- Pre-Sales Permit.

BUSINESS

During the three years ended 31 December 2009, we did not experience any material delays in obtaining such permits which have had a material adverse effect on our business or results of operations.

Project financing

During the Track Record Period, our funding for property development was derived from two principal sources: (i) bank borrowings and the proceeds from the Notes and (ii) pre-sales of our properties. We study carefully, before the commencement of each property project, the appropriate funding methods and will then discuss with the relevant banks and financial institutions. For bank borrowings, we normally use the granted land use rights or our other assets as collaterals. We will normally discuss with the relevant banks on indications of commitment to provide financing.

Project design

We value the importance of good design for our property projects and we usually engage reputable overseas and domestic architectural and design firms for the architectural and landscape design work of our projects. The firms are responsible for planning the architectural, landscape and interior designs of the relevant property project in accordance with our requirements.

When selecting architectural and design firms, we consider the reputation of the firms in terms of reliability and quality, the price quotation, previous relationship with us, and the proposed design. Over the years, we have developed stable relationship with some reputable design firms.

In general, we will consider the following in determining the design (including the number of buildings and the levels in each building) of a particular property development:–

- the surrounding environment of the relevant property project;
- the size of the site area;
- the advices provided by the professional advisors including the architects and the planning experts; and
- the proposed type of residential development.

BUSINESS

Our research and development department is responsible for overseeing the design of our property projects and cooperating with the engaged architectural and design firms in various aspects of the design process, including master planning, design specifications and the selection of construction materials.

We also conduct research on the latest design technology with a view to apply the same in our property projects. Our employees of the research and development department participate in international exhibitions and tours from time to time to learn the latest design trends and technologies.

In order to maintain the construction quality of our property projects, we have implemented a tendering process for the selection of suppliers for certain principal construction materials, such as concrete, steel bars and elevators. These are the major cost components in the construction process. Depending on the prevailing circumstances, we may source such principal raw materials from the designated suppliers direct (in which case the amount of the construction cost payable to our external contractors will be reduced accordingly) or require our external contractors to source the relevant principal raw materials from the designated suppliers. Our Directors believe this process is important for maintaining the quality of our property projects.

During the three years ended 31 December 2009, we were not engaged in hedging activities for our principal raw materials. We have our market research department which forms a dedicated team to monitor the market price levels of our principal raw materials.

Project construction and construction supervision

We outsource all our construction work to third party construction companies (including Tianshan Construction). We usually select construction companies through a bidding process and invite a minimum of five qualified construction companies to bid for a construction project through a tender process. Construction companies are not selected only by their quotations, but other factors including their track record, work quality, previous co-operation with us and technical capability are considered as a whole. We may also conduct investigations and inspections on the construction companies which have participated in the tender process to ascertain if they can satisfy our requirements.

As of 31 December 2009, we engaged nine construction companies, all being Independent Third Parties save for Tianshan Construction, for the construction of our property projects.

BUSINESS

The construction contracts entered into between us and the construction companies contain warranties in respect of quality and timely completion of the construction projects. We require the construction companies to comply with PRC laws and regulations relating to the quality of construction, environmental, labour and safety, as well as our own standards and specifications. The construction companies are also subject to our quality control procedures, including examination of materials and supplies, on-site inspection and production of progress reports. In the event of delay in construction or unsatisfactory quality of workmanship, we may require the construction companies to pay a penalty or provide other remedies.

Pursuant to the terms of construction contracts, we usually pay the construction companies the construction fees by installments in accordance with the construction progress. We generally retain 2% to 5% of the total contract sum to cover any expenses incurred in connection with quality of the construction work during the warranty period. Such rate of retained contract price is in line with the industry practice. The retained contract price will be finally settled upon expiry of the warranty period (generally ranges from 1-5 years) and there is no warranty problem regarding the relevant construction work during the warranty period.

During the three years ended 31 December 2009, we did not experience any warranty claim against any of our construction contracts and there was no incident that the retained construction contract price was not enough to cover the liabilities or expenses incurred by us. For the three years ended 31 December 2009, the total construction costs incurred were approximately RMB193.0 million, RMB403.0 million and RMB516.2 million, respectively.

During the Track Record Period, we did not violate any application PRC laws and regulations in relation to property constructions that had a material adverse effect on our results of operations or financial conditions.

We employ Independent Third Parties as construction supervisors to carry out the quality control function throughout the whole construction process of our property projects, including but not limited to:–

- monitoring the progress of the construction;
- inspecting the quality of the construction works performed by the construction contractors;
- inspecting the raw materials and equipments used for the construction;

BUSINESS

- inspecting the construction works to ensure they meet a specified standard upon the completion of the construction; and
- reviewing the application form for the payment of construction fees submitted by the construction companies and other relevant documents to ensure that each payment to the construction companies or other suppliers is made in accordance with the relevant construction contracts.

In selecting the construction supervisor, we will take into consideration the following factors:–

- the relevant experience and reputation of the supervisor;
- the technical complexity of the relevant construction works;
- the nature of the property projects; and
- the fee level proposed by the relevant supervisor.

During the Track Record Period, the principal construction supervisors appointed by us were entities having years of experience in the construction supervision business and holding the relevant construction supervision enterprise qualification certificate (工程監理企業資質證書).

The amount of the construction supervisors' service fees is generally determined based on a certain percentage of the total project development cost and are settled in cash in accordance with the terms of the relevant contracts.

As of 31 December 2009, we had 144 employees responsible for overseeing the quality assurance of our property development business. According to a certificate issued by Shijiazhuang Quality Technology Supervisory Bureau Hi-Tech Industrial Development Zone Branch Bureau (石家莊市質量技術監督局高新技術產業開發區分局) on 8 November 2009, in the past 36 months, Tian Shan Real Estate had complied with and had not been punished for breach of the relevant laws and regulations regarding quality and technology supervision. During the Track Record Period, we did not experience any substantial disputes with the contractors and suppliers and did not receive any penalty resulting from the delay and poor quality of work caused by the contractors and suppliers.

BUSINESS

Pre-sales

Our policy is to apply for pre-sales of our property projects as soon as the applicable laws and regulations permit us to do so. Our Directors believe that this is consistent with the industry practice in China. Under the applicable PRC laws and regulations, the following conditions must be satisfied before commencing any pre-sales of any property project:–

- the land premium has been fully paid and the relevant land use rights certificate has been duly issued;
- the Construction Land Planning Permit, the Construction Works Planning Permit and the Construction Works Commencement Permit have been duly issued;
- the funds contributed to the property project may not be less than 25% of the total investment cost required and proposed to be made in the relevant property project;
- the progress and the expected completion date of the relevant property project can be ascertained and has been approved; and
- the Pre-sales Permit has been issued.

Pursuant to the Article 11 of 《城市商品房預售管理法》(The Administrative Regulations on Pre-sale of Urban Commodity Residences), the proceeds generated from pre-sales of property projects must be used to finance the construction costs of the relevant property project. To ensure compliance with the said requirement, we establish an independent finance department and open a designated bank account for each project prior to the commencement of pre-sales. As confirmed by our PRC Legal Advisers, during the Track Record Period, we complied with all the relevant laws and regulations applicable to pre-sale of properties. Further information on the laws and regulations regarding pre-sales of property projects is set forth in Appendix V to this prospectus.

Settlement of the purchase price

The purchasers of our properties can choose to make payment by installments, lump sum payments or bank loans. We normally require a purchaser to pay an initial deposit of RMB20,000 upon the signing of a preliminary purchase agreement. If the purchaser subsequently decides not to proceed with the signing of the formal sale and purchase agreement, we will have the right to forfeit the deposit. When the formal sale and purchase agreement is signed, the purchaser will be required to pay at least 20% to 30% of the total purchase price as down payment.

BUSINESS

In accordance with the industry practice, during the Track Record Period, we had arrangements with various PRC banks for the provision of mortgage facilities to our purchasers. We are generally required to provide guarantees for the mortgages offered to our purchasers until the relevant property ownership certificates and certificates of other interests in the property are lodged with the mortgage banks. As of 30 April 2010, our outstanding guarantee on mortgage financing to the purchasers of our properties amounted to approximately RMB1,694.0 million.

During the three years ended 31 December 2009, the default rates of the above mortgage guarantee arrangement were approximately 0.14%, 0.09% and 0.06%, respectively.

Delivery and after-sales services

We endeavour to deliver our properties to our customers on a timely basis by closely monitoring the progress of construction as well as conducting pre-delivery property inspections to ensure timely delivery. The time for delivery is stipulated in the sale and purchase agreements entered into with the purchasers. Once a property project has been granted the Completed Construction Works Certified Report, our customer service staff will liaise with the purchasers for delivery and handover of the completed unit. If there is any late delivery, we may need to pay damages to the relevant purchasers. When we deliver the completed properties to the purchasers, we are also required to deliver the building quality guarantee certificate (住宅質量保證書). After delivery of completed properties, our customer service centre for the relevant property project will assist our customers to obtain the property ownership certificates by providing all requisite information to the local titles office for registration.

After delivery of properties, we continue to serve the purchasers and assist them in arranging for and providing information relating to financing, including information on potential mortgage banks and the mortgage terms they offer.

We also provide communication channels for the purchasers to provide their feedback and comments to our customer service department, including telephone hotline.

During the Track Record Period, the complaints we received from the purchasers with respect to the properties we sold were generally related to small defects. Once a complaint is received by us, our customer services department will assign a competent person to follow-up and fix those problems.

BUSINESS

Property management

In accordance with local regulations of China, we may appoint a property management company to manage properties developed by us on behalf of the owners of the relevant properties until the owners' committee of the relevant properties is established and a new property manager is appointed. After the owners' committee of the relevant properties is established, the residents can appoint the property management company of their own choice. During the Track Record Period, for all of the properties developed by us, no owners' committee had been established.

For the purpose of securing high quality of building management services to the owners, we usually recommend Tianshan Property Management to provide property management services to our completed properties. The services will include the provision of security services, maintenance of the facilities and garbage collection. Generally, the management fees are directly paid by the property owners to Tianshan Property Management monthly at the rate of approximately RMB0.35 to RMB2.0 per sq. m.

Further information on the engagement of Tianshan Property Management is set forth in the section headed "Connected Transactions" in this prospectus.

CUSTOMERS

Our customers are purchasers of our residential and industrial properties. They are either individual purchasers or enterprises in China acquiring industrial properties for their own business purposes. During the three years ended 31 December 2009, the sales to our five largest customers were approximately RMB61.3 million, RMB25.5 million and RMB67.2 million, respectively, representing approximately 13.2%, 3.9% and 8.9%, respectively, of our turnover. During the three years ended 31 December 2009, the sales to our largest customer were approximately RMB28.6 million, RMB10.0 million and RMB20.3 million, respectively, representing approximately 6.2%, 1.5% and 2.7%, respectively, of our turnover.

Because of our nature of business, i.e. residential and industrial property development in China, we are not able to enter into any long-term agreement with our customers. We do, however, maintain relevant information on our previous customers and would invite them to visit our new property projects. Other than these arrangements, we require all our customers to settle the purchase prices of our properties in accordance with our standard payment terms, further information on which is set forth in the paragraphs under "Project Development Process - Settlement of the purchase price" in this prospectus.

BUSINESS

Save as disclosed above, none of our Directors, their respective associates nor any Shareholders who is interested in more than five per cent. of the Shares in issue immediately following completion of the Capitalisation Issue and the Global Offering (taking no account of any Shares which may be taken up under the Global Offering) has any interest in any of the five major customers of our Group during the three years ended 31 December 2009.

SUPPLIERS

During the three years ended 31 December 2009, the purchase from our five largest suppliers were approximately RMB118.2 million, RMB192.0 million and RMB272.5 million, respectively, representing approximately 61.2%, 47.6% and 52.8%, respectively, of our total construction cost. Most of our five largest suppliers were construction contractors. During the year ended 31 December 2009, our five largest suppliers had business relationship with us for one to nine years. We do not enter into long-term contracts with our major suppliers as we engage them on a project-by-project basis through the tendering process. We usually pay them by installments according to project progress by way of cheques or bank remittance, net of the retention money for construction service providers.

During the three years ended 31 December 2009, the purchase from our largest supplier was approximately RMB75.2 million, RMB118.7 million and RMB211.4 million, respectively, representing approximately 39.0%, 29.4% and 41.0%, respectively, of our total construction cost. During the three years ended 31 December 2009, Tianshan Construction was our largest supplier.

Save for Tianshan Construction, none of our Directors, their respective associates nor any Shareholders who is interested in more than five per cent. of the Shares in issue immediately following completion of the Capitalisation Issue and the Global Offering (taking no account of any Shares which may be taken up under the Global Offering) has any interest in any of our five major suppliers during the Track Record Period.

COMPETITION

Our business is focusing on the development of a series of quality residential properties with modern design, scenic environment and landscape in selected leading cities in the Bohai Economic Rim, such as Shijiazhuang, Tianjin and Chengde. In this connection, our Directors believe that we have several competitive advantages, particulars of which are set forth in the paragraphs under “Business - Our competitive advantages” in this prospectus. Our Directors also believe that these competitive advantages differentiate ourselves from our competitors, which are other mid-size property development enterprise in China.

BUSINESS

Although our Directors believe that we have our competitive advantages, we face various risks and competitions. The property development business has its own inherent risks. We also face increasing competition from other property development enterprises which are bigger than us and are able to access to international capital markets for the funding requirements. Hence, our strategy is to focus on the niche position to offer residential properties to our customers in selected cities in Bohai Economic Rim with a combination of stylish designs and affordable prices. We believe that this market position is important to us in light of the competitions amongst the property development enterprises in China.

We do not compete with nation-wide property development enterprises in China. The residential property markets in the cities in Bohai Economic Rim are fragmented and primarily driven by the needs of home buyers. On this basis, appropriate market positions and promotional activities are very important to the continuous development of our business. In addition to the price levels, we emphasize on the construction quality and the materials used in our property projects and the services that we may offer to our customers.

Based on the information obtained from the Hebei Bureau of Housing and Urban-Rural Development (河北省住房和城鄉建設廳), as of 31 December 2009, there were 24 property development enterprises in Hebei Province (including us) holding the First Class Property Development Enterprise Qualification Certificate. Our existing competitors include these property developers as well as other property developers penetrating the property market in the Bohai Economic Rim.

INTELLECTUAL PROPERTY

We have been granted a licence to use the trademarks “天山” and “” registered or in the process of applying for registration in the name of Tianshan Industrial Group at the PRC Trademark Office (中華人民共和國商標局) pursuant to the relevant trademark licence agreements entered into between Tianshan Industrial Group as licensor and Tian Shan Real Estate as licensee. The licence is valid until the expiry of the relevant trademark registrations. Further information of the trademark licensing agreements is set forth in the section headed “Connected Transactions” in this prospectus. We have also registered the trademarks “天山” and “” in Hong Kong.

During the three years ended 31 December 2009, to the best of knowledge, we did not infringe any third parties’ intellectual property rights. We were not aware of any incidents during the Track Record Period that might infringe our intellectual property rights.

BUSINESS

We are also the registrant of the domain name “tian-shan.com”. We are also in the application process of various trademarks in China. Further information on our intellectual property rights is set forth in the paragraphs under “Intellectual Property” in Appendix VII to this prospectus.

SAFETY AND INSURANCE

We contribute to social insurance for our employees as required by PRC social security regulations, including a pension contribution plan, medical insurance plan, an unemployment insurance plan and a work-related injury insurance plan.

Property developers are not required under PRC laws and regulations to maintain insurance coverage in respect of their property development operations. In line with the customary practice of the property development industry in China, we do not maintain insurance coverage for our properties, whether they are under construction or have been completed or are pending delivery.

According to our construction contracts, the contractors are responsible for safety control during the course of construction and any accidents and injuries to their construction workers and relevant staff members engaged in the construction process.

During the Track Record Period, we did not incur any loss or damages nor were we liable to any liabilities relating to our property projects which had a material adverse effect on our business.

LICENCES AND PERMITS

In February 2004, Tian Shan Real Estate was granted the First Class Property Development Enterprise Qualification Certificate and its current certificate is valid until 31 December 2012. Such licence is subject to annual review and certification.

BUSINESS

During the three years ended 31 December 2009, we passed all annual examinations in respect of the qualification certificates in accordance with all relevant laws and regulations as well as all requirements of local construction authorities. There was no instance of our qualification certificates being terminated or conditions being imposed thereon throughout the three years ended 31 December 2009.

Our PRC Legal Advisers confirm that, save as otherwise disclosed in this prospectus, we have complied with all applicable laws and regulations in China in all material respects. Our PRC Legal Advisers also confirm that we have obtained all the necessary permits, certificates, licences and approvals for our business operations.

ENVIRONMENTAL PROTECTION

We are subject to a number of local and national environment laws and regulations, including, but without limitation to, 《中華人民共和國環境保護法》 (Environmental Protection Law of the PRC), 《中華人民共和國環境噪聲污染防治法》 (The Prevention and Control of Noise Pollution Law), 《中華人民共和國環境影響評價法》 (The Environmental Impact Assessment Law) and 《建設項目環境保護管理條例》 (The Administrative Regulations on Environmental Protection for Development Projects). The main forms of pollution caused by the construction process for our property projects include air pollution, water contamination, waste discharge and noise emission. Pursuant to the applicable laws and regulations, for each property project, we are required to undergo environmental assessment and an environmental impact assessment report shall be submitted to the relevant government authorities for the grant of the Construction Project Environmental Impact Assessment Approval. The approval will specify the standards applicable to the implementations of the construction works in relation to air pollution, noise emissions, water contamination and waste discharge. While the construction is in progress, we require the contractors to adhere to the approved standards relating to the impact on the environment and implement suggested protection measures. On completion of each property development, the relevant government authorities will inspect the site to ensure that applicable environmental standards have been complied with.

As confirmed by our PRC Legal Advisers, during the three years ended 31 December 2009, we were in compliance with the relevant environmental and safety rules and regulations in China and no penalty was imposed on us in connection with any violation of environmental laws and regulations.

BUSINESS

PROPERTIES USED BY US

Office premises in China

Tian Shan Real Estate has leased the office premises located at No. 109 Tianshan Avenue, Shijiazhuang Hi-tech Industry Development Zone, Shijiazhuang, Hebei Province, China (the “**PRC Office Premises**”) from Tianshan Construction for use as our principal head office and principal place of business in China. The PRC Office Premises have a total lease area of 920 sq. m. Pursuant to an agreement dated 31 December 2006, Tian Shan Real Estate leased the PRC Office Premises from Tianshan Construction at an annual rental of RMB386,400 (exclusive of water and electricity charges and management and maintenance fee) from 1 January 2007 to 31 December 2009. Pursuant to an agreement dated 20 November 2009, Tian Shan Real Estate would continue to lease the PRC Office Premises from Tianshan Construction at the same annual rental amount from 1 January 2010 to 31 December 2012. Further information on the lease arrangement of the PRC Office Premises is set forth in the section headed “Connected Transactions” in this prospectus.

Hong Kong office premises

Pursuant to a tenancy agreement dated 15 May 2007 and a supplementary agreement dated 1 April 2009, an Independent Third Party leases the office premises located at Room 703, 7th Floor, Fairmont House, No. 8 Cotton Tree Drive, Hong Kong to our Company for use as our principal place of business in Hong Kong for a period commencing from 15 May 2007 to 31 December 2009. Following the expiry of the tenancy agreement, we entered into a new tenancy agreement on 20 December 2009 for a period commencing from 1 January 2010 to 31 December 2011.

Employees’ dormitory in Hong Kong

Pursuant to an assignment dated 14 May 2009, an Independent Third Party assigned to Dragon China the title of the property of approximately 576 square feet at Flat A, 5th Floor Newman House, Nos. 35-45 Johnston Road, Hong Kong, which is now used as a dormitory for our employees in Hong Kong.

On 2 June 2010, Tian Shan Hong Kong entered into a lease agreement with an Independent Third Party for the lease of a property at Flat 1, 14th Floor, Pao Yip Building, Nos. 1-7 Ship Street, Wanchai, Hong Kong from 4 June 2010 to 3 June 2012 at a monthly rental of HK\$13,800. The property is also used as dormitory for our employees in Hong Kong.

CORPORATE GOVERNANCE MEASURES

We have implemented a series of measures in an effort to enhance the effectiveness of our corporate governance:–

Internal audit

We have adopted internal control procedures which cover our risk assessment, continuous monitoring, communications, reporting procedures and internal auditing so as to ensure compliance with all applicable PRC accounting and auditing requirements. We have also set up an internal audit department responsible for:–

- reviewing financial reports of our Group before publication;
- monitoring the use and flow of funding into and out of our Group; and
- reviewing the budgets, procurement and use of materials and use of other expenses of our property projects.

As of 31 December 2009, our internal audit department had 10 staff members a majority of whom are accountants, with the others being civil and construction engineers. Our internal audit department is headed by the internal control and audit manager. Our internal control and audit manager joined us in 2003 and has been qualified as an accountant specialising in industrial accounting since 1993. Our internal audit department is responsible for the assessment of our business process and will focus on the effectiveness of our internal control procedures and financial compliance.

The internal audit department reports directly to our Board, which will then liaise with the relevant departments to decide on what follow-up or rectification measures to take.

Internal legal support

Tian Shan Real Estate has a legal department consisting of three members, two of whom are PRC qualified lawyers in China. Our legal department is responsible for the drafting and review of commercial contracts as well as advising on various legal issues, litigation matters encountered in our daily operations. The legal department is supported by external legal advisers as and when required.

BUSINESS

REGULATORY COMPLIANCE

In May 2008, Tian Shan Hengji Real Estate commenced the construction work of *Sanhe Tian Shan International Enterprise Base*. In February 2010, Tian Shan Weihai Real Estate commenced the construction work of *Weihai Tian Shan Waterside View (Phase I)*. However, at the time of commencement of the relevant construction work, both Tian Shan Hengji Real Estate and Tian Shan Weihai Real Estate did not obtain the relevant certificates for conducting property development business. According to article 19 of 《房地產開發企業資質管理規定》 (The Property Development Enterprises Qualifications Administrative Regulations) (the “**Qualifications Regulations**”), any enterprise conducting the property development without the required certificate may be subject to a fine in the amount between RMB50,000 and RMB100,000 and will be required to obtain the certificate by a prescribed date. If the relevant enterprise is not able to obtain the certificate before the deadline, its business licence may be revoked. Tian Shan Hengji Real Estate and Tian Shan Weihai Real Estate commenced the construction work before obtaining the relevant certificate because we considered that there would not be any impediment for us to obtain the relevant certificate.

Our PRC Legal Advisers confirm that as Tian Shan Hengji Real Estate had commenced the construction work before the issuance of the certificate under the Qualifications Regulations, Tian Shan Hengji Real Estate may be subject to a fine under the Qualifications Regulations. However, as Tian Shan Hengji Real Estate applied for the relevant certificate within the required time frame in January 2009 and subsequently obtained the certificate in November 2009, our Directors consider that the relevant business licence would not be revoked.

Our PRC Legal Advisers also confirm that as Tian Shan Weihai Real Estate had commenced the construction work before the issuance of the certificate under the Qualifications Regulations, Tian Shan Weihai Real Estate may be subject to a fine under the Qualifications Regulations. However, as Tian Shan Weihai Real Estate applied for the relevant certificate within the required time frame in January 2010 and subsequently obtained the certificate in February 2010, our Directors consider that the relevant business licence would not be revoked.

Our PRC Legal Advisers also confirm that the business licence of Tian Shan Hengji Real Estate and Tian Shan Weihai Real Estate would not be revoked because of the above incident.

Pursuant to the relevant PRC social insurance laws and regulations, we are required to pay for a portion of our employees’ retirement, unemployment, medical and other relevant social insurance (collectively the “**Social Insurance Payments**”). During the three years ended 31 December 2009, no contribution was made to the Social Insurance Payments for our temporary employees because the personal records of those temporary workers are not maintained by the local social insurance bureau where our headquarters are situated, and thus

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we are not able to make any provision in this regard. As of 31 December 2009, we employed 138 temporary workers. Since our establishment, we have made contribution to the Social Insurance Payments of all our temporary workers whose personal records are maintained by the local social insurance bureau where our headquarters are situated.

Based on a confirmation dated 25 October 2009 issued by 石家莊高新技術產業開發區社會保險事業管理局 (The Social Insurance Bureau in Shijiazhuang Hi-tech Industry Development Zone), our social insurance arrangement during the Track Record Period was accepted by the local social insurance bureau and therefore complied with the relevant laws and policy regulations in Hebei Province, China. We would therefore not be subject to any penalty in relation to such arrangement implemented during that period for our temporary workers. However, if such arrangement is subsequently overruled by the local social insurance bureau or its supervising authorities or we are considered to have contravened the relevant PRC social insurance laws and regulations, the relevant PRC authorities may notify us and require us to pay the outstanding contributions amounting to less than RMB10,000 within a stipulated deadline. In the case that payment is still not made by the deadline, the relevant authority may charge a late payment fee of 0.2% of the cumulative outstanding amount per day, calculated from the date the relevant social security contribution amount became overdue until the date that full payment is made, and may fine the responsible person or persons up to a maximum of RMB10,000 in total.

For the purpose of avoiding any non-compliance with the relevant laws and regulations in the future, we have strengthened our internal control procedures in relation to the maintenance of business licenses and Social Insurance Payments.

Save as otherwise disclosed in this prospectus, our PRC Legal Advisers confirm that we complied with all relevant laws and regulations in all material respects for our operations in China during the Track Record Period and that no litigation, arbitration or administrative proceedings have been taken against us for violation of any laws and regulations. We have obtained the licenses, permits and certificates for the purpose of operating our business.

Our Directors confirm that we have not been and are not currently subject to any material legal proceedings.

NOTES AND WARRANTS

Introduction

In October 2007, we entered into the Indenture, the Units Purchase Agreements and the Warrant Agreement for the purpose of issuing the Units which comprise the Notes and the Warrants.

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Major terms of the Notes and the Warrants

The Notes

Pursuant to the Indenture, the original repayment schedule was to repay US\$22.5 million on each of 8 April 2011, 8 October 2011, 8 April 2012 and 8 October 2012. The shares held by Tian Shan International and the Shares held by Neway Enterprises were pledged to the holder of the Notes. Before the full payment of the Notes, members of our Group are also subject to certain restrictions which include limitations on incurring indebtedness, carrying on business other than the business activities permitted under the Indenture, change of management, sale of assets, issue or sale of shares of our subsidiaries, and making dividend and distribution payments without the consent of the Trustee. To be free from the restriction on incurring indebtedness, we must satisfy certain financial ratios. The occurrence of a number of events such as default in payment of the outstanding principal or interest due under the Notes and the winding-up of any member of our Group shall constitute an event of default, upon the occurrence of which the Trustee may declare the principal amount of the Notes to be due and immediately repayable, and the Trustee may foreclose the collateral provided under the Indenture which may lead to a loss of control of our Company and/or Tian Shan International. Further information on the impact and consequences of such restrictive covenants and events of default is set forth in the paragraphs under “Risk Factors – Risks relating to our Group – We are subject to various restrictions under the Notes” in this prospectus.

Due to the global economic downturn, we entered into the first Indenture Amendment Agreement on 16 October 2008 to revise the original repayment schedule. Accordingly we effected repayment of US\$9.0 million on 13 October 2008. We were required to repay US\$36.0 million on 9 October 2009 and US\$45.0 million on 9 October 2010. On 7 October 2009, we effected a further repayment of US\$18.0 million.

However, due to the continuation of the economic downturn and the delay in our original plan for listing on the Main Board, we further negotiated with the holders of the Notes to further amend the repayment schedule of the then outstanding principal amount of the Notes of US\$63.0 million. We entered into the second Indenture Amendment Agreement on 16 November 2009 pursuant to which we were required to repay US\$18.0 million by 31 December 2009, US\$27.0 million by 8 October 2010 and the remaining US\$18.0 million by 8 April 2011. On 30 November 2009, we effected a repayment of US\$18.0 million. We were subsequently informed that all the holders of the Notes through the Euroclear system had consented, confirmed and ratified that this repayment of US\$18.0 million, which was originally due on 9 October 2009, did not constitute an event of default under the Indenture. Pursuant to the second Indenture Amendment Agreement, the restriction on us to incur indebtedness would be terminated upon completion of a Qualifying IPO. The shares held by Tian Shan International and the Shares held by Neway Enterprises as collateral under the Indenture would also be released upon completion of a Qualifying IPO.

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In addition, we entered into the third Indenture Amendment Agreement on 25 June 2010 which provides that:–

- If a Qualifying IPO takes place on or before 15 July 2010, the outstanding principal amount of the Notes of US\$45.0 million shall be repaid by way of (i) the Compulsory Conversion; (ii) a cash payment of US\$22.5 million within one month from the date of the Qualifying IPO and (iii) a cash payment of the remaining balance of US\$11.25 million on or before 8 October 2010. If we do not repay the Notes in full by 8 October 2010, it will become an event of default and the holders of the Notes can take legal action against us for repayment.
- If a Qualifying IPO does not take place on or before 15 July 2010, the third Indenture Amendment Agreement will lapse and the Notes and the Warrants will be governed by the terms previously in place. Accordingly, there will not be any Compulsory Converted. The Warrants will become exercisable as stated in the paragraphs under “The Warrants” below. If we repay US\$27.0 million by 8 October 2010, we have to pay an extra redemption premium of US\$1.35 million and shall repay the remaining balance US\$18.0 million by 8 April 2011. If we do not repay US\$27.0 million by 8 October 2010, it will become an event of default and the holders of the Notes can take legal action against us for repayment.

The Shares issued under the Compulsory Conversion (the “**Conversion Shares**”) are subject to a lock-up period from the date of the Qualifying IPO to and including 8 October 2010 (the “**Lock-up Period**”). During the Lock-up Period, the holders of the Conversion Shares shall not transfer, dispose of or deal with, or enter into any agreement to transfer, dispose of or deal with, any Conversion Share. If the Conversion Shares are transferred or disposed of within three months from the expiration of the Lock-up Period and the selling price is lower than the Offer Price, Neway Enterprise shall indemnify the holders of the Conversion Shares for the price difference.

As of the Latest Practicable Date, the outstanding principal amount of the Notes was US\$45.0 million and the accrued and unpaid interest was approximately US\$0.73 million. Pursuant to the third Indenture Amendment Agreement dated 25 June 2010, the Compulsory Conversion will take place upon Listing. In addition, we will use approximately HK\$268.9 million out of the net proceeds from the Global Offering to repay the remaining principal amount in full and the accrued and unpaid interest of the Notes within one month from the Listing Date.

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The Warrants

We issued the Warrants to the Initial Unit Purchasers to purchase up to an aggregate of 98,901,100 Shares. By virtue of the Warrant Amendment Agreements, the Warrants will lapse upon completion of a Qualifying IPO on or before 15 July 2010 or any time upon full repayment of the Notes on or before 8 October 2010. If the Qualifying IPO does not take place by 15 July 2010 and the Notes are not fully paid by 8 October 2010, the Warrants will become exercisable and transferable from 9:00 a.m., Hong Kong time, on 9 October 2010 until 5:00 p.m., Hong Kong time, on 9 October 2014, but will expire thereafter. During this period, the Warrants can be exercised at an initial exercise price (subject to adjustments) of (a) HK\$560.0 per Share if the Warrant is exercised prior to a Qualifying IPO; or (b) 60% discount to the final offer price per Share under a Qualifying IPO if the Qualifying IPO occurs on or before 9 October 2010 or (c) 75% discount to the final offer price per Share under a Qualifying IPO if the Qualifying IPO occurs after 9 October 2010.

Further information on the Notes and the Warrants is set forth in Appendix IV to this prospectus.

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Holder of the Notes and the Warrants

Pursuant to the Indenture, the Notes and the Warrants are represented by beneficiary interest in global certificates which are registered in the name of a nominee and are deposited with the common depository. The following table sets forth the Initial Unit Purchasers of the Notes and their respective subscription amounts:–

Name of the Initial Unit Purchasers	Number of Units purchased pursuant to the Units Purchase Agreements	Principal amount of the Notes ⁽¹⁾ <i>(US\$ million)</i>	Number of the Warrants	Approximate percentage of all issued Shares ⁽²⁾ <i>(%)</i>
Morgan Stanley & Co. International PLC.....	250	25.0	27,472,528	2.5
Abax Lotus Limited	250	25.0	27,472,528	2.5
The ADM Maculus Fund III LP	200	20.0	21,978,022	2.0
China Century Investment Fund Limited.....	100	10.0	10,989,011	1.0
KBC Special Opportunities Master Fund, a segregated portfolio of KBC AIM Master Fund spc	100	10.0	10,989,011	1.0
Total:	900	90.0	98,901,100	9.0

Notes:–

- The Notes were in the original principal amount of US\$90.0 million with the original maturity date on 8 October 2012.
- The percentages are based on the assumption of 1,098,901,100 Shares as enlarged by the number of the Shares that may be issued by us pursuant to the exercise of the rights attached with the Warrants taking no account the Shares that may be issued pursuant to the exercise of the Over-allotment Option, the options granted under the Pre-IPO Share Option and any option which may be granted under the Share Option Scheme.

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As of the Latest Practicable Date, all of the Notes and the Warrants were represented by global certificates issued by our Company to a nominee and deposited in a common depository. To the best knowledge of our Directors and based on the confirmations from the investors, as of the Latest Practicable Date, the following persons were interested in the Notes and the Warrants:–

<u>Name of holders</u>	<u>Address</u>	<u>Outstanding principal amount of the Notes</u>	<u>Number of the Warrants</u>
Morgan Stanley & Co. International PLC	25 Cabot Square Canary Wharf London E14 4QA United Kingdom	US\$12,500,000	27,472,528
Abax Lotus Limited	67/F, Two International Finance Centre, 8 Finance Street Central, Hong Kong	US\$2,100,000	4,615,384
Abax Jade Ltd.	67/F, Two International Finance Centre 8 Finance Street, Central Hong Kong	US\$2,745,000	6,032,967
Abax Nai Xin A Ltd.	67/F, Two International Finance Centre 8 Finance Street, Central Hong Kong	US\$9,755,000	21,439,561
AGC Asia 3 Ltd.	67/F, Two International Finance Centre, 8 Finance Street Central, Hong Kong	US\$400,000	879,121
The ADM Maculus Fund III LP	1008 ICBC Tower, 3 Garden Road Hong Kong	US\$10,000,000	21,978,022
ADM Galleus Fund II Ltd.	1008 ICBC Tower, 3 Garden Road Hong Kong	US\$2,500,000	5,494,506
China Century Investment Fund Limited	Suite 305, St. George's Building 2 Ice House Street, Central Hong Kong	US\$5,000,000	10,989,011
	Total	<u>US\$45,000,000</u>	<u>98,901,100</u>

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Measures taken by us to ensure ongoing compliance with the financial restrictions under the Notes

Pursuant to the terms of the Notes, upon Listing, the special terms to the holders of the Notes will cease and the on-going compliance of the Notes will mainly be the repayment of the remaining outstanding principal amount of the Notes in accordance with the payment schedule. The restrictions on incurrence of indebtedness by our Group will be released/ceased to have effect upon Listing. Further information is set forth in Appendix IV to this prospectus. Our Directors will deposit the required amount from the net proceeds from the Global Offering in a designated bank account for the repayment of the outstanding principal amount of the Notes and the interest accrued thereon within one month from the Listing Date.

IMPACT OF THE RECENT GLOBAL FINANCIAL CRISIS

As a result of the global financial crisis towards the end of 2008, the slowdown of economic growth in the United States and globally had an adverse impact on the general economic conditions in China. In particular, the economic slowdown in China caused a decline in property prices in many areas of China and bearish sentiment in general in investing in the property market since 2008.

However, as we focus our operations in the second-or third-tier cities in the Bohai Economic Rim, the impact of the global financial crisis on our operations is not as significant as that on the first-tier cities in China. Further, the PRC Government issued a number of policies as a result of the global financial crisis, which included 《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》(Notice on the Adjustments to Taxation on Real Estate Transactions) issued by the Ministry of Finance and State Administration of Taxation to encourage the first-time purchases of ordinary residential properties, which provided:–

- 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.

On 20 December 2008, the General Office of the State Council issued 《關於促進房地產市場健康發展的若干意見》(Several Opinions on Promoting the Sound Development of the Real Estate Market), which:–

- (a) promotes the construction of affordable residential housing; and
- (b) encourages the purchase of regular commodity houses for residential purposes.

Further information on the above policies is set forth in Appendix V to this prospectus.

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Our Directors confirm that we have not experienced customer default, withdrawal of banking facilities, request for any early payment of loans as a result of the global financial crisis.

IMPACT OF THE RECENT GOVERNMENT POLICIES AND MEASURES ON THE PROPERTY DEVELOPMENT INDUSTRY

The State has recently introduced a number of policies and measures to prevent the accumulation of idle land by property developers. Our PRC Legal Advisers confirm that during the Track Record Period, we did not violate any law or regulation in relation to idle land, none of our property projects were treated as idle land, and we were not subject to any idle land penalty.

In addition, the PRC Government has announced and implemented a series of policies and measures in the banking and residential property sectors. The most significant policies and measures include the following:–

(1) 《關於進一步加強土地出讓收支管理的通知》(Notice on Further Strengthening the Management of Land Transfer Revenue and Expenditures) issued by the Ministry of Finance on 17 December 2009

This notice requires developers to make at least 50% of down payment for obtaining land. Land transfer revenue must be managed by the local treasury while the expenditure is managed through the local budget. This policy raises the threshold for developers to obtain land and increases the capital pressure.

(2) 《關於促進房地產市場平穩健康發展的通知》(Notice on Promoting Steady and Healthy Development of Real Estate (“Guo Wu Tiao” or “Guo Shi Yi Tiao”)) issued by the General Office of the State Council on 10 January 2010

This notice specifies that the down payment for the second set of housing should be no less than 40%, that the quota for the second set of housing shall be based on a family and pre-sales of commercial property must be available to the market simultaneously and not in phases.

This policy affects the market demand on the second set of housing. It enhances the market’s expectation on the imminent drop of property prices and has caused an immediate reduction in property sales which has gradually recovered. Besides, the State requires banks to tighten the grant of loans to property development enterprises which will impact the progress of property development.

Upon the introduction of this policy, the sales of our property projects prior to the Chinese New Year holiday in February 2010 were affected considerably but have recovered afterwards. Currently, this policy’s influence on property sales is limited, but its impact on capital availability continues, and there are considerable amount of approved mortgage loans which have not been released. Also, the tightened financing policy towards property development makes it more difficult for property developers to obtain capital.

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(3) 《關於加強房地產用地供應和監管有關問題的通知》(Notice on Issues Related to Strengthening Real Estate Supply and Supervision) issued by the Ministry of Land and Resources on 8 March 2010

This notice requires developers to ensure the land use proportion for low-income housing, re-development of shanty areas and small to medium commercial housing for occupation by the residents (which must be under 90 sq. m.) should be no less than 70% of total land supply for the construction of residential property. In addition, the guarantee payment for participation in public tender, auction or listing-for-sales of land must not be less than 20% of the lowest listed price and 50% of the land transfer premium must be paid within one month after entering into the relevant contract, with the remaining balance to be paid within one year.

This notice will increase the land supply for commercial houses in the low to medium price range and low-income housing. Thus, the supply structure of land and properties will undergo significant change. Besides, the policy increases capital cost for developers to obtain land and also increases the risk during the property development cycle.

Our Directors consider that the overall impact on us will be as follows:–

- (1) The PRC Government’s keynote for regulating the housing market in 2010 is to stabilise the market. Therefore, our Directors believe that the PRC Government would sustain a steady housing price with reasonable transaction volume. Hence, our Directors remain optimistic on the property market in China.
- (2) As China’s economy relies heavily on export, our Directors expect that before the full recovery of the global economy, the PRC Government will continue to adopt appropriate monetary policy in China to ensure that appropriate levels of loan and financing will be available to the real property sector.
- (3) Since the launch of the new land policies by the PRC Government towards the end of 2009 and the beginning of 2010, the effect has gradually appeared, particularly for land with high prices. As the property transaction volume in major cities reduced significantly, our Directors believe that a significant development potential would emerge for the property market in the second-tier and the third-tier cities in China. This development is expected to be favourable to us.
- (4) Through our development history, our Directors believe that we are familiar with the local market conditions and are able to remain competitive against the large-scale property development enterprises in the local markets in China.
- (5) The “Guo Wu Tiao” policy increases the capital pressure for property development enterprises. We need to strengthen our financing source in the capital markets to meet the demand for our business development.

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In April 2010, the State Council issued further austerity measures on the PRC residential property sector, including 《關於堅決遏制部分城市房價過快上漲的通知》 (Notice on Resolutely Curbing the Soaring of Housing Prices in Some Cities) (the “**Notice**”). Our Directors consider that such new measures are designed to reduce the level of speculative activities in the residential property market in China by, among other things, (a) increasing the amount of down-payment to 30% of the property price for the purchase of the first property over 90 sq. m. in size; (b) increasing the amount of down-payment to 50% of the property price for the purchase of the second property and the mortgage interest rate to be no less than 1.1 times the benchmark rate in China and (c) increasing the amount of down-payment and the mortgage interest rate for additional properties significantly as determined by the banks in accordance with their risk management policies. The local governments in certain first-tier cities, such as Beijing and Shenzhen, have introduced detailed implementation rules for the Notice, some of which are more stringent than the Notice. Further information on these measures is set forth in Appendix V to this prospectus.

Our PRC Legal Advisers confirm that as of the Latest Practicable Date, Hebei Province, Tianjin and Weihai City and Wendeng City in Shandong Province where we operate our property development business had not introduced specific measures for the implementation of the Notice or promulgated other local laws or regulations targeting the property markets there. Our PRC Legal Advisers also confirm that the Notice does not have any provision on penalty. On this basis, so long as we are in full compliance with the Notice, we will not be subject to any penalty even though our customers purchase properties in violation of the requirements under the Notice.

According to our business plan, over 88% of the residential properties we plan to sell from April 2010 to June 2011 are over 90 sq. m. and thus are subject to the restriction under measure (a) of the Notice. Certain statistics on our sales during the year ended 31 December 2009 showed that most of our customers were able to settle the purchase price either in full or not less than 30% thereof at the time of purchase. Nevertheless, in general, the Notice may reduce the overall demand for residential properties in China. Some of our customers who need mortgage financing to purchase our properties may be adversely affected by the Notice, which may in turn impact on us. Further information of such risk is set forth in the section headed “Risk Factors – Risks relating to our Group – Our pre-sales and sales could be affected if mortgage financing become more difficult or less attractive” in this prospectus.

During the Track Record Period and up to the Latest Practicable Date, we did not experience any material default by our customers or withdrawal or request for early repayment of banking facilities. According to our unaudited management accounts, our sales and pre-sales proceeds during the five months ended 31 May 2010 were approximately RMB433.0 million, and the sales and pre-sales proceeds in April 2010 and May 2010 were approximately RMB104.7 million and RMB156.0 million, respectively. Our Directors confirm that such level of sales was consistent with our expectation.

FINANCIAL INFORMATION

You should read the following discussion of our operating results and financial condition in conjunction with our audited consolidated financial information as of and for the three years ended 31 December 2009, including the notes thereto, set forth in Appendix I to this prospectus. Our consolidated financial statements have been prepared in accordance with IFRS, which may differ in material respects from the generally accepted accounting principles in other jurisdictions. The following discussion contains forward-looking statements that involve risks and uncertainties. Our future results could differ materially from those discussed in such forward-looking statements as a result of various factors, including those set forth in the section headed “Risk Factors” in this prospectus.

OVERVIEW

We are a property developer with headquarters in Shijiazhuang, Hebei Province, China. We focus on the development of a series of quality residential properties with modern design, scenic environment and landscape in selected leading cities in the Bohai Economic Rim, such as Shijiazhuang, Tianjin and Chengde. Our property projects include medium- to high-end villas, condominiums, duplexes and residential units in multi-storey buildings. Our Directors believe that we are well positioned in the market with thorough understanding of the needs and the preferences of our target customers.

Our Directors believe that our brand “*Tian Shan*” (天山) is well recognised by our target customers. Our business objective is to provide a comfortable living environment to our target customers. We will continue to leverage the economic growth in the Bohai Economic Rim to further expand our business.

In addition to residential property projects, we are also engaged in the development of privately-owned industrial complex for small- to medium-size enterprises in the Bohai Economic Rim. We have completed *Liangcun Industrial Zone*. The other two industrial complex, namely *Tian Shan Science and Technology Industrial Park* and *Sanhe Tian Shan International Enterprise Base*, are under construction and the pre-sales and sales have commenced since July 2005 and June 2007, respectively.

In March 2009, we were awarded the “*2007-2008 Creditable Property Development Enterprises in China*” (2007-2008年度中國房地產誠信企業) by the China Real Estate Association (中國房地產業協會). In October 2009, we were awarded the “*Hebei Province Outstanding Service Quality Unit*” (河北省服務質量優秀單位) and “*Hebei Province Credibility Representative Unit*” (河北省誠信示範單位) by the Hebei Province Service Quality Promotion Association (河北省服務質量促進會).

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Since February 2004, we have been granted the First Class Property Development Enterprise Qualification Certificate which allows us to develop property projects in China without geographical and scale limitations.

BASIS OF PREPARATION OF OUR FINANCIAL INFORMATION

Our Founders collectively owned and controlled members of our Group which are principally engaged in the property development business during the Track Record Period. In preparation for the Listing, members of our Group underwent the Reorganisation, with further information set forth in the section headed “Reorganisation” in this prospectus.

All the companies that took part in the Reorganisation were collectively controlled by our Founders prior to and after the Reorganisation. The control is not transitory and as a result, there was a continuation of the risks and benefits to our Founders who are also Controlling Shareholders. Therefore, the Reorganisation is considered as a business combination under common control and Accounting Guideline 5 “*Merger Accounting for Common Control Combinations*” has been applied. Our consolidated financial statements are prepared using the merger basis of accounting as if our Group had always been in existence during the Track Record Period. The net assets of the companies that took part in the Reorganisation are combined using the existing book values from the controlling parties’ perspective.

The consolidated income statements, the consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated cash flow statements of our Group for the Track Record Period include the operating results of the companies now comprising our Group for the Track Record Period (or where the companies were incorporated/established/transferred to us on a date later than 1 January 2007, for the period from the date of incorporation/establishment/transfer to 31 December 2009) as if the current ownership and corporate structure had been in existence throughout the Track Record Period except for the companies which were transferred to our connected persons or deregistered during the Track Record Period, the results of which are included in our consolidated financial statements up to the respective dates of transfer or deregistration.

Our consolidated balance sheets as of 31 December 2007 and 2008 and 2009 are prepared to present the state of affairs of the members of Group as of the respective dates as if the current ownership and corporate structure had been in existence as of the respective dates.

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FACTORS AFFECTING OUR OPERATING RESULTS AND FINANCIAL CONDITION

Our operating results and financial condition have been and will continue to be affected by various factors that may be outside our control. A summary of these factors is set forth below:–

Our ability to complete and deliver our property projects

Our operating results are highly dependent on our ability to complete and deliver our property projects. During the three years ended 31 December 2009, our turnover derived from our property development business was approximately RMB463.2 million, RMB648.2 million and RMB752.6 million, respectively. The significant fluctuations in our turnover was principally attributable to the delivery time for our completed property projects to our customers, upon which we can recognise the sales proceeds as our turnover. The time for completion and delivery is affected by various factors outside our control, including the construction time and the time required for obtaining all the necessary government approvals. The number of property projects undertaken by us also affects our operating results in any particular reporting year or period. During the Track Record Period, we had developed a limited number of property projects and as such, the completion and delivery time of such property projects significantly affected the time of recognising the proceeds from sales and pre-sales as our turnover in the relevant reporting year or period. Further information on these risks is set forth in the sections headed “Risk Factors - Risks relating to our Group - Our operating results may vary significantly from period to period depending on the total GFA sold and the completion and delivery time for our property projects” and “Risk Factors - Risk relating to our Group - Our cash flow and the availability of funds are subject to the time for pre-sales and delivery of property projects” in this prospectus.

With the increase in the number of our property projects, with further information set forth in the section headed “Business - Overview of our property projects - Property projects under development” in this prospectus, in different timeframes for pre-sales, sales and completion, our Directors believe that our operating results would be less fluctuating in the future and would be less dependent on the completion and delivery of a particular property project. Nonetheless, our property development business is project-based and the turnover is non-recurring in nature. If we are not able to continue the development of new property projects, our business, operating results and financial condition could be adversely affected.

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Economic growth, speed of urbanisation and demand for residential properties in China and the Bohai Economic Rim

The economic growth and urbanisation in China and particularly in the Bohai Economic Rim are the main drivers for our business growth. The economic growth accelerates the demand for quality residential properties, and the urbanisation process increases the urban population which in turn accelerates the overall demand for residential properties.

Whilst the China economy is expected to continue to grow, the economic development encountered a slowdown during the third quarter of 2008 and the first half of 2009, primarily due to the wake of the global financial tsunami in 2008. The global economic development affects the economic growth of China and the level of economic activities in the Bohai Economic Rim. The property development industry is dependent on the level of economic activities. Our operating results are particularly sensitive to the economic factors because of our focus is on middle-to high-end customers in the Bohai Economic Rim. Our Directors believe that these factors will continue to affect the number of potential property buyers, the type of residential properties they would like to buy and the price levels at which they are prepared to pay for the properties. All of these will continue to affect our business and operating results.

Laws, regulations and policies in property development industry in China

The property development industry in China is heavily regulated with national laws and regional regulations and policies. All of these laws and regulations and policies have a direct impact on our operating results. The property market is also affected by the macroeconomic policies adopted by the State from time to time, and these policies may affect the supply and the usage of land, the interest rates, the availability of bank financing and taxation. Since the second half of 2008, the State adopts an appropriately expansionary fiscal policy in order to encourage the domestic consumption in China amid the global economic downturn. This policy is intended to stabilise the price levels of residential properties and support the property developers. Nonetheless, there were instances in the past that the State adopted economic contracting policies in order to combat the inflation or the increasing property prices. These macroeconomic policies will continue to affect the property development industry and will have direct impact on our operating results. Further information on these laws and regulations is set forth in Appendix V to this prospectus.

FINANCIAL INFORMATION

Our ability to control our cost on acquiring the land use rights and our construction costs

Our operating results are affected by the costs on acquiring the land use rights and the construction costs. Over the years, the level of land premium is increasing steadily in China. Our Directors expect that the land premium in China will continue to increase with the continuous economic development in China. This is particularly the case that all land for industrial use, commercial use, tourism and entertainment, commodity housing development and other operating use must be granted by public tender, auction or listing for sales under the 《招標拍賣掛牌出讓國有建設土地使用權規定》 (The Rules on the Grant of State-owned Land Use Rights Through Public Tender, Auction and Listing for Sales). As a result, our average land cost increased during the past years.

During the recent years, prices of principal construction materials, such as concrete, steel bars and large-scale construction equipment for use in our property projects, have considerable fluctuation. The changes in the price levels of the principal construction materials have affected and will continue to affect the total construction costs which will increase our total cost of sales. If we cannot transfer the increased cost of sales to our customers by increasing the selling prices of our property projects, our business, operating results and financial condition could be adversely affected.

Our portfolio of property projects

During the three years ended 31 December 2009, our turnover was principally derived from the sales of our residential and industrial property projects. We will continue this property development business and as such, our turnover will continue to be project-based and non-recurring in nature. Hence, we have to continue to develop a sufficient number of property projects at all times in order to maintain a continuous stream of cash flow and recognise the sales proceeds as our turnover according to our accounting policies. We need to incur a substantial amount of time and other recourses for the development of new property projects, and these commitments may affect the number of property projects that may be undertaken by us from time to time.

During the three years ended 31 December 2009, we focused on the development of *Tian Shan Waterside View (Phases I, II and III)*, *Tian Shan Waterside View (Phases IV)*, *Tian Shan Guanlan Haoting*, *Luancheng Tian Shan Wonderful Waters View* and *Tian Shan Science and Technology Industrial Park*. Although these projects were well received by our target customers, the reliance on these projects resulted in significant fluctuations in our turnover during the three years ended 31 December 2009.

FINANCIAL INFORMATION

Our operating results and cash flow generated from our operating activities may vary from period to period depending on the milestones of our property projects and the average selling prices for our property projects. As our business is primarily situated within the Bohai Economic Rim, the results of our sales of our property projects are heavily dependent on the demand and supply condition of the property market in the region as well as the general economic prosperity of the region.

Our ability to replenish our land reserve

Our business growth is highly dependent on our ability to identify suitable land for development in attractive areas to the customers, to acquire the land use rights at reasonable prices and to obtain the necessary regulatory permits and approvals. The property development industry in China experiences strong demands for both residential and industrial properties as the China's economy continues to grow, but has experienced contracting periods during which the demands for residential and industrial properties were sluggish and the prices decreased substantially. Competition among developers for land reserve is high. If we are not able to identify suitable land for our future property projects, our business and operating results could be adversely affected.

Our ability to access to further financing with acceptable terms

We rely on external borrowing to finance the construction of our property projects. As of 31 December 2007, 2008 and 2009, our outstanding bank borrowings amounted to approximately RMB186.8 million, RMB295.8 million and RMB430.9 million, respectively. In addition, in October 2007, we issued the Notes and the Warrants and raised a net amount of US\$87.0 million. The net proceeds from the Notes were used for the development of our property projects. The terms of the Notes and the Warrants have been revised, and a summary of the latest terms and conditions is set forth in Appendix IV to this prospectus.

Following the Listing, we need to continue to raise funds from time to time by way of debt or equity financing. With regards to debt financing, we may need to arrange for bank borrowings in China or Hong Kong, and the terms of which are significantly dependent on the prevailing market conditions. Equity financing may or may not be available depending on the capital market conditions. If we are not able to secure sufficient and timely source of financing for the development of our property projects as and when needed, or that the terms, e.g. interest rates, repayment schedules or collateral required, are not acceptable to us, our business, operating results and financial condition could be adversely affected.

FINANCIAL INFORMATION

LAT

Our property development business is subject to the LAT on the appreciated value of the related land and improvements on such land. The LAT applies to both domestic and foreign investors in property development in China. According to the relevant laws and regulations, a summary of which is set forth in the section headed “Summary of the Laws and Regulations relating to Property Development Industry in China” in Appendix V to this prospectus, we should pay or otherwise make provision of the LAT upon recognising the sales proceeds of own property projects as out turnover. During the three years ended 31 December 2009, we made provision for the LAT amounted to approximately RMB13.9 million, RMB17.6 million and RMB21.7 million, respectively. During the three years ended 31 December 2009, we paid LAT of approximately RMB7.8 million, RMB7.7 million and RMB14.4 million, respectively. According to our PRC Legal Advisers, our provision and payment of the LAT are in full compliance with the applicable laws and regulations as interpreted and enforced by the relevant local tax authorities.

Nonetheless, we cannot assure you that the relevant tax authorities will agree to the basis on which we have calculated the LAT liabilities for provision purposes or that such provision would be sufficient to cover all the LAT obligations.

CRITICAL ACCOUNTING POLICIES

The preparation of financial information set forth in this prospectus in conformity with IFRS requires us to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. 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. Judgements made by us in the application of IFRS that have a significant effect on the financial information and estimates with a significant risk of material adjustment in the next year are discussed in note 26 to section C of our consolidated financial statements in the accountants’ report set out in Appendix I to this prospectus. The accounting policies set forth below have been applied consistently to all periods presented in the financial information:–

FINANCIAL INFORMATION

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Provided it is probable that the economic benefits will flow to us and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in profit or loss as follows:–

Sale of properties

Revenue arising from the sale of properties held for sale is recognised when the significant risks and rewards of ownership have been transferred to the buyers. We consider that the significant risks and rewards of ownership are transferred when the properties are completed and delivered to the buyers. Revenue from sales of properties excludes business tax or other sales related taxes and is after deduction of any trade discounts. Deposits and instalments received on properties sold prior to the date of revenue recognition are included in the consolidated balance sheets as receipts in advance.

Revenue from instalment sales is recognised by discounting the instalments receivable at the imputed rate of interest to present value. The interest element is recognised as it is earned using the effective interest method.

Contract revenue

When the outcome of a construction contract can be estimated reliably, revenue from a fixed price contract is recognised using the percentage of completion method, measured by reference to the percentage of contract costs incurred to date to estimated total contract costs for the contract.

When the outcome of a construction contract cannot be estimated reliably, revenue is recognised only to the extent of contract costs incurred that it is probable will be recoverable.

FINANCIAL INFORMATION

Inventories

Construction materials

Inventories are carried at the lower of cost and net realisable value.

Cost is calculated using the weighted average cost formula and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs to completion and the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

Property development

Inventories in respect of property development activities are carried at the lower of cost and net realisable value. Cost and net realisable values are determined as follows:–

Properties held for future development for sale and properties under development for sale

The cost of properties held for future development for sale and properties under development for sale comprises specifically identified cost, including the acquisition cost of land, aggregate cost of development, materials and supplies, wages and other direct expenses and borrowing costs capitalised. Net realisable value represents the estimated selling price less estimated costs of completion and costs to be incurred in selling the properties.

Completed properties held for sale

In the case of completed properties developed by us, cost is determined by apportionment of the total development costs for that development project, attributable to the unsold properties. Net realisable value represents the estimated selling price less costs to be incurred in selling the properties.

Cost of completed properties held for sale comprises all costs of purchase, costs of conversion and other costs incurred in bringing the properties to their present location and condition.

FINANCIAL INFORMATION

Construction contracts

Construction contracts are contracts specifically negotiated with a customer for the construction of an asset or a group of assets, where the customer is able to specify the major structural elements of design. The accounting policy for contract revenue is set forth below. When the outcome of a construction contract can be estimated reliably, contract costs are recognised as an expense by reference to the stage of completion of the contract at the balance sheet date. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately. When the outcome of a construction contract cannot be estimated reliably, contract costs are recognised as an expense in the period in which they are incurred.

Construction contracts in progress at the balance sheet date are recorded in the consolidated balance sheets at the net amount of costs incurred plus recognised profit less recognised losses and progress billings, and are presented in the consolidated balance sheets as the “Gross amount due from customers for contract work” (as an asset) or the “Gross amount due to customers for contract work” (as a liability), as applicable. Progress billings not yet paid by the customer are included in the consolidated balance sheets under “Trade and other receivables”. Amounts received before the related work is performed are included in the consolidated balance sheets, as a liability under “Trade and other payables”.

Trade and other receivables

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost less impairment losses for bad and doubtful debts, except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less impairment losses for bad and doubtful debts.

Trade and other payables

Trade and other payables are initially recognised at fair value. Except for financial guarantee liabilities measured below, trade and other payables are subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

FINANCIAL INFORMATION

Impairment of assets

Impairment of trade and other receivables

Current and non-current receivables that are stated at cost or amortised cost are reviewed at each balance sheet date to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable data that comes to our attention about one or more of the following loss events:–

- significant financial difficulty of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- it becoming probable that the debtor will enter bankruptcy or other financial reorganisation;
- significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; and
- a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

If any such evidence exists, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material. This assessment is made collectively where financial assets carried at amortised cost share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective group.

If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. A reversal of an impairment losses shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

FINANCIAL INFORMATION

Impairment losses are written off against the corresponding assets directly, except for impairment losses recognised in respect of trade debtors and bill receivables included within trade and other receivables, whose recovery is considered doubtful but not remote. In this case, the impairment losses for doubtful debts are recorded using an allowance account. When we are satisfied that recovery is remote, the amount and any amounts held in the allowance account relating to that debt are reversed. Subsequently recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

The Notes and the Warrants

The Notes are issued with the Warrants. Where the Warrants can be settled by exchange of the Warrants and a fixed amount of cash or another financial asset for a fixed number of our Company's own equity instruments, the Notes and the Warrants are accounted for as compound financial instruments which contain a liability component (the Notes) and an equity component (the Warrants).

The Notes are initially measured as the present value of the future interest and principal payments, discounted at the market rate of interest applicable at the time of initial recognition to similar liabilities that do not have detachable warrants, less the derivatives embedded to the senior notes. The derivatives embedded are accounted for in accordance with the accounting policy set forth above. The Warrants are recognised as the excess of proceeds over the amount initially recognised as the Notes and the embedded derivatives. Transaction costs that relate to the issuance of the Notes with the Warrants are allocated to the Notes and the Warrants in proportion to the allocation of proceeds.

The Notes are subsequently carried at amortised cost. The interest expense recognised in profit or loss on the senior notes is calculated using the effective interest method. The Warrants are recognised in warrant reserve in equity until they are exercised. If the Warrants are exercised, the warrant reserve, together with the proceeds received at the time of exercise, is transferred to share capital and share premium as consideration for Shares issued. If Warrants are not exercised upon expiry, the warrant reserve is released directly to retained profits.

When the terms of the Warrants change so that they no longer meet the definition of equity, the fair value of the Warrants is remeasured and recognised as derivative financial instruments at the date of change of terms, with a corresponding adjustment to the warrant reserve. The Warrants are subsequently remeasured and any gain or loss on remeasurement to fair value is recognised immediately to profit or loss. The remaining balance of the warrant reserve is transferred to the retained profits.

FINANCIAL INFORMATION

Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between the amount initially recognised and redemption value being recognised in profit or loss over the period of the borrowings, together with any interest and fees payable, using the effective interest method.

Financial guarantees issued, provisions and contingent liabilities

Financial guarantees issued

Financial guarantees are contracts that require the issuer (i.e. the guarantor) to make specified payments to reimburse the beneficiary of the guarantee (i.e. the holder) for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Where we issue a financial guarantee, the fair value of the guarantee (being the transaction price, unless the fair value can otherwise be reliably estimated) is initially recognised as deferred income within trade and other payables. Where consideration is received or receivable for the issuance of the guarantee, the consideration is recognised in accordance with our policies applicable to that category of asset. Where no such consideration is received or receivable, an immediate expense is recognised in profit or loss on initial recognition of any deferred income.

The amount of the guarantee initially recognised as deferred income is amortised in profit or loss over the term of the guarantee as income from financial guarantees issued. In addition, provisions are recognised if and when (i) it becomes probable that the holder of the guarantee will call upon us under the guarantee and (ii) the amount of that claim on us is expected to exceed the amount currently carried in trade and other payables in respect of that guarantee i.e. the amount initially recognised, less accumulated amortisation.

Other provisions and contingent liabilities

Provisions are recognised for other liabilities of uncertain timing or amount when we or our Company has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

FINANCIAL INFORMATION

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

Derivative financial instruments

Derivative financial instruments are recognised initially at fair value. At each balance sheet date the fair value is remeasured. The gain or loss on remeasurement to fair value is recognised immediately to profit or loss.

Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous periods.

FINANCIAL INFORMATION

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities and all deferred tax assets, to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, we control the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at each balance sheet date and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised.

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Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities if our Company or any member of our Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:–

- in the case of current tax assets and liabilities, our Company or any member of our Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or
- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:–
 - the same taxable entity; or
 - different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

FINANCIAL INFORMATION

OUR OPERATING RESULTS DURING THE TRACK RECORD PERIOD

The information presented below for the three years ended 31 December 2009 is derived from our consolidated financial statements included in the accountants' report set forth in Appendix I to this prospectus.

	For the year ended 31 December		
	2007	2008	2009
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Turnover	463,167	648,174	752,592
Cost of sales	(284,578)	(382,607)	(502,391)
Gross profit	178,589	265,567	250,201
Other income	3,907	1,747	2,017
Selling and marketing expenses	(16,345)	(38,626)	(34,949)
Administrative expenses	(46,127)	(63,687)	(46,638)
Profit from operations	120,024	165,001	170,631
Net change in fair value of derivative financial instruments	–	6,222	21,301
Finance income	5,241	1,389	886
Finance expenses	(30,536)	(8,593)	(7,366)
Net financing (costs)/income	(25,295)	(982)	14,821
Profit before taxation	94,729	164,019	185,452
Income tax	(29,045)	(52,670)	(55,414)
Profit for the year	65,684	111,349	130,038

FINANCIAL INFORMATION

ANALYSIS OF THE PRINCIPAL COMPONENTS IN OUR INCOME STATEMENT

Turnover

Our turnover net of business taxes and operating results were principally generated from the development and sales of residential, commercial and industrial properties in the Bohai Economic Rim. As set forth in the paragraphs under “_____ – Critical accounting policies – Revenue recognition” in this prospectus, the sales proceeds derived from the sales of properties held for sales is recognised as our turnover when the risks and the rewards of ownership are transferred to the purchasers. Hence, the proceeds derived from pre-sales of our residential properties are not recognised as our turnover until the time when the relevant properties have been completed and delivered to the relevant purchasers. The total amount of pre-sales proceeds received is recorded as receipts in advance under “Trade and other payables” in our consolidated balance sheets. During the three years ended 31 December 2009, our turnover was generated from 11 property projects, and the following sets forth an analysis of our turnover by property project:–

List of property projects	For the year ended 31 December								
	2007			2008			2009		
	GFA sold (sq.m.)	Total turnover RMB'000	Average selling price per sq. m. (RMB)	GFA sold (sq.m.)	Total turnover RMB'000	Average selling price per sq. m. (RMB)	GFA sold (sq.m.)	Total turnover RMB'000	Average selling price per sq. m. (RMB)
Tian Shan Waterside View (Phases I, II and III)	30,878	131,348	4,254	5,139	28,388	5,524	2,171	9,491	4,372
Tian Shan Guanlan Haoting	41,325	152,958	3,701	1,367	6,816	4,986	2,059	8,176	3,971
Luancheng Tian Shan Wonderful Waterside View	31,705	71,058	2,241	1,146	3,566	3,112	–	–	–
Tian Shan Science and Technology Industrial Park	27,962	45,575	1,630	11,220	25,768	2,297	47,623	67,791	1,424
Shijiazhuang Tian Shan Garden	–	160	N/A	–	249	N/A	381	1,247	3,273
Liangcun Industrial Zone	169,957	46,529	274	–	–	–	–	–	–
Tian Shan Waterside View (Phase IV)	–	–	–	118,458	476,647	4,024	65,810	264,552	4,020
Ningjin Tian Shan Wonderful Waterside View	–	–	–	62,672	119,299	1,904	73,621	149,526	2,031
Chengde Tian Shan Wonderful Waters View	–	–	–	–	–	–	16,211	90,979	5,612
Tianjin Tian Shan Wonderful Waterside View (Phase I)	–	–	–	–	–	–	22,206	88,420	3,982
Sanhe Tian Shan International Enterprise Base	–	–	–	63,526	22,687	357	24,348	50,214	2,062
	<u>301,827</u>	<u>447,628</u>		<u>263,528</u>	<u>683,420</u>		<u>254,430</u>	<u>730,396</u>	
Construction contracts (Note)		<u>41,136</u>			<u>–</u>			<u>61,821</u>	
		<u>488,764</u>			<u>683,420</u>			<u>792,217</u>	
Less: Business tax and surcharges..		<u>(25,597)</u>			<u>(35,246)</u>			<u>(39,625)</u>	
Total		<u><u>463,167</u></u>			<u><u>648,174</u></u>			<u><u>752,592</u></u>	

Note:–

The business of construction contracts represented the development of industrial properties with the buyers specifying the designs.

FINANCIAL INFORMATION

Cost of sales

Our cost of sales primarily include the construction costs, costs of acquiring the land use rights and interest capitalised incurred for the relevant property projects. As set forth in the paragraphs under “_____ – Critical accounting policies – Inventories”, our cost of sales incurred on property projects under development is recorded under “Inventories” until the relevant property projects have been completed and delivered to the purchasers and that the sales proceeds will be recognised as our turnover. The following table sets forth the key component of our cost of sales during the three years ended 31 December 2009:–

Principal cost components	For the year ended 31 December					
	2007		2008		2009	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%
Construction costs	195,495	68.7	326,009	85.2	362,697	72.2
Costs on acquiring the land use rights	72,109	25.3	36,587	9.6	86,190	17.2
Interest element	1,498	0.5	20,011	5.2	22,646	4.5
	269,102	94.5	382,607	100.0	471,533	93.9
Construction contracts.....	15,476	5.5	–	–	30,858	6.1
Total.....	284,578	100.0	382,607	100.0	502,391	100.0

FINANCIAL INFORMATION

As set forth above, our cost of sales included primarily the construction costs. The following table sets forth the total cost of sales and the average cost of sales for sq. m. for each of our property projects during the three years ended 31 December 2009:–

List of property projects	For the year ended 31 December								
	2007			2008			2009		
	GFA sold (sq.m.)	Total cost of sales (RMB'000)	Average cost of sales per sq. m. (RMB)	GFA sold (sq.m.)	Total cost of sales (RMB'000)	Average cost of sales per sq. m. (RMB)	GFA sold (sq.m.)	Total cost of sales (RMB'000)	Average cost of sales per sq. m. (RMB)
Tian Shan Waterside View (Phases I, II and III)	30,878	45,681	1,479	5,139	10,967	2,134	2,171	4,901	2,257
Tian Shan Guanlan Haoting	41,325	116,999	2,831	1,367	4,293	3,141	2,059	5,359	2,603
Luancheng Tian Shan Wonderful Waterside View	31,705	53,197	1,678	1,146	4,135	3,608	–	–	–
Tian Shan Science and Technology Industrial Park	27,962	25,443	910	11,220	13,547	1,207	47,623	39,495	829
Shijiazhuang Tian Shan Garden	–	–	–	–	–	–	381	560	1,470
Liangcun Industrial Zone	169,957	27,782	163	–	–	–	–	–	–
Tian Shan Waterside View (Phase IV)	–	–	–	118,458	257,821	2,177	65,810	139,338	2,117
Ningjin Tian Shan Wonderful Waterside View	–	–	–	62,672	83,792	1,337	73,621	116,300	1,580
Chengde Tian Shan Wonderful Waters View	–	–	–	–	–	–	16,211	86,268	5,322
Tianjin Tian Shan Wonderful Waterside View (Phase I)	–	–	–	–	–	–	22,206	56,775	2,557
Sanhe Tian Shan International Enterprise Base	–	–	–	63,526	8,052	127	24,348	22,537	926
	<u>301,827</u>	<u>269,102</u>		<u>263,528</u>	<u>382,607</u>		<u>254,430</u>	<u>471,533</u>	
Construction contracts (Note)		<u>15,476</u>			<u>–</u>			<u>30,858</u>	
Total		<u><u>284,578</u></u>			<u><u>382,607</u></u>			<u><u>502,391</u></u>	

Note:–

The business of construction contracts represented the development of industrial properties with the buyers specifying the designs.

FINANCIAL INFORMATION

Construction costs

Our construction costs represent costs for the design and construction of our property projects, consisting primarily of fees paid to our external contractors, including contractors responsible for civil engineering construction, landscaping, equipment installation and the interior decoration, as well as infrastructure construction costs, design costs and certain government surcharges. Our construction costs are affected by a number of factors such as the price movements of the principal construction materials, the location and the types of properties, the selection of the relevant materials and the investments in supporting facilities.

During the three years ended 31 December 2009, the construction costs included in cost of sales of our property projects completed and delivered amounted to approximately RMB211.0 million, RMB326.0 million and RMB393.6 million, respectively. The fluctuations in the amount of construction costs generally followed the fluctuations in our turnover. The construction costs for different property projects vary with the designs and the materials used and more importantly, the positioning of the relevant property projects. Generally speaking, the costs of raw materials as well as the contractors' fee increased continuously during the Track Record Period and as a result, there were increases in the construction costs of each of our property projects during the Track Record Period.

Costs on acquiring the land use rights

Our costs on acquiring the land use rights represent costs relating to acquisition of the rights to occupy, use and develop land, including land premiums, demolition and resettlement costs and other land-related taxes and government surcharges.

In addition to the economic and market conditions, our costs on acquiring the land use rights are affected by the location of the relevant land, the size of the parcel of the land the time of acquisition of the land.

During the Track Record Period, no demolition and resettlement costs were paid by us as the lands acquired by us were vacant.

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Interest capitalised

Interest capitalised represents the relevant portion of interest expense capitalised during development stage in relation to the GFA of the properties sold during the relevant year or period. We capitalise our borrowing costs as part of the cost of investment in a project or project phase to the extent that such costs are directly and necessarily attributable to such project or project phase. Further information on this accounting policy is stated in the paragraphs under “___ – Critical accounting policies – Borrowing costs” in this prospectus.

Construction contracts

The business of construction contracts represented the development of industrial properties with the buyers specifying the designs. In this connection, following the receipt of the buyers’ confirmations on the designs and specifications of the relevant properties, we will engage contractors to construct the relevant properties. The selling prices will be payable by the buyers in accordance with the agreed schedules throughout the development process, and such amount will be recognised as our income during the relevant period. These business activities form part of the sales of *Tian Shan Science and Technology Industrial Park*. Hence, we did not recognise any income under construction contracts during the year ended 31 December 2008.

Other income

During the three years ended 31 December 2009, our other income principally included rental income earned from short-term leases of our commercial and industrial properties held for sales.

Selling and marketing expenses

During the three years ended 31 December 2009, our selling and marketing expenses were principally incurred for the advertising and promotion of our property projects. Our selling and marketing expenses included staff costs, sales commission to our sales agents, which are Independent Third Parties, and our advertising and promotional expenses. The following table sets forth the total selling and marketing costs during the three years ended 31 December 2009:–

	For the year ended 31 December					
	2007		2008		2009	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%
Staff costs	985	6.0	4,728	12.2	6,104	17.5
Sales commission	3,199	19.6	9,027	23.4	3,301	9.4
Advertising and promotional expenses	11,242	68.8	24,284	62.9	24,780	70.9
Others	919	5.6	587	1.5	764	2.2
Total	16,345	100.0	38,626	100.0	34,949	100.0

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Administrative expenses

During the three years ended 31 December 2009, our administrative expenses were principally incurred for our staff cost and other expenses for the management and operation of our Group as a whole. The following table sets forth the total administrative expenses during the three years ended 31 December 2009:–

	For the year ended 31 December					
	2007		2008		2009	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%
Staff costs	14,603	31.7	12,709	20.0	14,291	30.6
Depreciation	3,259	7.1	2,608	4.1	4,072	8.7
Travelling	4,535	9.8	6,636	10.4	6,139	13.2
Technical consultancy fee	2,357	5.1	1,066	1.7	850	1.8
Business entertainment	3,970	8.6	4,623	7.3	4,313	9.2
Provision for impairment losses on receivables	–	–	19,515	30.6	–	–
General office expenses	5,319	11.5	6,373	10.0	6,278	13.5
Miscellaneous	12,084	26.2	10,157	15.9	10,695	23.0
Total	<u>46,127</u>	<u>100.0</u>	<u>63,687</u>	<u>100.0</u>	<u>46,638</u>	<u>100.0</u>

Finance income

Our finance income principally represented the bank interest income received by us from our cash and bank balance and the balance of proceeds from the Notes.

Finance expenses

Our finance expenses principally included the interest expenses incurred by us for our generally banking facilities and the Notes which were not eligible for capitalisation.

Income tax

Cayman Islands and BVI

Pursuant to the applicable laws and regulations of the Cayman Islands and the BVI, we are not subject to any income tax in the Cayman Islands and the BVI.

Hong Kong

We have not earned any income derived in and from the carrying on our business in Hong Kong. Hence, we have not made any provision for Hong Kong Profits Tax during the three years ended 31 December 2009.

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China

Our tax in China represented the CIT payable, deferred tax and LAT payable of our subsidiaries. The following table sets forth our tax provision for the three years ended 31 December 2009:–

	For the year ended 31 December		
	2007	2008	2009
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Current income tax			
CIT	27,444	16,110	45,204
LAT	13,858	17,597	21,749
	41,302	33,707	66,953
Deferred tax	(12,257)	18,963	(11,539)
Total income tax	29,045	52,670	55,414

During the three years ended 31 December 2009, our effective tax rate (being the amount of total income tax expense divided by our profit or loss before taxation during the relevant year) during the relevant year was approximately 30.7%, 32.1% and 29.9%, respectively. The fluctuations in the effective tax rates (as defined above) during the Track Record Period was principally a result of the adoption of the authorised tax valuation method for LAT and CIT with reference to our recognised turnover during the relevant year or period. Based on the authorised tax valuation method, the amount of total income tax expense (including both CIT and LAT) represented approximately 6.3%, 8.1% and 7.4%, respectively, of our recognised turnover during each of the three years ended 31 December 2009. The higher rate for the year ended 31 December 2008 was due to the adoption of actual taxation method in calculation of CIT and LAT for one of our property projects and deferred tax recognised for withholding tax for undistributed earnings of our PRC subsidiaries. For those PRC subsidiaries currently adopting the authorised tax valuation method, we expect that their income tax expense for the two years ending 31 December 2011 will continue to be charged in accordance with the authorised tax valuation method.

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The respective percentages of the deemed profit to revenue and the tax rate to the deemed profit of Tian Shan Real Estate, Tian Shan Tianjin Real Estate and Tian Shan Real Estate Chengde Branch Company during the Track Record Period was as follows:–

	For the year ended 31 December					
	2007		2008		2009	
	Percentage of deemed profit to revenue	Percentage of tax rate to deemed profit	Percentage of deemed profit to revenue	Percentage of deemed profit to revenue	Percentage of deemed profit to revenue	Percentage of deemed profit to revenue
Tian Shan Real Estate.....	10.0%	31.5%	13.0%	25.0%	13.0%	25.0%
Tian Shan Tianjin Real Estate	N/A	N/A	15.0%	25.0%	15.0%	25.0%
Tian Shan Real Estate Chengde Branch Company	N/A	N/A	13.0%	25.0%	13.0-15.0%	25.0%

Tian Shan Hengji Real Estate is subject to the actual taxation method based on its assessable profit at the rates of 33.0%, 25.0% and 25.0% for each of the three years ended 31 December 2009.

Our PRC subsidiaries have obtained tax clearances from their respective State and local tax bureaus regarding LAT, CIT and other taxes during the Track Record Period.

CIT

During the three years ended 31 December 2009, we recognised CIT (including the deferred income tax in relation to pre-sale of properties) of approximately RMB15.2 million, RMB22.4 million and RMB26.9 million, respectively. The fluctuations in our CIT expenses during the Track Record Period were primarily attributable to the fluctuations in our turnover recognised during the relevant year or period under the authorised tax valuation method (核定徵收).

Under the tax laws and regulations prior to 1 January 2008, dividends declared by our subsidiaries in China were exempt from PRC income tax. However, effective on 1 January 2008, dividends payable by foreign-invested enterprise, such as subsidiaries and joint ventures in China, to their foreign investors (non-resident enterprises) are subject to a withholding tax at the rate of 10% unless such foreign investors' jurisdiction of incorporation has a tax treaty with China that provides for a different withholding tax arrangement.

During the two years ended 31 December 2009, the amount of deferred tax recognised for withholding tax for undistributed earnings of our PRC subsidiaries in our income statements amounted to approximately RMB12.7 million and RMB6.7 million, respectively.

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Pursuant to the New Tax Law, the current tax rate of the CIT applicable to our subsidiaries is 25% of the taxable profit with effect from 1 January 2008. Our PRC Legal Advisers confirm that pursuant to Article 35 of 《中華人民共和國稅收徵管法》 (The PRC Tax Administration Law) (the “**Article 35**”), in the event that any of the following six specific circumstances arises, the tax authorities in the PRC shall have a right to adopt the authorised tax valuation method:–

1. the taxpayer is not required to maintain an accounting book according to the relevant laws and regulations;
2. the taxpayer fails to maintain an accounting book according to the relevant laws and regulations but failed to do so;
3. the taxpayer destroys the accounting book or refuses to provide tax payment information;
4. the accounting information in the accounting book is not in good order or information on costs, proof of income or expenses are inadequate so that it cannot be audited;
5. the taxpayer fails to submit a tax return to the tax authority on time and fails to submit the tax return upon further request from the tax authority; and
6. the taxable amount submitted by the taxpayer is relatively low without providing justifiable reason.

Our Directors confirm that Tian Shan Real Estate did not fall into any of the said six specific circumstances. Our PRC Legal Advisers also confirm that:–

1. Tian Shan Real Estate did maintain an accounting book;
2. Tian Shan Real Estate did not during the Track Record Period destroy the accounting book or refuse to provide tax payment information;
3. there is no evidence that the accounting information in the accounting book of Tian Shan Real Estate is not in good order or that information on costs, proof of income or expenses is inadequate such that it cannot be audited;

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4. during the Track Record Period, Tian Shan Real Estate submitted tax returns to the tax authority on time; and
5. there is no evidence to show that the taxable amount submitted by Tian Shan Real Estate is unjustifiably low.

Although Tian Shan Real Estate did not fall into any of the above six specific circumstances during the Track Record Period, the CIT of Tian Shan Real Estate was calculated on the basis of authorised tax valuation method (核定徵收) at the rate of 10% to 13% of its revenue as deemed taxable profit in accordance with the 《石家莊市地方稅務局轉發國家稅務總局關於調整核定徵收企業所得稅應稅所得率的通知》(The Recirculation by the Shijiazhuang Local Taxation Bureau of the Notice from the SAT relating to the Adjustment to the Authorised Tax Valuation Method for determining Corporate Income Tax Rates), which was approved by the Local Tax Bureau in Shijiazhuang Hi-tech Industry Development Zone in 《關於河北天山房地產開有限公司繳納所得稅和土地增值稅問題的函》(Letter Regarding the Payment of Income Tax and Land Appreciation Tax by Tian Shan Real Estate) (the “**Letter**”) dated 18 August 2006.

Tian Shan Tianjin Real Estate adopted the authorised taxation valuation method on the basis that such method had been approved by the local tax bureau of Jinnan District of Tianjin.

Our PRC Legal Advisers have advised that (i) pursuant to the Article 38 《中華人民共和國稅收徵管法實施細則》(The Detailed Rules for the Implementation of the PRC Tax Administration Law) (the “**Article 38**”), the tax authority is granted the power to determine the appropriate tax collection method; (ii) the actual taxation method and the authorised tax valuation are both the statutory tax collection methods; (iii) in Hebei Province, the tax authority generally applies the authorised tax valuation to real estate developers; (iv) Article 35 merely lays down the six specific circumstances in which the tax authority may adopt the authorised tax valuation methods while Article 38 gives the tax authority a general power to determine the kind of CIT tax collection method that should be adopted and (v) Article 38 is a detailed rule for the implementation of PRC Tax Administration Law.

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There is no conflict between Article 35 and Article 38. Accordingly, the Local Tax Bureau in Shijiazhuang Hi-tech Industry Development Zone, as the relevant competent tax authority, is empowered to adopt authorised tax valuation as the basis of collecting CIT of Tian Shan Real Estate, which is in compliance with the relevant PRC national and local tax laws and regulations. As confirmed by our PRC Legal Advisers, as we have not received any notices from the Local Tax Bureau in Shijiazhuang Hi-Tech Industry Development Zone withdrawing the Letter, the Letter remains valid. In the event that the authorised tax valuation method is subject to review by the State tax bureau or any higher tax bureau authority within three years of payment of CIT and LAT, we may be required to pay the difference of tax due in accordance with the normal taxation method, but we would not be subject to any fine or penalty as we have not violated any regulations.

LAT

Our property projects developed for sales are subject to LAT. In accordance with the provisions of 《中華人民共和國土地增值稅暫行條例》(The Provisional Regulations of the PRC on LAT) and the related implementation rules, all entities and individuals that receive income from the sales or transfer of land use rights, buildings and ancillary facilities are subject to payment of LAT at progress rates ranging from 30% to 60% of the appreciated value of the property, calculated as the sale proceeds of properties less deductible expenditures including the acquisition cost of land use rights, borrowing costs and all property development expenditure. Some of our properties are subject to LAT levied at a different rate, which ranged from 1% to 3% over the Track Record Period, set by the relevant tax authority in accordance with the 《河北省地方稅務局關於轉發國家稅務總局《土地增值稅清算管理規程》的通知》(The Recirculation by the Hebei Local Taxation Bureau of the Notice from the SAT relating to the Rules for the Administration of the Settlement of LAT) using the authorised tax valuation method, as set forth in the paragraphs under “_____ – Factors affecting our operating results and financial condition –LAT” above. We estimate and make provisions for the amount of LAT payable under the applicable laws and regulations and recognise this as an income tax expense in our consolidated income statement together with the recognition of revenue from the sale of our properties. Because at the time we recognise revenue we may not have completed the entire phase of the relevant project or the project as a whole, our estimate of LAT provisions at the time of such delivery requires us to use significant judgment with respect to, among other things, the total proceeds to be derived from the sales of the entire phase of the entire project, the total appreciation of land value and the total amount of various deductible items. Our net profit in the relevant periods will be affected if the ultimate tax determination differs from the amounts that were initially recorded.

During the three years ended 31 December 2009, the LAT charged to our income statements amounted to approximately RMB13.9 million, RMB17.6 million and RMB21.7 million respectively.

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Our PRC Legal Advisers confirm that as of the Latest Practicable Date, none of our PRC subsidiaries, save for Tian Shan Real Estate, had obtained LAT tax clearance. Our PRC Legal Advisers further confirm that pursuant to 《土地增值稅清算審核意見書》 (Opinion Letter on Clearance on the payment of LAT) issued by the Local Tax Bureau in Shijiazhuang Hi-tech Industry Development Zone on 18 September 2009, Tian Shan Real Estate has fully settled the LAT for *Shijiazhuang Tian Shan Garden*, *Tian Shan Waterside View (Phases I, II and III)*, *Tian Shan Waterside View (Phase IV)* and *Tian Shan Science and Technology Industrial Park* based on the authorised tax valuation method at the rates between 1% and 3% of the revenue generated from the relevant property projects. Pursuant to a further confirmation issued by the Local Tax Bureau in Shijiazhuang Hi-tech Industry Development Zone on 4 April 2010, Tian Shan Real Estate has fully settled the LAT during the last three years at the rate between 1% and 2%.

Our PRC Legal Advisers confirm that the use of the authorised tax valuation method is consistent with the applicable laws and regulations in China on LAT liability.

As of the Latest Practicable Date, the local tax bureau of Jinnan District of Tianjin had not determined the LAT valuation method for Tian Shan Tianjin Real Estate, primarily because the construction and sales of Tian Shan Tianjin Real Estate's property projects *Tianjin Tian Shan Wonderful Waterside View (Phase I to III)* have not completed, which is an LAT clearance criteria under the 《土地增值稅清算管理規程》, and the local tax bureau of Jinnan District of Tianjin has not requested Tian Shan Tianjin Real Estate to obtain LAT clearance.

Our PRC Legal Advisers also confirm that pursuant to 《國家稅務總局關於所得稅收入分享體制改革後稅收徵管範圍的通知》 (國稅發[2002]8號) (SAT Notice on Collection of Income Tax Reform) issued by the SAT and the 《河北省地方稅務局關於企業所得稅分享體制改革後有關徵管問題的通知》 (冀地稅函[2003]86號) (Notice issued by Hebei Provincial Tax Bureau on Collection of Income Tax Reform) issued by the Hebei Local Taxation Bureau, the tax to be paid by us is to be determined by the original tax bureau which approved our original registration. Accordingly, the Local Tax Bureau in Shijiazhuang Hi-tech Industry Development Zone is the competent authority to approve our LAT provision based on the authorised tax valuation method.

As of the Latest Practicable Date, we had not received any notice from any tax authority in the PRC on any proposed change in the bases of our payment of LAT and CIT. Nevertheless, our PRC Legal Advisers consider that the authorised tax valuation method may be subject to adjustment by the State tax bureau or any higher tax bureau authority due to their interpretation of the laws and regulations, and we may be required to pay the difference of the tax due. However, both our Directors and the PRC Legal Adviser consider that the authorised tax valuation method is one of the allowable taxation methods in the PRC and that the respective local tax bureaus are the competent tax authorities to approve the authorised tax valuation method in charging CIT and LAT to the members of our Group in the PRC. On this basis, the risk of being challenged by the State tax bureau or higher tax bureau authority is remote.

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Our Directors confirm that we have made all the required tax filings and have paid all the outstanding tax liabilities with the relevant tax authorities. As of the Latest Practicable Date, we were not aware of any dispute or potential dispute between us and the tax authorities in China. In addition, our Controlling Shareholders have undertaken under the Deed of Indemnity to indemnify us against any claims and demands for any tax liabilities arising during the Track Record Period.

Actual taxation method

Our PRC Legal Advisers confirm that we would not be subject to any penalty under the authorised tax valuation method. If we were subject to the actual taxation method for both the CIT and LAT during the Track Record Period, the increase in the charges for CIT and LAT would have been as follows:-

	For the year ended 31 December		
	2007	2008	2009
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
CIT	22,056	19,521	14,638
LAT	15,786	27,624	21,292
Less: CIT impact on LAT (<i>Note</i>).....	4,973	6,906	5,323
Total	32,869	40,239	30,607

Note:-

The balance represented the net additional CIT, after taking into account the tax effect of LAT which is deductible for CIT purpose under current PRC tax rules and regulations.

Our adjusted profit attributable to Shareholders after taking into account the additional CIT and LAT charges set forth above is as follows:-

	For the year ended 31 December		
	2007	2008	2009
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Profit attributable to Shareholders.....	65,684	111,349	130,038
Less: Additional taxes	32,869	40,239	30,607
Adjusted profit attributable to Shareholders.....	32,815	71,110	99,431

The above increase in the charges for CIT has taken into account non-deductible expenses such as changes in fair value of derivative instruments, finance costs incurred for the Notes and entertainment expenses, salaries and welfare and advertising and promotion expenses in excess of the limit which can be claimed for deduction under current PRC tax rules and regulations.

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YEAR TO YEAR COMPARISON OF OUR OPERATING RESULTS

Year ended 31 December 2009 compared to year ended 31 December 2008

Turnover

Our turnover increased by approximately 16.1% to approximately RMB752.6 million from RMB648.2 million. This was primarily due to the increased number of property projects completed and delivered to customers. We recognised the sales proceeds as our turnover principally from the sales of residential and industrial property projects, namely *Tian Shan Waterside View (Phase IV)*, *Ningjin Tian Shan Wonderful Waterside View*, *Chengde Tian Shan Wonderful Waters View*, *Tianjin Tian Shan Wonderful Waterside View (Phase I)*, *Tian Shan Science and Technology Industrial Park* and *Sanhe Tian Shan International Enterprise Base*. During the year ended 31 December 2008, we completed and delivered condominiums, duplexes and apartments at *Tian Shan Waterside View (Phases IV)* and *Ningjin Tian Shan Wonderful Waterside View* and industrial land at *Sanhe Tian Shan International Enterprise Base* and recognised the sales proceeds as our turnover. The total GFA sold during the year ended 31 December 2009 was approximately 254,430 sq. m., as compared with 263,528 sq. m. during the year ended 31 December 2008, representing a slight decrease of approximately 4.0%. Our Directors consider that the increase in our recognised turnover was principally attributable to sales from several principal projects, namely *Tian Shan Waterside View (Phase IV)*, *Chengde Tian Shan Wonderful Waters View*, *Tianjin Tian Shan Wonderful Waterside View (Phase I)* and *Ningjin Tianshan Wonderful Waters View*. The average selling price per sq. m. for these property projects were generally higher than our previously completed property projects. Hence, our recognised turnover increased even though the total GFA sold decreased slightly.

Cost of sales

Our cost of sales increased by approximately 31.3% to approximately RMB502.4 million from RMB382.6 million. The increase was mainly commensurate with the increase in our turnover during the year ended 31 December 2009 and the higher construction costs and land costs, especially the land cost for *Chengde Tian Shan Wonderful Water Views*.

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Our construction costs represented approximately 78.3% of our total cost of sales, which was lower than the same amount for the year ended 31 December 2008. This decrease was principally due to the fact that the positioning of *Ningjin Tian Shan Wonderful Waterside View* is different from *Tian Shan Waterside View (Phases I, II and III)* and *Tian Shan Guanlan Haoting* with its location in the sub-urban area of Shijiazhuang, Hebei Province. The raw materials used in *Ningjin Tian Shan Wonderful Waterside View* and the related facilities were therefore less expensive than the property projects completed and delivered during the year ended 31 December 2008. The costs on acquisition of the land use rights represented a lesser proportion in the total cost of sales and as a result, the percentage of the construction costs increased. During the year ended 31 December 2009, the average cost of sales per sq. m. for *Ningjin Tian Shan Wonderful Waterside View* was approximately RMB1,580 which was slightly higher than the same for the same project during the year ended 31 December 2008. The increase was attributable to the fact that the apartments sold in *Ningjin Tian Shan Wonderful Waterside View* during the year ended 31 December 2009 primarily consisted of the residential units in multi-storey buildings as part of the property project.

Gross profit and gross profit margin

As a result of the foregoing, the amount of our gross profit slightly decreased by approximately 5.8% to approximately RMB250.2 million from RMB265.6 million. The decrease was mainly due to the increase in the total cost of sales, principally driven by the increase in the construction costs and land costs. In addition, the selling price for *Chengde Tian Shan Wonderful Water Views* was also low due to financial downturn during 2008 and the first half of 2009. Our gross profit margin was therefore only approximately 33.2% as compared with 41.0% for the year ended 31 December 2008.

Other income

Our other income for the year ended 31 December 2009 slightly increased by 15.5% to approximately RMB2.0 million principally due to the increase in the rental income derived from leases of certain commercial and industrial properties held for sales at *Tian Shan Science and Technology Industrial Park*.

Selling and marketing expenses

During the year ended 31 December 2009, our selling and marketing expenses slightly decreased by approximately 9.5% to approximately RMB34.9 million from RMB38.6 million. The decrease was primarily due to the decrease in the sales commission and the advertising and promotional expenses. During the first half of 2009, we did not incur any substantial amount on advertising and promotional expenses. Our advertising and promotional expenses were principally incurred for our property projects, *Tianjin Tian Shan Wonderful Waterside View (Phase I)*, *Chengde Tian Shan Wonderful Water Views* and *Contemporary Noble Territory*, the pre-sales of which commenced in October 2008, September 2008 and December 2008, respectively.

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Administrative expenses

Our administrative expenses substantially decreased by approximately 26.8% to approximately RMB46.6 million from RMB63.7 million. This was primarily due to the provision for impairment loss on receivables during the year ended 31 December 2008 in an aggregate amount of approximately RMB19.5 million, which consisted of the following:-

- (1) Approximately RMB5.0 million was pre-paid to an Independent Third Party for the acquisition of a parcel of land in Shijiazhuang, Hebei Province, China for industrial use. As this party failed to transfer the relevant land use rights and building ownership rights to us, we did not make any further payment.
- (2) Approximately RMB13.0 million was pre-paid to another Independent Third Party for acquisition of the equity interest of a project company proposed to be set up for the development of a parcel of land at the south coast of Panlong Lake, Yuanshi County, Shijiazhuang, Hebei Province, China. This party has not established the project company, and we are negotiating with it regarding how to proceed with the project.
- (3) Approximately RMB1.5 million was pre-paid to the government of Luancheng County, Shijiazhuang, Hebei Province, China. We are negotiating with the Luancheng County government for the repayment.

Other than this amount, there was increase in the staff cost and the general administrative expenses because of the increase in the number of new property projects, namely *Tianjin Tian Shan Waterside View (Phase I)* and *Chengde Tian Shan Wonderful Waters View*. The miscellaneous expenses of RMB10.7 million principally included the land use fee of approximately RMB3.6 million on our land reserve in Hebei Province pursuant to 《河北省城鎮土地使用稅實施辦法》 (The Implementing Rules on Urban Land Use Fee in Hebei Province) and the stamp duty incurred in respect of the above property projects.

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Financing income

Financing income represented our interest income received from our cash and bank balance. The decrease in our interest income was primarily due to the average low cash balance during the year ended 31 December 2009.

Net financing costs

Our net financing costs represented the interest expense paid on our banking borrowings and on the outstanding amount of the Notes, and net change in the fair value of derivatives arising from the issue of the Notes in the amount of approximately RMB21.3 million. Interest expense on amounts that were directly attributable to the development cost of our property projects was capitalised as part of the cost of sales of our property projects. There was minimum exchange loss due to the daily operating activities of our Group. Further information on the net change in the fair value of derivatives arising from the issue of the Notes is set forth in the paragraphs under “_____ – Trade and Other Payables – Derivative financial instruments” below.

Income tax expense

Our income tax expense slightly increased by approximately 5.2% to approximately RMB55.4 million from RMB52.7 million. The increase was primarily due to the increase in our turnover during the year ended 31 December 2009, which resulted in the CIT for the year increasing to approximately RMB45.2 million (based on the authorised tax valuation method (核定徵收)), but was partially offset by the deferred income tax in relation to pre-sales of properties and withholding tax on undistributed earnings by our PRC subsidiaries of approximately RMB18.3 million and RMB6.7 million. The provision for the LAT was approximately RMB21.7 million which reflected the increase in our turnover during the period.

Profit for the year

As a result of the foregoing, we recorded a net profit of approximately RMB130.0 million. Our Directors consider that the operating results for the year ended 31 December 2009 were consistent with the same during the year ended 31 December 2008.

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Year ended 31 December 2008 compared to year ended 31 December 2007

Turnover

Our turnover increased by approximately 39.9% to approximately RMB648.2 million from RMB463.2 million. This was primarily due to completion and delivery of condominiums, duplexes and apartments at *Tian Shan Waterside View (Phase IV)*, *Ningjin Tian Shan Wonderful Waterside View*, *Tian Shan Waterside View (Phases I, II and III)* and certain residential apartments at *Tian Shan Guanlan Haoting*. In addition, we also sold and delivered *Tian Shan Science and Technology Industrial Park* and *Sanhe Tian Shan International Enterprise Base*. The total GFA sold during the year ended 31 December 2008 was approximately 263,528 sq. m., as compared with 301,827 sq. m. during the year ended 31 December 2007, representing a decrease of approximately 12.7%, principally due to our sales of the industrial land of approximately 169,957 sq. m. under *Liangcun Industrial Zone* for the year ended 31 December 2007. Without taking into account the GFA sold under *Liangcun Industrial Zone* and *Sanhe Tian Shan International Enterprise Base*, the GFA sold during the year ended 31 December 2008 increased by approximately 51.7%. During the year ended 31 December 2008, we also sold under *Sanhe Tian Shan International Enterprise Base* approximately 63,526 sq. m. of GFA. Most of our turnover was recognised from the completion and derived of *Tian Shan Waterside View (Phase IV)* and *Ningjin Tian Shan Wonderful Waterside View*.

Cost of sales

Our cost of sales increased by 34.4% to approximately RMB382.6 million from RMB284.6 million. The increase was primarily attributable to the increase in the GFA of residential property projects completed and delivered to our purchaser. As mentioned above, the GFA sold during the year ended 31 December 2008 represented a substantial increase of approximately 51.7% as compared with the GFA sold during the year ended 31 December 2007 (excluding the GFA sold under *Liangcun Industrial Zone* and *Sanhe Tian Shan International Enterprise Base* because we sold parcels of land to our customers). The costs on the acquisition of land use rights during the year ended 31 December 2008 decreased by approximately 49.3% primarily because the land cost for *Tian Shan Waterside View (Phase IV)* was substantially lower than the land cost for *Tian Shan Guolan Haoting*. This increased the percentage of the construction costs in our total cost of sales. Because of the increasing trends of the raw material prices, the average cost of sales per sq. m. for all our property projects was consistently higher than the same for the year ended 31 December 2007. During the year ended 31 December 2008, the amount of interest element in cost of sales was approximately RMB20.0 million, representing a substantial increase from approximately RMB1.5 million during the year ended 31 December 2007. The increase was primarily due to the interest expense paid on bank borrowings the proceeds from which were directly used in the property projects completed and delivered during the year.

FINANCIAL INFORMATION

Gross profit and gross profit margin

In light of the foregoing, our gross profit increased substantially by approximately 48.7% to approximately RMB265.6 million from RMB178.6 million. The increase in the amount of gross profit was consistent with the increase in our turnover recognised during the year ended 31 December 2008. The gross profit margin also slightly increased to approximately 41.0% as compared with 38.6% principally because of the lower costs on acquisition of land use rights and the overall increases in selling prices of our property projects.

Other income

Our other income decreased substantially by 55.3% to approximately RMB1.7 million from RMB3.9 million. Our other income represented the rental income received by us from leases of industrial properties held for sales. The rental income decreased primarily because of the decrease in the number of industrial units comprising Tian Shan Science and Technology Industrial Park following the sales during the year.

Selling and marketing expenses

During the year ended 31 December 2008, our selling and marketing expenses increased substantially by approximately 136.3% to approximately RMB38.6 million from RMB16.3 million. The increase was primarily driven by the increase in our turnover recognised during the year, which resulted in substantial increase in the sales commission and advertising expenses incurred by us during the year. The expenses were incurred principally for the promotion of *Tian Shan Waterside View (Phase IV)* and *Contemporary Noble Territory* and the marketing study of our property projects proposed to be launched. The staff cost also increased significantly because of the bonus payment following satisfactory pre-sales results of our newly launched property projects, namely *Tian Shan Waterside View (Phase IV)* and *Ningjin Tian Shan Wonderful Waterside View*.

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Administrative expenses

Our administrative expenses increased by approximately 38.1% to approximately RMB63.7 million from RMB46.1 million. The increase was primarily due to a provision for impairment loss of receivable in the aggregate amount of RMB19.5 million. The total amount represented, other than certain miscellaneous items, two amounts of deposit paid by us for proposed acquisitions of interests in two parcels of land from Independent Third Parties. The proposed transactions were entered into during the period between May 2007 and November 2007 pursuant to which we intended to acquire the interests in two parcels of land for the development of our property projects. In one transaction, the proposed vendor failed to deliver the land to us, and we are in the process of negotiating with the proposed vendor for the refund of the deposit. In another transaction, we intended to acquire the equity interest in a company which owns a parcel of land. Although we have paid the deposit, we were, as of the Latest Practicable Date, still in the process of negotiations with the proposed vendor on the prices and other terms and conditions of the acquisition.

Other than the above amount, the other components comprising our administrative expenses were broadly consistent with the increased turnover during the year. Out of the miscellaneous expenses of RMB10.2 million, there was an amount of approximately RMB4.7 million for land use fee on our land reserve in Hebei Province pursuant to 《河北省城鎮土地使用稅實施辦法》(The Implementing Rules on Urban Land Use Fee in Hebei Province). The remaining balance of the miscellaneous expenses represented the sundry items incurred as part of our ordinary course of business.

Net change in the fair value of derivative financial instruments

The change in the fair value of the derivative was mainly due to change of terms of the Notes and the Warrants in 2008. The value of the derivatives is affected by the prevailing market value of our Company, the expected volatility, the expected dividend and risk-free rate as of 31 December 2008.

Finance income

Finance income represented our interest income received from our cash and bank balance. The interest income decreased because both the average cash balance and the interest rate decreased as a result of use of proceeds received from the Notes, and the low interest rates towards the end of 2008.

FINANCIAL INFORMATION

Net financing costs

Our net financing costs mainly represented the interest expense paid on our banking borrowings and on the outstanding amount of the Notes less the interest capitalised. We incurred interest expense of approximately RMB142.9 million on bank borrowings and the outstanding amount under the Notes, of which an amount of approximately RMB135.4 million was capitalised as part of the costs of sales for property projects.

Income tax expense

Our income tax expense increased by approximately 81.3% to approximately RMB52.7 million from RMB29.1 million. Our effective tax rate increased to approximately 32.1%. The increase was primarily due to the increase in our turnover recognised during the year ended 31 December 2008, which resulted in the increase of the CIT provision and the deferred income tax in relation to pre-sales of properties in the aggregate amount from RMB15.2 million to RMB22.4 million, and the increase in LAT provision from RMB13.9 million to RMB17.6 million. In addition, upon the implementation of the New Tax Law starting from 1 January 2008, a deferred tax liability of RMB12.7 million on withholding tax on dividend in respect of our PRC subsidiaries was recognised.

Profit for the year

During the year ended 31 December 2008, our profit amounted to approximately RMB111.3 million, representing an increase of approximately 69.5%. The increase was primarily driven by the increase in our turnover recognised for the year.

LIQUIDITY AND CAPITAL RESOURCES

We have financed our property projects primarily through proceeds from our shareholders' contributions, bank borrowings, pre-sales proceeds of properties under development, proceeds from the sale of completed properties and the proceeds from the Notes. Our main sources of funds for our property projects are summarised as follows:–

Shareholders' contributions to registered capital

We have relied to a certain extent on capital contributions from our equity interest holders in exchange for equity interest to finance our projects. Since 2004 and prior to 27 May 2009, PRC property developers were typically required to make a capital contribution of not less than 35% of the total investment of a project (except for affordable housing). On 27 May 2009, such contribution percentage requirement was reduced to 20% for ordinary commodity housing projects and affordable housing projects and 30% for all other property development projects.

FINANCIAL INFORMATION

Bank borrowings

As of 31 December 2009, we had total secured bank borrowings of RMB430.9 million. We usually obtain project-specific bank borrowings that are secured by our properties under development and our land use rights, and usually repay the borrowings using a portion of our pre-sales proceeds of the specific property.

Pre-sales proceeds

Pre-sales proceeds are proceeds we receive when we enter into sale and purchase contracts to sell properties prior to their completion.

Under the PRC law, the following conditions must be fulfilled before commencement of the pre-sales of a property project property:–

- (i) the land premium must be paid in full and the land use rights certificate must have been obtained;
- (ii) the Construction Works Planning Permit and the Construction Works Commencement Permit must have been obtained;
- (iii) the funds contributed to the development of the property project must be not less than least 25% of the total investment amount and the project progress and the date of completion of the project must have been ascertained; and
- (iv) the Pre-Sales Permit must have been obtained.

Upon obtaining the Pre-Sales Permit, we generally enter into pre-sales contracts with our customers. We typically receive an initial payment of 20 to 30% of the unit purchase price upon the signing of the pre-sales contract and the balance typically can be obtained as bank mortgage loans from commercial banks within 90 days following the signing of the pre-sale contract.

FINANCIAL INFORMATION

CASH FLOW STATEMENT

We had net cash generated from operating activities for the three years ended 31 December 2009. The following table is a condensed summary of our consolidated statements of cash flow for the three years ended 31 December 2009:–

	For the year ended 31 December		
	2007	2008	2009
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Net cash (outflow)/inflow from operating activities	(615,902)	(37,194)	221,072
Net cash (outflow)/inflow from investing activities	(5,800)	773	(9,081)
Net cash inflow/(outflow) from financing activities	658,488	(1,819)	(187,151)
Net increase/(decrease) in cash and cash equivalents	36,786	(38,240)	24,840
Cash and cash equivalents as of the beginning of relevant year	156,810	192,368	154,086
Effect of foreign exchange rate changes	(1,228)	(42)	(550)
Cash and cash equivalents as of the relevant year end	192,368	154,086	178,376

Cash flow from operating activities

Net cash outflow from operating activities in 2007 was approximately RMB615.9 million. During the year 2007, our cash inflow was mainly from the sales/pre-sales of *Tian Shan Waterside View (Phases I, II, III and IV)*, *Ningjin Tian Shan Wonderful Waterside View*, *Tian Shan Guanlan Haoting*, and *Luancheng Tian Shan Wonderful Waters View*. We also spent land and development costs mainly for *Contemporary Noble Territory*, *Chengde Tian Shan Wonderful Waters View*, *Tianjin Tian Shan Waterside View (Phase I)*, *Tian Shan Waterside View (Phase IV)* and *Tian Shan Guanlan Haoting*.

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Net cash outflow from operating activities in 2008 was approximately RMB37.2 million. The major cash inflow during the year was mainly from the sales/pre-sales of *Tian Shan Waterside View (Phase IV)*, *Ningjin Tian Shan Wonderful Waterside View*, *Tian Shan Science and Technology Industrial Park*, *Chengde Tian Shan Wonderful Waters View* and *Tianjin Tian Shan Waterside View (Phase I)*. We also spent land and development costs mainly for *Contemporary Noble Territory*, *Chengde Tian Shan Wonderful Waters View*, *Tianjin Tian Shan Waterside View (Phase I)*, *Tian Shan Waterside View (Phase IV)* and *Sanhe Tian Shan International Enterprise Base*.

Net cash inflow from operating activities in the year ended 31 December 2009 was approximately RMB221.1 million. The major cash inflow during the period was mainly from the sales/pre-sales of *Contemporary Noble Territory*, *Chengde Tian Shan Wonderful Waters View*, *Tianjin Tian Shan Waterside View (Phase I)*, *Tian Shan Waterside View (Phase IV)* and *Ningjin Tian Shan Wonderful Waterside View*. We also spent land and development costs mainly on *Contemporary Noble Territory*, *Chengde Tian Shan Wonderful Waters View*, *Tianjin Tian Shan Waterside View (Phase I)*, *Tian Shan Waterside View (Phase IV)*, *Ningjin Tian Shan Wonderful Waterside View* and *New Great Earldom*.

We experienced net cash outflow during the two years ended 31 December 2008. As we are engaged in the property development business, we would experience time difference between incurring construction costs and realising the economic benefits from the selling of our property projects. To manage this imbalance we will take out financing as and when needed to ensure to meet our cash requirements and then pay off the financing when we receive proceeds from the sales of our properties.

Cash flow from investing activities

For the year ended 31 December 2007, the net cash outflow for investing activities of RMB5.8 million was mainly the net effect of cash used for the purchase of property, plant and equipment of RMB11.8 million and received interest income of RMB5.2 million.

For the year ended 31 December 2008, the net cash inflow for investing activities of RMB0.8 million was mainly the net effect of cash used for the purchase of property, plant and equipment of RMB1.7 million, proceeds from disposal of certain property, plant and equipment of RMB1.1 million and received interest income of RMB1.4 million.

For the year ended 31 December 2009, the net cash outflow for investing activities of RMB9.1 million was mainly the net effect of cash used for the purchase of property, plant and equipment of RMB11.3 million, proceeds from disposal of certain property, plant and equipment of RMB1.3 million and received interest income of RMB0.9 million.

FINANCIAL INFORMATION

Cash flow from financing activities

We have net cash inflow from financing activities in the year ended 31 December 2007 of approximately RMB658.5 million. This was primarily contributed by the net effect of net cash from issuance of Notes of RMB644.1 million, net drawdown of bank borrowings and other loans of RMB23.7 million, repayment from related parties of RMB3.6 million and paid interest of RMB13.0 million. The drawdown of the Notes was mainly for financing the acquisition of land and development costs for *Chengde Tian Shan Wonderful Waters View*, *Tianjin Tian Shan Waterside View (Phase I)* and *Contemporary Noble Territory*.

We have net cash outflow from financing activities in the year ended 31 December 2008 of approximately RMB1.8 million. This was primarily contributed by net effect of the repayment of Notes of RMB62.1 million, net drawdown of bank borrowings of RMB109.0 million, received repayment from related parties of RMB35.2 million and paid interest of RMB84.0 million.

We have net cash outflow from financing activities in the year ended 31 December 2009 of approximately RMB187.1 million. This was primarily contributed by the net effect of net drawdown of bank borrowings of RMB130.3 million, repayment of the Notes of approximately RMB245.9 million, advances to related parties of RMB18.4 million and paid interest of RMB53.2 million.

FINANCIAL INFORMATION

ANALYSIS OF CERTAIN ITEMS IN OUR BALANCE SHEET

The following sets forth certain key items in our balance sheets as of 31 December 2007, 2008 and 2009:–

	As of 31 December		
	2007	2008	2009
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Non-current assets	40,812	26,266	50,519
Current assets	1,875,693	2,200,123	2,626,230
Current liabilities	1,547,208	1,294,177	1,926,320
Non-current liabilities	61,770	494,207	182,400
Net current assets	328,485	905,946	699,910
Net assets	<u>307,527</u>	<u>438,005</u>	<u>568,029</u>

NET CURRENT ASSETS

The following sets forth detailed information on our current assets and current liabilities as of 31 December 2007, 2008 and 2009:–

	As of 31 December		
	2007	2008	2009
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Current assets			
Inventories	1,318,589	1,862,250	2,085,709
Trade and other receivables	323,394	141,451	301,445
Restricted cash	41,342	42,336	60,700
Cash and cash equivalents	192,368	154,086	178,376
	<u>1,875,693</u>	<u>2,200,123</u>	<u>2,626,230</u>
Current liabilities			
Bank loans and other borrowings	125,000	104,720	267,937
Notes	552,558	219,234	308,802
Trade and other payables	828,150	923,569	1,283,383
Current taxation	41,500	46,654	66,198
	<u>1,547,208</u>	<u>1,294,177</u>	<u>1,926,320</u>
NET CURRENT ASSETS	<u>328,485</u>	<u>905,946</u>	<u>699,910</u>

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Based on our unaudited consolidated management accounts as of 30 April 2010, being the latest practicable date for the purpose, we had net current assets of RMB709.0 million. Our current assets as of 30 April 2010 consisted of inventories of approximately RMB2,302.9 million, trade and other receivables of approximately RMB370.5 million, restricted cash of approximately RMB50.0 million and cash and cash equivalents of approximately RMB156.0 million. Our current liabilities as of 30 April 2010 consisted of bank loans and other borrowings of approximately RMB269.6 million, notes of approximately RMB309.3 million, trade and other payables of approximately RMB1,559.7 million, and current taxation of approximately RMB31.8 million.

ANALYSIS ON INVENTORIES

The following table sets forth detailed information on our inventories as of 31 December 2007, and 2008 and 2009:–

	As of 31 December		
	2007	2008	2009
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Construction materials	1,061	115	65
Properties held for future development for sales	902,172	282,815	342,536
Properties under development for sales.....	304,756	1,418,248	1,583,372
Completed properties held for sales	110,600	161,072	159,736
	1,317,528	1,862,135	2,085,644
Total	1,318,589	1,862,250	2,085,709

As of 30 April 2010, being the latest practicable date for the purpose, our total inventories increased to approximately RMB2,302.9 million mainly due to the increase of development costs and new land bank acquisition during the period.

The significant increase in the inventories as of 31 December 2007 was mainly due to land and development costs spent on property projects including *Chengde Tian Shan Wonderful Waters View and Contemporary Noble Territory*. As of 31 December 2008, the inventories increased further mainly due to land and development costs spent on property projects including *Tianjin Tian Shan Waterside View (Phase I)*, *Chengde Tian Shan Wonderful Waters View and Contemporary Noble Territory*. As of 31 December 2009, there was a further increase in the inventories principally due to land and development costs spent on property projects including *Tianjin Tian Shan Waterside View (Phase I)*, *Chengde Tian Shan Wonderful Waters View and Contemporary Noble Territory*.

FINANCIAL INFORMATION

Construction materials

The amount of the construction materials represented spare parts and construction equipment.

Properties held for future development for sales

The amount of the properties held for future development for sales represented the land and related costs incurred by us for those property projects prior to the grant of the Construction Works Commencement Permits.

Properties under development for sales

The amount of the properties under development for sales represented the land and development costs incurred by us for those property projects under development after obtaining the Construction Works Commencement Permit and the Construction Works Planning Permit.

Completed properties held for sales

The amount of the completed properties held for sales represented land and development costs incurred by us for those completed projects available for sales with the Completed Construction Works Certified Report.

TRADE AND OTHER RECEIVABLES

Introduction

The following table sets forth detailed information on our trade and other receivables as of 31 December 2007, and 2008 and 2009:–

	As of 31 December		
	2007	2008	2009
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Trade receivables	28,861	12,292	24,432
Deposits, prepayments and other receivables.....	158,453	44,501	245,239
Amounts due from related parties	136,070	84,658	27,574
Derivative financial instruments	10	–	–
Gross amount due from customers for contract work.....	–	–	4,200
Total.....	323,394	141,451	301,445

FINANCIAL INFORMATION

Trade receivables

Our trade receivables represented the amount due from our purchasers for the purchase of our property projects. In most cases, we receive full payments from properties purchasers by way of initial payment and their mortgage loans from banks. Hence, we recorded insignificant amount of trade receivables as of 31 December 2007, 2008 and 2009. For *Tian Shan Science and Technology Industrial Park*, we allow certain purchasers to pay the purchase price by installments within a maximum period of two years.

As of the 30 April 2010, an amount of approximately RMB6.4 million, representing approximately 26.2% of our trade receivable balance as of 31 December 2009, was subsequently settled.

Deposits, prepayments and other receivables

The amount represented bill receivables, various pre-payments and other receivables. The amount of bill receivables represented the amount of bills payable to us by the banks instructed by the purchasers of some of our industrial properties. The amount of pre-payments represented the prepaid business tax and surcharges related to the pre-sales of our property projects and construction-related costs for our property projects under development. Other receivables principally included the deposits paid for the acquisition of certain parcels of land. The following sets forth an analysis of the deposits, prepayments and other receivables as of 31 December 2007, 2008 and 2009:–

	As of 31 December		
	2007	2008	2009
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Bill receivables	5,093	1,659	6,570
Prepayments	23,565	26,930	66,491
Deposits and others	129,795	15,912	172,178
Total	158,453	44,501	245,239

There was a significant increase in the prepayment amount as of 31 December 2009. Such increase was principally due to the increased prepaid business tax and surcharges as a result of pre-sales of our property projects. In particular, the increase in deposits and others as of 31 December 2009 was mainly due to a prepayment of RMB100.0 million as land improvement cost in respect of *Tianjin Tian Shan Wonderful Waterside View (Phase I)* and approximately RMB50.0 million as land improvement cost in respect of *Weihai Tian Shan Waterside View (Phase I)*.

Deposits and others represent various deposits to land bureaus as security money to enter into public tender, auctions or listing-for-sales for the acquisition of land. The amount in 2007 was high because an amount of RMB100.0 million was paid to the Tianjin local government as the deposit for a parcel of land in Tianjin. This amount has been subsequently applied as part of the land premium after we won the tender, public auction or listing-for-sale of the land.

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Amount due from related parties

The following table sets forth an analysis of the amount due from related parties as of 31 December 2007, 2008 and 2009:–

	As of 31 December		
	2007	2008	2009
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Tianshan Industrial Group (<i>Note 1</i>).....	44,429	9,191	27,574
Tianshan Doors and Windows (<i>Note 1</i>)	619	896	–
Tianshan Construction (<i>Note 2</i>)	91,022	74,571	–
Total	136,070	84,658	27,574

Notes:–

- The balance represented the advances to the relevant company for daily working capital purposes.
- The balance represented the advances to Tianshan Construction for the purchase of certain raw materials which will be applied against the cost for construction services to be rendered.

The amount due from Tianshan Industrial Group has been settled.

TRADE AND OTHER PAYABLES

Introduction

The following table sets forth detailed information on our trade and other payables as of 31 December 2007, 2008 and 2009:–

	As of 31 December		
	2007	2008	2009
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Trade payables	19,934	28,898	37,273
Receipts in advance	581,812	428,925	853,920
Other payables and accruals	205,112	427,394	373,187
Amounts due to related parties	14,281	17,051	19,003
Amounts due to directors	183	–	–
Derivative financial instruments	6,828	21,301	–
Total	828,150	923,569	1,283,383

FINANCIAL INFORMATION

Trade payables

Our trade payables represented the construction fees due to our construction contractors with invoices received. For our contractors, payments are made in accordance with the schedule as stipulated in the relevant contracts. We will retain an amount for settlement after one to five years following completion of the relevant contracts. For other suppliers, the credit period is normally for one to three months.

As of 30 April 2010, an amount of approximately RMB37.3 million, representing approximately 100% of our trade payables balance as of 31 December 2009, was settled.

Receipts in advance

The amount of receipts in advance represented the proceeds from pre-sales of our property projects. Such proceeds will be recognised as our turnover upon completion and delivery of our property projects to our customers. The average the time lag between receiving the pre-sales proceeds and recognising them as our turnover is approximately two years. The amount of receipts in advance increased substantially as of 31 December 2009 because of the pre-sales proceeds received principally from the pre-sales of *Contemporary Noble Territory*, *Tian Shan Waterside View (Phase IV)*, *Chengde Tian Shan Wonderful Waters View* and *Tianjin Tian Shan Waterside View (Phase I)* (with final completion expected to take place in December 2011), *Contemporary Noble Territory* (with final completion expected to take place in August 2011) and *New Great Earldom* (with final completion expected to take place in December 2011).

Other payables and accruals

The following table sets forth an analysis of the amount of other payables and accruals as of 31 December 2007, 2008 and 2009:–

	As of 31 December		
	2007	2008	2009
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Accrued construction costs	127,682	165,935	170,844
Accrued land-related costs	–	83,000	83,000
Accrued interest	19,179	12,510	1,799
Advance from local government	–	90,319	90,319
Earnest payment	42,189	67,917	20,963
Advance from other parties	11,541	4,870	2,000
Other payables	4,521	2,843	4,262
Total	205,112	427,394	373,187

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The amount of the accrued construction costs represented the amount due to our construction contractors. As of 31 December 2007, 2008 and 2009, the amount of accrued construction costs due to Tianshan Construction amounted to approximately RMB22.6 million, RMB63.4 million and RMB21.0 million, respectively.

The amount of accrued land-related costs represented the amount of land-related cost payable for *Tianjin Tian Shan Waterside View* (including all phases).

The amount of the accrued interest represented the amount of interest due for external borrowings and the principal amount of the Notes.

The advance from the local government represented the amount of RMB93.0 million (net of costs and expenses of approximately RMB2.7 million) unconditionally contributed by the local government in Tianjin for the support of our property projects which promote the local economic development. The amount has no fixed repayment term and interest and we have made the relevant provision for full repayment of the amount by June 2011 through our internal resources. The actual repayment date has yet to be determined. We do not know whether such advance is available for all property companies in Tianjin. Throughout the Track Record Period, we did not pay any interest for such advance. Our PRC Legal Advisers have confirmed that the relevant local government in Tianjin is legally entitled to demand us to repay the advance.

The amount of earnest money represented the amount received from the existing owners of our property projects, who are Independent Third Parties, for joining our loyalty programme. Members of our programme are entitled to discount for future purchase of properties from us. Unlike receipts-in-advance, the earnest payment is paid to us before a formal sale and purchase agreement is entered into, and can be applied as part of the property price if the sales proceed. If the sales do not proceed, the earnest payment can be returned.

The amount of advance from other parties and other payable represented various miscellaneous balances owed to Independent Third Parties during our ordinary course of business, and the amount of RMB2.0 million from the local government of Shijiazhuang in support of our listing plan which will be repayable upon completion of the Listing. This amount is not included in the amount of approximately RMB90,319,000 of advance from local government. Our PRC Legal Advisers have confirmed that the local government of Shijiazhuang is legally entitled to demand us to repay the advance.

FINANCIAL INFORMATION

As of 30 April 2010, the total amount of advance from local government amounted to approximately RMB90.3 million, and the advance from other parties and other payable amounted to RMB2.0 million.

Amount due to related parties

The following table sets forth an analysis of the amount due to related parties as of 31 December 2007, 2008 and 2009:–

	As of 31 December		
	2007	2008	2009
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Tianshan Property Management (<i>Note 1</i>)	143	2,221	393
Tianshan Doors and Windows (<i>Note 1</i>)	–	–	2,375
Tianshan Industrial Group (<i>Note 2</i>)	14,138	14,830	16,235
	14,281	17,051	19,003
Total	14,281	17,051	19,003

Notes:–

1. The amount represented the amount due to related parties as a result of transactions conducted in our ordinary course of business. We will settle such amount in accordance with the relevant contract terms.
2. The balance represented advances from the relevant related company for daily working capital purposes has been settled.

The amounts were unsecured, interest-free and repayable on demand.

FINANCIAL INFORMATION

Derivative financial instruments

The amount was relating to the derivative financial instruments in relation to the Notes and the Warrants issued in October 2007 with amendments in October 2008 and November 2009. The fair value of the derivative financial instruments are valued by professional valuers as of 31 December 2009, taken into consideration our profit estimate for the year ended 31 December 2009, cash-flow forecast, market condition and such other factors as the professional valuers consider appropriate. As of 31 December 2007, the fair value of the derivative financial instruments was approximately RMB6.8 million. In 2008, due to the amendment of terms of the Notes and Warrants, the original redemption put options embedded in the Notes no longer exist while the Warrants were required to be revalued and any difference in the fair value at each balance sheet date is charged to our income statement. As of 31 December 2008, the fair value of the Warrants was approximately RMB21.3 million.

On 16 November 2009, we negotiated with the holders of the Notes to amend the terms of the Notes and the Warrants which include, among other matters, the exercise period of the Warrants has been amended to the period between 9 October 2010 and 9 October 2014. If the repayment of the Notes is made on or before 8 October 2010, the Warrants will be lapsed. Our Directors consider that we have adequate financial resources and we intend to make full repayment of the Notes on or before 8 October 2010. As such, the fair value of the Warrants is zero and the amount of RMB21.3 million was credited to our income statement for the year ended 31 December 2009.

A summary of the principal terms of the Notes and the Warrants is set forth in Appendix IV to this prospectus. As of the Latest Practicable Date, the outstanding principal balance of the Notes was US\$45.0 million. We currently intend to repay the principal amount of Notes out of the net proceeds from the Global Offering and by way of the Compulsory Conversion.

FINANCIAL INFORMATION

CONTRACTUAL OBLIGATIONS AND CAPITAL COMMITMENTS

The following table sets forth our capital commitments outstanding as of 31 December 2007, 2008 and 2009:–

	As of 31 December		
	2007	2008	2009
	RMB'000	RMB'000	RMB'000
Authorised but not contracted for	2,406,809	2,986,742	6,028,235
Contracted but not provided for	146,631	373,509	797,101
Total	2,553,440	3,360,251	6,825,336

Capital commitments represented the land and development costs for our property projects under development. Our capital commitments increased during the Track Record Period because of our continued business expansion and the increased number of property projects developed by us. Our capital commitments in 2009 increased significantly mainly because of the large commitments on possible property projects including *Tianjin Tian Shan Wonderful Waterside View (Phases II and III)*. For the capital commitment in 2009, we expect to utilise approximately RMB1,752.9 million in 2010, which will be funded by our sales and pre-sales proceeds, net proceeds from the Global Offering and banking facilities, and the remaining amount of approximately RMB5,072.5 million will be utilised from 2011 to 2015, and will be funded by our sales and pre-sales proceeds and banking facilities.

As of the Latest Practicable Date, save as disclosed in this prospectus, we did not have any off-balance sheet items.

CAPITAL EXPENDITURE

During the three years ended 31 December 2009, we incurred capital expenditure in the amount of approximately RMB1,092.1 million, RMB792.8 million and RMB572.8 million, respectively, comprising primarily development cost of our property projects.

MARKET RISKS

In our ordinary course of business, we are exposed to market risks relating primarily to fluctuations in interest rate risk, credit risk, liquidity risk and foreign exchange risk.

Interest rate risk

Our business is sensitive to fluctuations in interest rates and hence, our net profit is affected by changes in interest rate as we are finance by floating interest rate loans and borrowings. A reasonably possible increase/decrease of 100 basis points interest rates would decrease/increase our profit by RMB7.0 million, RMB6.5 million, RMB7.3 million for the three years ended 31 December 2009, respectively.

Credit risk

Our credit risk is primarily attributable to trade and other receivables. Management has a credit policy in place and the exposures to these credit risks are monitored monthly by our Directors with assistance of staff in our sales and credit department.

FINANCIAL INFORMATION

In respect of trade receivables of normal sales, no credit terms are granted to the purchasers. We normally arrange bank financing for purchases of properties and provide guarantee to secure repayment obligations of such purchasers. If there are default payments by these purchasers, we will be responsible to repay the outstanding mortgage loans together with any accrued interest and penalties owed by the defaulted purchasers to banks. Our guarantee periods commence from the dates of grants of the relevant mortgage loans and end after the purchasers obtain the individual property ownership certificates of the properties purchased. During the periods under guarantees, as we have not applied for individual property ownership certificates for these purchasers, we can take over the ownership of the related properties and sell the properties to recover any amounts paid by us to the banks in the event that the purchasers default payments to the banks. In this regard, our Directors consider that our credit risk is minimised.

In respect of trade receivables arising from instalment sales and other receivables, we assess the financial abilities of the purchasers/debtors before granting the instalment sales/facilities to them. We chase the debtors to settle outstanding balances and monitors the settlement progress on an ongoing basis. We would not apply individual property ownership certificates for the property purchasers until the outstanding balances are fully settled. Other than that, normally, we do not obtain collateral from debtors. The impairment losses on bad and doubtful accounts are within our expectation.

Liquidity risk

We review our liquidity position on an ongoing basis, including review of the expected cash inflows and outflows, sale/pre-sale results of respective property projects, maturity of loans and borrowings and the progress of the planned property development projects in order to monitor our liquidity requirements in the short and longer terms.

Our ability to settle our liabilities depends on the cash inflow from sales of our properties in the PRC. Our Directors are of the opinion that we will be able to finance our working and financial requirements based on a cash flow forecast prepared by our Directors for the twelve months from the date of publication of this prospectus.

Foreign exchange risk

Our businesses are principally conducted in RMB, other than the Notes which are denominated in the U.S. dollars as of 31 December 2007, 2008 and 2009. The fluctuation of US dollars against RMB will have impact to our financial statements in future.

On the other hand, RMB is not a freely convertible currency and the PRC government may at its discretion restricts access to foreign currencies for current account transactions in the future. Changes in the foreign exchange control system may prevent us from satisfying sufficient foreign currency demands and we may not be able to pay dividends in foreign currencies to our Shareholders.

FINANCIAL INFORMATION

Fair value

The fair values of cash and cash equivalents, trade and other receivables, trade and other payables and bank loans and other borrowings and the Notes are not materially different from their carrying amounts.

INDEBTEDNESS

Debt-to-equity ratio

The following table sets forth the debt-to-equity ratio of our Group as of 31 December 2007, 2008 and 2009:–

	As of 31 December		
	2007	2008	2009
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Non-current liabilities			
Bank loans.....	61,770	191,066	163,000
Notes	–	290,484	–
.....	61,770	481,550	163,000
Current liabilities			
Bank loans.....	125,000	104,720	267,937
Notes	552,558	219,234	308,802
.....	677,558	323,954	576,739
Total debt.....	<u>739,328</u>	<u>805,504</u>	<u>739,739</u>
Total equity attributable to shareholders	<u>307,527</u>	<u>438,005</u>	<u>568,029</u>
Debt-to-equity ratio.....	<u>2.40</u>	<u>1.84</u>	<u>1.30</u>

The high debt-to-equity ratio as of 31 December 2007 was principally due to the issuance of the Notes during that year. As of 31 December 2008, our debt-to-equity ratio decreased principally due to the increase of our profitability during the year ended 31 December 2008. Our debt-to-equity ratio as of 31 December 2009 further decreased due to the repayment of the Notes of RMB245.9 million.

FINANCIAL INFORMATION

Borrowings

The following table sets forth our bank loans as of 31 December 2007, 2008, 2009 and 30 April 2010:–

	As of 31 December			As of 30 April
	2007	2008	2009	2010
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Within one year or on demand	125,000	104,720	267,937	269,561
After one year but within two years	61,770	191,066	90,000	140,000
After two year but within five years	–	–	73,000	50,000
	<u>61,770</u>	<u>191,066</u>	<u>163,000</u>	<u>190,000</u>
Total.....	<u>186,770</u>	<u>295,786</u>	<u>430,937</u>	<u>459,561</u>

We have used the proceeds from our bank loans to finance the development of our property projects and for our working capital purpose. An aggregate amount of bank loans of RMB269.6 million will be due before the end of 2010. An aggregate amount of bank loans of RMB140.0 million will be due in 2011. An aggregate amount of bank loans of RMB50.0 million will be due in 2012. The interest rates for our bank loans are in the range between approximately 5.67% to 8.316%. Our banking facilities and other borrowings, save for the Notes, do not contain restrictive covenants and cross-default provisions.

All the above bank loans were secured as of 31 December 2007, 2008, 2009 and 30 April 2010.

Our Directors confirm that our Group has not delayed or defaulted in repayment of any bank loan.

As of 30 April 2010, all our banking facilities amounted to approximately RMB462.0 million were utilised.

FINANCIAL INFORMATION

All the secured bank borrowings are secured by our properties and guaranteed by companies within our Group, save for balances of RMB6.0 million, nil, nil and nil secured by properties of certain related parties as of 31 December 2007, 2008 and 2009 and 30 April 2010, respectively.

As of 31 December 2007, 2008 and 2009, the secured bank loans included balances of RMB88.3 million, RMB44.7 million and RMB80.0 million, respectively, which was secured jointly by our assets and certain assets of certain related parties. The securities were fully settled on or before 24 June 2010.

The following table sets forth the assets of our Group secured against bank loans as of 31 December 2007, 2008 and 2009 and 30 April 2010:–

	As of 31 December			As of 30 April
	2007	2008	2009	2010
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Properties held for future development for sale.....	51,898	16,524	60,539	60,539
Properties under development for sale	192,479	693,777	1,200,716	1,235,262
Completed properties held for sale.....	21,251	57,765	40,376	68,031
Total.....	265,628	768,066	1,301,631	1,363,832

From 2004 to 2006, we had received advances from our staff and Tianshan Industrial Group for financing our property projects. Our PRC Legal Advisers confirm that such advances are not in breach of any applicable law and regulation in the PRC. We have fully repaid such advances in May 2007 and do not intend to engage in such borrowing arrangements in the future.

Notes and Warrants

In October 2007, we issued the Notes and the Warrants. The terms and conditions of the Notes and the Warrants were revised in October 2008, November 2009 and June 2010. A summary of the principal terms and conditions of the Notes and the Warrants is set forth in Appendix IV to this prospectus. As of the Latest Practicable Date, the outstanding principal amount of the Notes was US\$45.0 million.

We have not breached any term of the Notes. In March 2010, we were informed by the Trustee that all the Noteholders through the Euroclear system had consented, confirmed and ratified that our settlement on 2 December 2009 of the principal amount of US\$18.0 million, which was originally due on 9 October 2009, did not constitute an event of default under the Indenture.

FINANCIAL INFORMATION

Contingent liabilities and financial guarantee

As of 31 December 2009, we were not involved in any current material legal proceedings, nor were we aware of any pending or potential material legal proceedings involving us. If we were involved in such material legal proceedings, we would record any loss contingencies when, based on information then available, it is likely that a loss has been incurred and the amount of the loss can be reasonably estimated.

Consistent with the industry practice, we enter into agreements with banks to facilitate the provision of mortgage financing to the purchasers of our residential and industrial properties. Our guarantee periods commence from the dates of grants of the relevant mortgage loans and end upon the earlier of (i) the purchasers having obtained the individual property ownership certificates of the properties purchased and (ii) the settlement of the mortgage loans between the mortgage banks and the purchasers. Pursuant to the terms of the guarantees, if the purchaser is in default, the mortgagee banks may call upon us and request us to honour our obligation as the guarantor to repay the outstanding mortgage principal amount together with accrued interest and penalties owed by the defaulting purchaser. We would be entitled to assume the legal title to and take possession of the defaulting purchaser's property. Our maximum outstanding guarantees set out in the guarantee agreements, as of 31 December 2007, 2008 and 2009 were as follows:–

	As of 31 December		
	2007	2008	2009
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Guarantees given to banks for mortgage facilities granted to the purchasers of our properties	875,500	1,091,362	1,836,364

FINANCIAL INFORMATION

During the three years ended 31 December 2009, we experienced fluctuations in the guarantees provided to banks to facilitate mortgage financing to purchasers of our property projects. The amount guaranteed increased during the two years ended 31 December 2009 as compared to the year ended 31 December 2007 was principally due to the increase in the number of our property projects, which resulted in increased number of property sales and the provision of mortgage financing.

During the three years ended 31 December 2009, the default rates of the above mortgage guarantee arrangement were approximately 0.14%, 0.09% and 0.06%, respectively

Our Directors consider that it is not probable that we will sustain a loss under these guarantees as during the periods under guarantees, we can take over the ownerships of the related properties and sell the properties to recover any amounts paid by us to the banks. We have not recognised any deferred income in respect of these guarantees as its fair value is considered to be minimal by our Directors. Our Directors also consider that the fair market value of the underlying properties is able to cover the outstanding mortgage loans guaranteed by us in the event the purchasers default payments to the banks.

As of 30 April 2010, being the latest practicable date for the purpose, the amount of guarantees given to banks for mortgage facilities was approximately RMB1,694.0 million.

Disclaimers

Save as disclosed in the paragraphs under “_____ – Indebtedness” above, and apart from intra-group liabilities, we did not have outstanding mortgages, charges, debentures, loan capital, bank overdrafts, loans, debt securities or other similar indebtedness, finance leases or hire purchase commitments, liabilities under acceptances or acceptance credits or any guarantees or other material contingent liabilities outstanding as of 30 April 2010.

Our Directors confirm that, up to the Latest Practicable Date, there have been no material changes in our indebtedness and contingent liabilities since 30 April 2010.

FINANCIAL INFORMATION

OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

Except for those disclosed in this prospectus, we have not entered into any off-balance sheet arrangements or commitments to guarantee the payment obligations of any third parties. We do not have any variable interest in any unconsolidated entity that provides financing, liquidity, market risk or credit support to us or engages in leasing or hedging or research and development services with us.

DIVIDEND AND DIVIDEND POLICY

Pursuant to a resolution of our Directors dated 8 November 2007, our Company declared a special dividend of RMB200.0 million to Neway Enterprises by way of distribution in specie, being the amount due to Tian Shan Real Estate from Tian Shan Industrial Group. No dividend was approved or declared by our Company during the two years ended 31 December 2009. Under the Notes, until the full repayment of the amount due thereunder, we cannot declare and pay any cash dividend exceeding 35% of our net profit in a fiscal year unless with the prior consent of the Trustee. Further information on this restriction is set forth in Appendix IV to this prospectus.

Following the Listing, subject to the relevant law and the Articles, we, through a general meeting, may declare dividends in any currency but no dividend shall be declared in excess of the amount recommended by our Board. The Articles provide that dividends may be declared and paid out of our profit, realised or unrealised, or from any reserve set aside from profits which our Directors determine is no longer needed.

With the approval of the Shareholders, we may also declare dividends out of a share premium account or any other fund or account which can be authorised for this purpose in accordance with the Companies Law. Future dividend payments will also depend upon the availability of dividends received from our subsidiaries in China. In China, the laws require that dividends be paid only out of the net profit calculated according to the PRC accounting principles, which differ in many aspects from IFRSs and other accepted accounting principles in other jurisdictions. The PRC laws also require companies (including foreign investment enterprises) to set aside part of their net profit as statutory reserves, which are not available for distribution as cash dividends. Distributions from our subsidiaries in China may also be restricted if they incur debts or losses or in accordance with any restrictive covenants in bank credit facilities, convertible bond instruments or other agreements that we or our subsidiaries in China may enter into in the future.

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The amount of dividends declared and paid to our Shareholders will also depend on our earnings and financial performance, operating requirements, capital commitments and requirements and other conditions that our Directors may deem relevant or appropriate.

As a general policy, we intend to declare and recommend dividends in such amount of not more than 60% of the profit attributable to equity holders of our Company in a financial year to our Shareholders as dividends.

RELATED PARTY TRANSACTIONS

With respect to the related parties transactions set forth in our consolidated financial statements included in the accountants' report set forth in Appendix I to this prospectus, our Directors confirm that these transactions were conducted on normal commercial terms and/or that such terms were no less favourable to our Group than terms available to Independent Third Parties and were fair and reasonable and in the interest of our Shareholders as a whole.

DISTRIBUTABLE RESERVES

For our declaration of dividend purpose, the amount which our Company and all other members of our Group can legally distributed by way of a dividend by reference to the profits as reflected in their PRC statutory financial statements prepared in accordance with PRC generally accepted accounting practices. These profits differ from those reflected in the accountants' report set forth in Appendix I to this prospectus.

Following the Listing, dividends will be distributed out of our net distributable earnings, which represent the lower of the net profit as determined in accordance with the PRC generally accepted accounting practices and IFRSs, less allocations to the statutory reserve fund.

As of 31 December 2007, 2008 and 2009, the distributable reserves of our Company was approximately RMB40.2 million, RMB nil and RMB nil, respectively.

On the basis that the Reorganisation was completed throughout the Track Record Period, as of 31 December 2007, 2008 and 2009, the aggregate amount of reserve available for distribution of the companies comprising our Group was approximately RMB226.9 million, RMB184.8 million and RMB227.4 million, respectively.

FINANCIAL INFORMATION

WORKING CAPITAL

Our Directors are of the opinion that, taking into consideration of the financial resources presently available to our Company, including banking facilities and other internal resources, and the estimated net proceeds of the Global Offering, our Company has sufficient working capital for its working capital requirements for at least 12 months from the date of publication of this prospectus.

DISCLOSURE REQUIRED UNDER THE LISTING RULES

Our Directors have confirmed that there are no circumstances that would give rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.

UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

The following statement of unaudited pro forma adjusted net tangible assets of our Group (the “**Unaudited Pro Forma NTA**”) prepared in accordance with Rule 4.29 of the Listing Rules is for illustrative purposes only, and is set out below to illustrate the effect of the Global Offering on the consolidated net tangible assets attributable to the equity holders of the Company as of 31 December 2009 as if the Global Offering had taken place on 31 December 2009.

	Consolidated net tangible assets attributable to equity holders of our Company as of 31 December 2009 <i>RMB'000⁽¹⁾</i>	Estimated net proceeds from the Global Offering <i>RMB'000⁽²⁾</i>	Increase in Consolidated net tangible assets upon Compulsory Conversion <i>RMB'000⁽³⁾</i>	Unaudited pro forma adjusted net tangible assets <i>RMB'000</i>	Unaudited pro forma adjusted net tangible assets per Share <i>RMB⁽⁴⁾ HK\$⁽⁵⁾</i>	
Based on an Offer Price of HK\$1.4 per Share	568,029	289,256	77,220	934,505	0.93	1.06
Based on an Offer Price of HK\$1.8 per Share	568,029	374,616	77,220	1,019,865	1.02	1.16

Notes:—

- The consolidated net tangible assets attributable to equity holders of our Company as of 31 December 2009 are extracted from the consolidated financial statements of our Group included in the accountants’ report set forth in Appendix I to this prospectus.

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2. The estimated net proceeds from the Global Offering are based on indicative range of the Offer Price of HK\$1.4 and HK\$1.8, after deduction of the underwriting fees and other related expenses payable by us and takes no account of any Shares which may be issued upon the exercise of the Over-allotment Option or any Shares which may be issued upon the exercise of the options granted under the Pre-IPO Share Option Scheme and any option which may be granted under the Share Option Scheme.
3. This represents increase in consolidated net tangible assets attributable to equity holders of our Company upon the Compulsory Conversion.
4. The unaudited pro forma adjusted net tangible assets per Share is arrived at after adjustments referred to in the preceding paragraphs and on the basis that 1,000,000,000 Shares (including the Shares in issue as of 31 December 2009 and Shares that may be issued under the Capitalisation Issue, the Global Offering and the Compulsory Conversion) are in issue but takes no account Shares which may be issued upon the exercise of the Over-allotment Option, the options granted under the Pre-IPO Share Option Scheme and any option which may be granted under the Share Option Scheme.
5. The unaudited pro forma adjusted net tangible assets per Share amounts in RMB are converted into HK\$ with the exchange rate at RMB0.88 to HK\$1.0.
6. Our property interests as of 31 March 2010 have been valued by Jones Lang LaSalle Sallmanns Limited, an independent property valuer. The details of such valuation are set forth in Appendix III to this prospectus. We will not incorporate the revaluation surplus in our financial statements. It is our Group's accounting policy to state our land and buildings held for own use at cost less accumulated depreciation and any impairment loss in accordance with IFRS, rather than at revalued amounts. With reference to the valuation of our property interests as set forth in Appendix III to this prospectus, if such revaluation surplus was incorporated in our financial statements, an additional depreciation charge of approximately RMB0.6 million per annum, and for the year ending 31 December 2010, would have been incurred.

NO MATERIAL ADVERSE CHANGE

Our Directors confirm that there has been no material adverse change in the financial or trading position since 31 December 2009, being the date of the last audited consolidated financial statements set forth in Appendix I to this prospectus.

FINANCIAL INFORMATION

PROPERTY INTERESTS

We own all of our properties located in the PRC and a property in Hong Kong. These properties include in property, plant and equipment and inventories in our consolidated balance sheet as of 31 December 2009. Particulars of our property interests are set forth in Appendix III to this prospectus. Jones Lang LaSalle Sallmanns Limited has valued the property interests of our Group as of 31 March 2010. A summary of values and valuation certificates issued by Jones Lang LaSalle Sallmanns Limited are included in Appendix III to this prospectus.

The table below sets forth the reconciliation of aggregate amounts of property interests from our audited consolidated financial statements as of 31 December 2009 to the unaudited net book value of our property interests as of 31 March 2010:–

	<i>RMB'000</i>	<i>RMB'000</i>
Capital value of properties in existing state as of 31 March 2010 as set forth in the property valuation report in Appendix III		3,137,340
Net book value of our properties as of 31 December 2009		
Interests in leasehold land held for our own use under operating leases	268	
Buildings held for our own use	2,946	
Inventories	<u>2,085,709</u>	
Less: Cost of sale of properties in the period from 1 January 2010 to 31 March 2010 (unaudited)	(16,300)	
Add: Addition to inventories (unaudited)	180,051	
Less: Depreciation of interest in leasehold land held for our own use under operating leases and buildings held for our own use in the period from 1 January 2010 to 31 March 2010 (unaudited)	<u>(26)</u>	
Net book value of properties as of 31 March 2010, subject to valuation as set forth in the property valuation report included in Appendix III to this prospectus		<u>2,252,648</u>
Revaluation surplus, before income taxes		<u><u>884,692</u></u>

DIRECTORS, SENIOR MANAGEMENT AND STAFF

DIRECTORS

Our Board consists of four executive Directors and three independent non-executive Directors. The following table sets forth certain information in respect of our Directors:-

<u>Name</u>	<u>Age</u>	<u>Position</u>
WU Zhen Shan (吳振山)	53	Chairman and executive Director
WU Zhen Ling (吳振嶺)	45	Vice Chairman and executive Director
ZHANG Zhen Hai (張振海)	56	Executive Director
WU Zhen He (吳振河)	39	Executive Director
TIAN Chong Hou (田崇厚)	64	Independent non-executive Director
WANG Ping (王平)	52	Independent non-executive Director
CHEUNG Ying Kwan (張應坤)	50	Independent non-executive Director

Executive Directors

Mr. WU Zhen Shan (吳振山), aged 53, is one of our Founders. Mr. WU is the Chairman of our Group and was appointed as our executive Director on 10 June 2005 responsible for the development strategies, investment plans and human resources of our Company. Mr. WU is also the chairman of the remuneration committee and the nomination committee of our Board. In October 2000, Mr. WU, based on his experience in the industry, completed a two-year part-time master course and obtained the Certificate in Economic Management issued by Hebei University of Agriculture (河北農業大學). Mr. WU has approximately 30 years of experience in the construction industry and approximately 10 years of experience in the property development industry. In 1980, Mr. WU together with Mr. ZHANG Zhen Hai established and worked in the Liucun Shengli Construction Team (留村鄉勝利建築隊) which principal business was construction of civil engineering projects for domestic and industrial uses until 1993. In 1993, Mr. WU together with the other Founders established and worked in Zhengding Dishu Construction and Engineering Company (正定縣第十建築工程公司), which engaged in undertaking construction works until 1995. In 1995, Mr. WU together with other Founders established and worked in Shijiazhuang Hi-tech Industry Development Zone Diyi Construction and Engineering Company (石家莊高新技術產業開發區第一建築工程公司), which engaged in the construction and installation services of civil engineering projects for domestic and industrial uses until 2000, when Mr. WU together with other Founders established and worked in Tianshan Construction. In March 1987, Mr. WU was conferred the qualification of technician in construction by Zhengding Committee of Science and Technology (正定縣科學技術委員會). Mr. WU was accredited as a senior engineer (高級工程師) of construction in October 1998 and a senior economist (高級經濟師) in November 2002 by The Title Reform Leading Group Office of Hebei Province (河北省職稱改革領導小組辦公室). The accreditation of senior engineer of construction indicates the person has gained a certain level of experience by participation in construction projects of recognised scales in accordance with the State's requirements. The accreditation of senior economist indicates the person has participated in the operation and management of enterprises of certain scales in accordance with the State's requirements. Mr. WU serves as the standing committee member of China Real Estate Association (中國房地產業協會), the vice chairman of Hebei Construction Association (河北省建築業協會), a vice chairman of Hebei Province Entrepreneur Association (河北省企業家協會), the

DIRECTORS, SENIOR MANAGEMENT AND STAFF

vice chairman of Shijiazhuang Industry and Commerce Joint Association (石家莊市工商業聯合會), a vice president of the Association of Real Estate in Shijiazhuang (石家莊市房地產協會) and a vice president of Hebei House and Real Estate Association (河北省住宅與房地產協會). In February 2003, Mr. WU was elected as a representative of the Tenth National People's Congress and in January 2008, Mr. WU was elected as a representative of the Eleventh Hebei People's Congress. In April 2006, Mr. WU received the award of "Hebei Outstanding Entrepreneur" (河北省優秀企業家) from the Hebei Province Entrepreneur Association (河北省企業家協會). In September 2009, Mr. WU was awarded the "10 Most Outstanding Entrepreneurs in China in 2009" (2009中國十大傑出企業家) by China Enterprise Press (中國企業報社). Mr. WU Zhen Shan is the elder brother of Mr. WU Zhen Ling and Mr. WU Zhen He, and the brother-in-law of Mr. ZHANG Zhen Hai.

Mr. WU Zhen Ling (吳振嶺), aged 45, is one of our Founders. Mr. WU is the Vice Chairman of our Group and was appointed as an executive Director on 10 June 2005 responsible for the operation, production, planning, design and management of our property projects. Mr. WU is also a member of the remuneration committee and the nomination committee of our Board. In October 2000, Mr. WU, based on his experience in the industry, completed a two-year part-time master course and obtained the Certificate in Economic Management issued by Hebei University of Agriculture (河北農業大學). Mr. WU has approximately 25 years of experience in the construction industry and approximately 10 years of experience in the property development industry. In 1985, Mr. WU joined and worked in the Liucun Shengli Construction Team (留村鄉勝利建築隊) until 1993. In 1993, Mr. WU together with the other Founders established and worked in Zhengding Dishu Construction and Engineering Company (正定縣第十建築工程公司). In 1995, Mr. WU together with other Founders established and worked in Shijiazhuang Hi-tech Industry Development Zone Diyi Construction and Engineering Company (石家莊高新技術產業開發區第一建築工程公司) until 2000, when Mr. WU together with other Founders established and worked in Tianshan Construction. Since 1998, Mr. WU has been focusing on the property development business and working with Tian Shan Real Estate. Mr. WU was accredited as a senior engineer (高級工程師) in October 1998 by The Title Reform Leading Group Office of Hebei Province (河北省職稱改革領導小組辦公室). Mr. WU is the vice chairman of Hebei Construction Association Project Construction Quality Branch Association (河北省建築業協會工程建設質量分會). Mr. WU Zhen Ling is the younger brother of Mr. WU Zhen Shan and elder brother of Mr. WU Zhen He, and the brother-in-law of Mr. ZHANG Zhen Hai.

Mr. ZHANG Zhen Hai (張振海), aged 56, is one of our Founders and was appointed as an executive Director on 10 June 2005, responsible for overseeing the procurement of our construction materials. Mr. ZHANG is a tertiary graduate in construction from Shijiazhuang Public Officers' Institute of Technology (石家莊市科技幹部教育學院) in December 2000 and was accredited as senior engineer (高級工程師) in December 2003 by The Title Reform Leading Group Office of Hebei Province (河北省職稱改革領導小組辦公室). Mr. ZHANG has approximately 30 years of experience in the construction industry and approximately 10 years of experience in the property development industry. In 1980, Mr. ZHANG together with Mr. WU Zhan Shan established and worked in Liucun Shengli Construction Team (留村鄉勝利建築隊) until 1993. In 1993, Mr. ZHANG together with the other Founders established and worked in

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Zhengding Dishu Construction and Engineering Company (正定縣第十建築工程公司). In 1995, Mr. ZHANG together with other Founders established and worked in Shijiazhuang Hi-tech Industry Development Zone Diyi Construction and Engineering Company (石家莊高新技術產業開發區第一建築工程公司) until 2000, when Mr. ZHANG together with other Founders established and worked in Tianshan Construction. Since 1998, Mr. ZHANG has been focusing on the property development business and working with Tian Shan Real Estate. Mr. ZHANG Zhen Hai is the brother-in-law of Mr. WU Zhen Shan, Mr. WU Zhen Ling and Mr. WU Zhen He.

Mr. WU Zhen He (吳振河), aged 39, is one of our Founders and was appointed as an executive Director on 10 June 2005, responsible for the operation and production of our property projects. Mr. WU has approximately 17 years of experience in the construction industry and 10 years of experience in the property development industry. In 1993 Mr. WU together with the other Founders established and worked in Zhengding Dishu Construction and Engineering Company (正定縣第十建築工程公司). In 1995, Mr. WU together with other Founders established and worked in Shijiazhuang Hi-tech Industry Development Zone Diyi Construction and Engineering Company (石家莊高新技術產業開發區第一建築工程公司) until 2000, when Mr. WU together with other Founders established and worked in Tianshan Construction. In October 2000, Mr. WU, based on his experience in the industry, completed a two-year part-time master course and obtained the Certificate in Economic Management issued by Hebei University of Agriculture (河北農業大學). Mr. WU was accredited as a senior engineer (高級工程師) in 2002 by The Title Reform Leading Group Office of Hebei Province (河北省職稱改革領導小組辦公室). Mr. WU Zhen He is the younger brother of Mr. WU Zhen Shan and Mr. WU Zhen Ling, and the brother-in-law of Mr. ZHANG Zhen Hai.

Independent non-executive Directors

Mr. TIAN Chong Hou (田崇厚), aged 64, was appointed as an independent non-executive Director on 16 June 2010. Mr. TIAN is also a member of the audit committee, the remuneration committee and the nomination committee of our Board. Mr. TIAN has obtained a graduation certificate from the Department of Electrical and Power Engineering (電機與動力工程系) of Tianjin University (天津大學) for completing a five-year course in internal combustion engines (內燃機課程) which commenced in 1964. In 1996, Mr. TIAN worked as a professor (教授) of the enterprise management department of the Hebei University of Economics and Business (河北經貿大學). In 2000, Mr. TIAN was appointed as a tutor (導師) for postgraduate studies students (碩士研究生) in agricultural economics management by the Hebei University of Agriculture (河北農業大學). Mr. TIAN has also been appointed as a counsellor of the Hebei provincial government (河北省人民政府參事) from March 2007 to March 2012.

Mr. WANG Ping (王平), aged 52, was appointed as an independent non-executive Director on 16 June 2010. Mr. WANG is also a member of the audit committee, the remuneration committee and the nomination committee of our Board. Mr. WANG has approximately 28 years of experience in the real estate industry. Since 1991, Mr. WANG has been working for the China Real Estate Association (中國房地產協會), and has been its vice chief secretary since 2006, and the vice president and chief secretary of its 城市開

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發專業委員會(Professional Committee of City Development*) since 2004. Mr. WANG completed tertiary education majoring in industrial enterprise economics management (工業企業經濟管理) in Beijing Open University (北京廣播電視大學) in 1986. Mr. WANG obtained a master degree in senior management personnel business administration (高級管理人員工商管理) from Tsinghua University in July 2008.

Mr. CHEUNG Ying Kwan (張應坤), aged 50, was appointed as an independent non-executive Director on 16 June 2010. Mr. CHEUNG is also the chairman of the audit committee of our Board, and a member of the remuneration committee and the nomination committee of our Board. Mr. CHEUNG is a finance manager of Carling Technology Limited and has over 22 years of experience in financial management for a number of corporations and listed companies. Mr. CHEUNG served as the qualified accountant and company secretary of Macau Investment Holdings Limited, previously named Goldigit Atom-Tech Holdings Limited and Signal Media and Communications Holdings Limited, a company listed on the Main Board (stock code 02362), from 2001 to March 2006, and has been an independent non-executive director of Woo Kee Hong Holdings Limited, a company listed on the Main Board (stock code 00720), since November 2005. Mr. CHEUNG was admitted as a fellow of the Association of Chartered Certified Accountants in November 2000 and a member of the Hong Kong Institute of Certified Public Accountants (formerly known as the Hong Kong Society of Accountants) in April 1995.

Further information on the terms of appointment is set forth in the paragraphs under “C. Further Information About our Directors, and Substantial Shareholders” in Appendix VII to this prospectus.

Save as disclosed above, there is no other information in respect of our Directors to be disclosed pursuant to Rules 13.51(2) of the Listing Rules and there is no other matter that needs to be brought to the attention of our Shareholders.

SENIOR MANAGEMENT

The following table sets forth certain information in respect of our senior management team:-

<u>Name</u>	<u>Age</u>	<u>Position</u>
CHEUNG Siu Yiu (張少耀)	35	Chief Financial Officer and Company Secretary
HAO Hui Guo (郝會國)	38	Vice President of Production of Tian Shan Real Estate
GAO Li Xiang (高立香)	35	Vice President of Operation of Tian Shan Real Estate
ZHOU Shuxiao (周書校)	46	Executive Vice President of Tian Shan Real Estate
SI Jingxin (司景新)	29	Vice President of Capital Operation of Tian Shan Real Estate

DIRECTORS, SENIOR MANAGEMENT AND STAFF

Mr. CHEUNG Siu Yiu (張少耀), aged 35, is the Chief Financial Officer and Company Secretary of our Company and is ordinarily resident in Hong Kong. Mr. CHEUNG graduated from the Hong Kong Baptist University with a bachelor's degree in business administration (Hons) in December 1997. Mr. CHEUNG was admitted as a member of the Hong Kong Institute of Certified Public Accountants (formerly known as the Hong Kong Society of Accountants) in February 2001, a member of the Institute of Chartered Accountants in England & Wales in October 2004, a fellow of the Association of Chartered Certified Accountants in September 2005 and a member of The Institute of Internal Auditors in February 2006. Mr. CHEUNG has over 12 years of experience in financial management and reporting. Before joining us in May 2007, Mr. CHEUNG was the group financial controller and company secretary of Computer And Technologies Holdings Limited (a company listed on the Stock Exchange (Stock code 46)) during the period between August 2004 and May 2007. Mr. CHEUNG was also previously a manager of assurance and advisory business services department of Ernst & Young during the period between September 1997 and August 2004.

Mr. HAO Hui Guo (郝會國), aged 38, is currently a Vice President of Tian Shan Real Estate in charge of its production. Mr. HAO graduated from a three-year course in industrial and civil construction (工業與民用建築) from Shijiazhuang Vocational Technology Institute (石家莊職業技術學院), previously named Shijiazhuang University (石家莊大學), in July 1996. In July 1996, Mr. HAO joined Tianshan Construction where he took part in and was in charge of various construction projects conducted by Tianshan Construction. In 2003, Mr. HAO was re-designated as the manager of the engineering department of Tian Shan Real Estate. From 2004, Mr. HAO has been a Vice President of Tian Shan Real Estate in charge of production. Mr. HAO was in charge of projects like *Tian Shan Waterside View*, *Luancheng Tian Shan Wonderful Waters View* and *Tian Shan Guanlan Haoting*. Mr. HAO has approximately seven years of experience in the construction industry from Tianshan Construction and six years of experience in the property development industry from Tian Shan Real Estate.

Ms. GAO Li Xiang (高立香), aged 35, graduated from a four-year course in economics (經濟學) from Hebei University (河北大學) in June 1996 and was accredited as senior economist (高級經濟師) in November 2006 by the Title Reform Leading Group Office of Hebei Province (河北省職稱改革領導小組辦公室). Ms. GAO joined us in December 1998 as deputy general manager responsible for operations and has been a Vice President of Tian Shan Real Estate since 2003, responsible for its operation. Ms. GAO has approximately 11 years of experience in the property development industry from Tian Shan Real Estate.

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Mr. ZHOU Shuxiao (周書校), aged 46, has been the Executive Vice President of Tian Shan Real Estate since August 2006, responsible for administration. Mr. ZHOU obtained a bachelor of engineering degree in mechanical engineering (機械工程系工學學士) from the Hebei Engineering College (河北工學院) in July 1984, and obtained a master degree in military (軍事學) from the Military Science College (軍事科學院) in June 1991. During 1993 to 2004, Mr. ZHOU was a lecturer and technical colonel at the Army Command College (陸軍指揮學院). From 2004 to 2006, Mr. ZHOU was the standing vice president of software college of Shijiazhuang Vocational Technology Institute (石家莊職業技術學院軟件學院).

Ms. SI Jingxin (司景新), aged 29, has been a Vice President of Tian Shan Real Estate and is responsible for the formulation of strategies for fund-raising and other merger and acquisition transactions since May 2005. Ms. SI graduated from a four-year course in international economics and trade (國際經濟與貿易) from Jingdezhen Ceramic Institute (景德鎮陶瓷學院) in July 2003 and was accredited as assistant economist by the Title Reform Leading Group Office of Shijiazhuang Hi-tech Industry Development Zone (石家莊高新技術產業開發區職稱改革領導小組辦公室) in December 2004. Ms. SI joined Tian Shan Real Estate in 2003 working at the president's office with the responsibilities to assist the president in organising investors' relations activities and liaising with government departments and industry organisations for various business events and activities.

BOARD COMMITTEES

Remuneration Committee

We established the remuneration committee on 16 June 2010 with written terms of reference in compliance with the Corporate Governance Code. The primary duties of the remuneration committee are to make recommendations to our Board on the remuneration policies and structure of the remuneration for our Directors and senior management and to set up a formal and transparent procedure for determination of such remuneration policies. The remuneration committee comprises two executive Directors, namely Mr. WU Zhen Shan and Mr. WU Zhen Ling, and three independent non-executive Directors, namely Mr. TIAN Chong Hou, Mr. WANG Ping and Mr. CHEUNG Ying Kwan. Mr. WU Zhen Shan is the chairman of the remuneration committee.

Audit Committee

Pursuant to Rule 3.21 of the Listing Rules, an audit committee was established by our Board on 16 June 2010 with written terms of reference in compliance with the Corporate Governance Code. The primary duties of the audit committee are to review and supervise our Group's financial reporting process and internal control system. The audit committee comprises the three independent non-executive Directors, namely Mr. TIAN Chong Hou, Mr. WANG Ping and Mr. CHEUNG Ying Kwan, and Mr. CHEUNG Ying Kwan is the chairman of the audit committee.

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Nomination Committee

We established the nomination committee on 16 June 2010 with written terms of reference in compliance with the Corporate Governance Code. The primary duty of the nomination committee is to make recommendations to our Board on the appointment of Directors and senior management. The nomination committee comprises two executive Directors, namely Mr. WU Zhen Shan and Mr. WU Zhen Ling, and three independent non-executive Directors, namely Mr. TIAN Chong Hou, Mr. WANG Ping and Mr. CHEUNG Ying Kwan. Mr. WU Zhen Shan is the chairman of the nomination committee.

DIRECTORS' REMUNERATION

During the Track Record Period, the aggregate amount of fees, salaries, housing allowances, other allowances, benefits in kind (including contribution to the pension scheme on behalf of our Directors) or any bonuses paid by our Group to our Directors for the three years ended 31 December 2009 were approximately RMB27,000, RMB1,271,000 and RMB1,395,000, respectively.

For the year ended 31 December 2007, we did not enter into service contracts with our Directors and accordingly no directors fees were paid to our executive Directors, other than remuneration by way of basic salaries, housing allowances and other allowances made to Mr. WU Zhen Shan. Our Directors are of the view that they would be remunerated through the long-term capital gain of our Company being Controlling Shareholders and hence, agreed not to be remunerated on a monthly basis during the two year ended 31 December 2007.

During the two years ended 31 December 2009, our Directors' remuneration was determined with reference to salaries paid by comparable companies, experience, responsibilities and performance of our Group.

Each of our executive Directors has entered into a service contract with our Company for a term of three years commencing from the Listing Date, which may be terminated by not less than three months' notice in writing served by either party on the other. Each executive Director shall be paid a remuneration on the basis of twelve months in a year. In addition, each of the executive Directors is also entitled to a bonus as determined by our Board based on the recommendation made by our Remuneration Committee.

In addition to the fees, salaries, allowances, benefits in kind or bonuses, our Company has adopted the Share Option Scheme pursuant to which our Directors may be entitled to the options that may be granted thereunder.

DIRECTORS, SENIOR MANAGEMENT AND STAFF

During the Track Record Period, no remuneration was paid by our Group to, or receivable by, our Directors or the five largest paid individuals as an inducement to join or upon joining our Group. No compensation was paid by our Group to, or receivable by, our Directors, past Directors or the five highest paid individuals for each of the Track Record Period for the loss of any office in connection with the management of the affairs of any subsidiary of our Group.

None of our Directors waived any emoluments for any of the last three years.

Save as disclosed above, no other payments have been paid, or are payable, by our Company or any of our subsidiaries to our Directors and the five highest paid individuals during the Track Record Period.

Under the arrangements currently in force, the aggregate remuneration of our Directors payable in respect of the year ending 31 December 2010 is estimated to be approximately RMB2.6 million.

COMPLIANCE ADVISER

We intend to appoint China Everbright as our compliance adviser pursuant to Rule 3A.19 of the Listing Rules. Pursuant to Rule 3A.23 of the Listing Rules, the compliance adviser will advise us in the following circumstances:-

- before the publication of any regulatory announcement, circular or financial report;
- where a transaction, which might be a notifiable or connected transaction, is contemplated including share issues and share repurchase;
- where our Company proposes to use the proceeds of the Global Offering in a manner different from that detailed in this prospectus or where the business activities, development or operating results of our Group deviate from any other information in this prospectus; and
- where the Stock Exchange makes an inquiry of our Company regarding unusual movements in the price or trading volume of our Shares under Rule 13.10 of the Listing Rules.

The term of the appointment will commence on the Listing Date and end on the date on which we comply with Rule 13.46 of the Listing Rules in respect of our financial results for the first full financial year commencing after Listing.

DIRECTORS, SENIOR MANAGEMENT AND STAFF

STAFF

As of 31 December 2009, we employed a total of 600 employees of whom 462 were management personnel. The following is an analysis of our management personnel by functions:-

Functions	Number of employees
Engineering, technical and quality control.....	41
Sales and marketing	129
Production.....	103
Purchase and procurement	13
Management, finance and administration.....	164
Others.....	12
Total.....	462

The compensation package of our employees includes basic salary and bonus which depends on employees' actual achievement against target. In general, we determine the salaries of our employees based on the current market salary levels. We determine salary raise and promotion based on our regular evaluation on the performance of our employees.

Our Directors confirm that during the Track Record Period, we complied with the relevant labour and social welfare laws and regulations in all jurisdictions where we operated and made the relevant contributions in accordance with the aforesaid laws and regulations.

In compliance with the personnel requirements for a property developer with a first class qualification certificate, as of the Latest Practicable Date, we had over 40 professional managing staff with qualifications relating to construction, structure, finance, property or relevant areas of economics. Amongst those professional managing staff, we have four qualified accountants and over 20 managing staff with the mid-level managerial positions or above having professional qualifications. In addition, all the persons in charge of our engineering technology, finance and statistics departments possess the relevant professional qualifications.

DIRECTORS, SENIOR MANAGEMENT AND STAFF

In order to maintain our management stability, our Company has entered into service agreements with each of our executive Directors, pursuant to which the term of office of the respective executive Directors would last for three years commencing from the Listing Date. In order to prevent our executive Directors from soliciting our customers after their resignation, pursuant to their respective employment contracts with us, each of our executive Director covenanted with and undertaken to our Company that for a period of one year after the expiry or the termination of his appointment, he shall not, and shall procure that none of his associates will, either alone or jointly or as manager, agent, representative, consultant, partner or employee for or of any person directly or indirectly either on his own account or for any person, firm, company or organisation solicit or endeavor to solicit business from or entice away from any person, firm, company or organisation which at any time during the duration of his appointment has dealt with us or which on the termination of his appointment is in the process of negotiating with our Company or any such company in our Group in relation to the business carried on by our Group from time to time.

Retirement benefit schemes

We comply in all material aspects with the statutory requirements on retirement contribution in the jurisdictions where we operate.

Pursuant to the relevant social insurance law and regulations in Hebei Province and China, all of the employees in China are entitled to join the retirement insurance fund (養老保險). Based on a confirmation dated 25 October 2009 issued by the Local Social Insurance Bureau in Shijiazhuang Hi-tech Industry Development Zone (石家莊高新技術產業開發區社會保險事業管理局), our PRC Legal Advisers are of the opinion that during the Track Record Period, Tian Shan Real Estate, was not subject to any administrative penalty for breach of any social insurance law and regulations in Hebei Province and China. For our temporary employees, a different method of payment for retirement insurance is adopted. For the details of the retirement insurance for the temporary employees, please refer to the paragraph headed “Payment of social insurance for the employees” of the section headed “Risk Factors” in this prospectus.

We have participated in a mandatory provident fund scheme for all our Hong Kong employees, in accordance with the requirements of the Mandatory Provident Fund Scheme Ordinance (Chapter 485 of the Laws of Hong Kong) and related regulations in Hong Kong.

Relationship with staff

During the Track Record Period, we did not experience any disruption to our operations due to labour disputes nor did we experience any difficulty in the recruitment and retention of experienced staff. Our Directors believe that we have maintained a good working relationship with our employees.

SHARE OPTION SCHEMES

Pre-IPO Share Option Scheme

We have conditionally adopted the Pre-IPO Share Option Scheme pursuant to which we have granted options to 83 employees, consultants, executive and officers of our Group and Tianshan Industrial Group, the full exercise of which entitle the grantees to an aggregate of 6,000,000 Shares. Further information on the Pre-IPO Share Option Scheme is set forth in the paragraphs under “D. Other Information – 1. Pre-IPO Share Option Scheme” in Appendix VII to this prospectus.

Share Option Scheme

We have conditionally adopted the Share Option Scheme pursuant to which certain employees may be granted options to subscribe for Shares. Further information on the Share Option Scheme is set forth in the paragraphs under “D. Other Information – 2. Share Option Scheme” in Appendix VII to this prospectus.

CONNECTED TRANSACTIONS

INTRODUCTION

We have entered into, and will continue to enter into, certain continuing connected transactions following the Listing with the following connected persons of our Company:–

Transaction	Our Group member	Connected person	Nature of relationship	Waiver sought
<i>Exempt continuing connected transactions</i>				
Property leasing	Tian Shan Real Estate	Tianshan Construction	associate of Controlling Shareholders	exempted
Trademarks licensing	Tian Shan Real Estate	Tianshan Industrial Group	associate of Controlling Shareholders	exempted
Property management	Tian Shan Real Estate	Tianshan Property Management	associate of Controlling Shareholders	exempted
<i>Non-exempt continuing connected transactions</i>				
Purchases of doors and windows installation and related services	Tian Shan Real Estate	Tianshan Doors and Windows	associate of Controlling Shareholders	announcement
Purchases of construction services	Tian Shan Real Estate	Tianshan Construction	associate of Controlling Shareholders	announcement and independent Shareholders' approval

CONNECTED TRANSACTIONS

EXEMPT CONTINUING CONNECTED TRANSACTIONS

The following connected transactions will constitute our exempt continuing connected transactions under Rule 14A.33(3) of the Listing Rules and will be exempt from the reporting, annual review, announcement and independent Shareholders' approval requirements under the Listing Rules. The terms of the following connected transactions are conducted on an arms' length basis and on normal commercial terms or terms more favourable to us and each of the percentage ratios (other than the profit ratio) of the following transactions on an annual basis is less than 0.1% or if more than 0.1%, is less than 5% and the annual consideration is less than HK\$1.0 million.

1. Property Lease Agreement

Tian Shan Real Estate has been occupying an area of 920 sq. m., being an office unit (the "**Office Unit**") of a portion of a building located at No. 109 Tianshan Avenue, Shijiazhuang Hi-Tech Industry Development Zone, Shijiazhuang City, Hebei Province, China (the "**Office Building**") owned by Tian Shan Construction for use as its principal head office and principal place of business. The remaining portion of the Office Building was for commercial uses by Tianshan Industrial Group and its subsidiaries.

Pursuant to a property lease agreement dated 31 December 2006 (the "**Property Lease Agreement**") entered into between Tian Shan Real Estate as tenant and Tianshan Construction as landlord, Tian Shan Real Estate leased the Office Unit from Tianshan Construction at an annual rental of RMB331,200 and an annual management and maintenance fee of RMB55,200 (exclusive of water and electricity charges) for a term of three years commencing from 1 January 2007. On 20 November 2009, the Property Lease Agreement was renewed with the same terms for a period of three years commencing from 1 January 2010 (the "**Renewed Property Lease Agreement**").

For each of the three years ended 31 December 2009, Tian Shan Real Estate paid to Tianshan Construction a fixed annual rental and management and maintenance fee of RMB386,400.

CONNECTED TRANSACTIONS

In accordance with the Renewed Property Lease Agreement, the annual rental together with the annual management and maintenance fee payable by Tian Shan Real Estate to Tianshan Construction for each of the three years ending 31 December 2012 will be RMB386,400. Our Directors consider that the terms of the Renewed Property Lease Agreement are negotiated at arm's length based on normal commercial terms and the transactions thereunder are conducted, and will continue to be conducted, in our ordinary and usual course of business. The rental payable by Tian Shan Real Estate is determined with reference to the annual market rental of comparable premises.

Jones Lang LaSalle Sallmanns Limited, a professional property valuer, is of the opinion that the rentals under the Renewed Property Lease Agreement are based on prevailing market rates and are fair and reasonable.


Our Directors prefer to lease the Office Unit from Tianshan Construction rather than to acquire the ownership of the Office Unit. We would incur additional costs in acquiring the ownership of the Office Unit (including but not limited to the time and cost incurred in the procedures for splitting title of the space occupied by Tian Shan Real Estate with the remaining area of the Office Building) while we will only incur an annual rental together with the management and maintenance fee of RMB386,400 per annum. In addition, we intend to reserve the capital for our principal businesses rather than to acquire the ownership of the Office Unit. Furthermore, after the expiry of the Renewed Property Lease Agreement, we have the flexibility to continue to lease the Office Unit or to lease premises in other locations as our office. In view of the aforesaid, our Directors consider that it is in our interests and our Shareholders' interests as a whole to lease the Office Unit but not to acquire the ownership of the same.

In relation to the annual rental and annual management and maintenance fee payable by Tian Shan Real Estate, each of the percentage ratios (other than the profit ratio) will be, on an annual basis, less than 0.1%. Therefore the transactions under the Renewed Property Lease Agreement fall within the *de minimis* exemption under Rule 14A.33(3)(a) of the Listing Rules and are exempt from the reporting, announcement and independent Shareholders' approval requirements.

CONNECTED TRANSACTIONS

2. Trademark Licence Agreements

Tian Shan Real Estate has entered into the trademark licensing agreements (the “**Trademark Licensing Agreements**”) with Tianshan Industrial Group, the registered owner or applicant of the following trademarks (the “**Licensed Trademarks**”):

Date of the agreement	Licensor	Licensee	Trademark	Licensing period
10 November 2009	Tianshan Industrial Group	Tian Shan Real Estate	– 天山* – Class: 36	10 November 2009 to 17 February 2020
27 November 2009	Tianshan Industrial Group	Tian Shan Real Estate	– 天山* – Class: 37	27 November 2009 to 17 February 2020
10 November 2009	Tianshan Industrial Group	Tian Shan Real Estate	–  – Registration number: 3078316 – Class: 37 – Place of registration: PRC	10 November 2009 to 6 March 2014

* *These trademarks are under application for registration in the PRC.*

Pursuant to the Trademark Licensing Agreements, Tianshan Industrial Group grants to Tian Shan Real Estate the licence to use the Licensed Trademarks for the abovementioned licensing period at nil consideration. The parties may by separate agreement extend the initial licensing period upon its expiry. Under the Trademark Licensing Agreements, Tian Shan Real Estate provides warranty on the quality of the products with which the Licensed Trademarks are used and Tianshan Industrial Group may terminate the relevant Trademark Licensing Agreement if there is a breach of this warranty.

CONNECTED TRANSACTIONS

As Tianshan Industrial Group is engaged in some of the businesses covered by the specification of classes 36 and 37 of the Licensed Trademarks (including property development management, building construction supervision and civil construction services), it is necessary for Tianshan Industrial Group to retain the ownership of the Licensed Trademarks. We do not and will not incur additional costs in enjoying the licence to use the Licensed Trademarks, as Tianshan Industrial Group grants the licence to Tian Shan Real Estate at nil consideration. Hence, our Directors consider that the terms of each of the Trademark Licence Agreements are, and will continue to be, on normal commercial terms or better than normal commercial terms to us. The transactions under each of the Trademark Licence Agreements have been, and will continue to be, conducted in our ordinary and usual course of business.

Since each of the percentage ratios (other than the profit ratio) will, on annual basis, be less than 0.1%, transactions under the Trademark Licence Agreements fall within the *de minimis* exemption under Rule 14A.33(3)(a) of the Listing Rules and are therefore exempt from the reporting, announcement and independent Shareholders' approval requirements.

3. Property Management Agreement

As required by the Property Management Regulations (《物業管理條例》) of the PRC, upon the completion of a development, the property developer has to appoint a property management company to provide management services to such constructed development. The discretion to choose and appoint such property management company shall be passed to a committee formed by the owners of individual units of the development (the “**Owners' Committee**”) upon the expiry of the initial appointment by the property developer.

As at the Latest Practicable Date, Tian Shan Real Estate appointed Tianshan Property Management to provide property management services to most of its completed residential property projects. Pursuant to the property management agreements entered into between the two parties, Tianshan Property Management provides management services to Tian Shan Real Estate at nil consideration. Despite the fact that the Owners' Committee of the respective developments have the discretion to appoint any property management companies other than Tianshan Property Management, as at the Latest Practicable Date, such change of property management company had never taken place. For all unsold units, the property developer is deemed to be the owners and is thus obliged to pay the management services fees. During the Track Record Period, the notional amounts for such fees amounted to approximately RMB1.2 million, RMB0.2 million and RMB0.6 million, respectively.

CONNECTED TRANSACTIONS

On 16 June 2010, our Company, Tian Shan Real Estate and Tianshan Property Management entered into a master property management agreement (the “**Property Management Agreement**”) whereby Tian Shan Real Estate appointed Tianshan Property Management to provide property management services to all constructed developments developed by Tian Shan Real Estate. The Property Management Agreement will be for a term commencing from the Listing Date and expiring on 31 December 2011. Tianshan Property Management agreed that it would offer such services to Tian Shan Real Estate under the Property Management Agreement on terms no less favorable than it offers to Independent Third Parties. No fees will be payable by Tian Shan Real Estate to Tianshan Property Management under the Property Management Agreement. The owners and/or lessees of individual units are obliged to pay management services fees and the users of public facilities have to pay user fees directly to Tianshan Property Management. It is expected that the transactions contemplated thereunder will continue after the Listing at nil consideration payable by Tian Shan Real Estate.

Generally, a property management company charges the property developers for its management services fees for the provision of property management services to a constructed development before the establishment of the Owners’ Committee. Since Tianshan Property Management provides property management services to the constructed development developed by Tian Shan Real Estate, including the unsold units, and it has been providing such services to our Group’s satisfaction and requirements since 2002, our Directors are of the view that it would benefit and is in the interests of our Shareholders as a whole to continue to appoint Tianshan Property Management to provide the property management services to us instead of appointing other independent property management companies. On this basis, our Directors consider that the terms of the Property Management Agreement are, and will continue to be, on normal commercial terms or better than normal commercial terms to us.

The transactions contemplated under the Property Management Agreement have been, and will continue to be, conducted in our ordinary and usual course of business. Since each of the percentage ratio (other than profits ratio) will, on annual basis, be less than 0.1%, transactions under the Property Management Agreement fall within the *de minimis* exemption under Rule 14A.33(3)(a) of the Listing Rules and are therefore exempt from the reporting, announcement and independent Shareholders’ approval requirements.

CONNECTED TRANSACTIONS

NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

1. Transactions with Tianshan Doors and Windows

Transactions during the Track Record Period

During the Track Record Period, we have engaged Tianshan Doors and Windows to provide doors and windows installation and related services for our property projects. Tianshan Doors and Windows is a limited liability company established in the PRC in May 2004 and is ultimately wholly-owned by the Founders, and therefore a connected person of our Company under the Listing Rules.

Since Tianshan Doors and Windows has been providing the services to our Group during the Track Record Period to the satisfaction of our Group and the terms offered by Tianshan Doors and Windows are of normal commercial terms, our Directors are of the view that it will be in the interest of our Company and our Shareholders as a whole to appoint Tianshan Doors and Windows to continue to provide the doors and windows installation and related services for our property projects after the Listing.

During the Track Record Period, Tianshan Doors and Windows carried out its services pursuant to the separate services contracts entered into with Tian Shan Real Estate. The services contracts provide that the service fees shall be paid by our Group to Tianshan Doors and Windows either in one lump sum payment, or in such installments in accordance with the progress of the doors and windows installation works with 5% of the service fees payable to Tianshan Doors and Windows retained by us as the guarantee payment for issues in relation to quality. On 16 June 2010, Tian Shan Real Estate entered into a framework services agreement with Tianshan Doors and Windows (the “**Installation Services Agreement**”). Pursuant to the Installation Services Agreement, Tianshan Doors and Windows agreed to provide doors and windows installation and related services for our property projects. Tianshan Doors and Windows also agreed that it will not provide the installation services to us on terms less favourable than those it offers to Independent Third Parties. The consideration of the transactions will be (a) the price fixed by the State; or (b) if there are no prices fixed by the State, the market price or cost with a reasonable margin. The Installation Services Agreement will commence from the Listing Date up to 31 December 2011.

For the three years ended 31 December 2009, the total costs for installation and related services incurred by us provided by Tianshan Doors and Windows were approximately RMB6.0 million, nil and RMB16.2 million, respectively. Since the costs were determined with reference to the market price, we are of the view that the costs paid to Tianshan Doors and Windows during the Track Record Period were at the then prevailing market rates. In 2008, there were no costs incurred by us with respect to the installation and related services provided by Tianshan Doors and Windows was due to the fact that the installation works were undertaken by Tianshan Construction. The increase in the costs for installation and related services paid to Tianshan Doors and Windows in 2009 was principally due to the costs rendered in relation to *Tian Shan Waterside View (Phase IV)* in 2009.

CONNECTED TRANSACTIONS

Estimated annual caps for the two years ending 31 December 2011

Based on the contract sum of the existing outstanding contracts entered into with Tianshan Doors and Windows, the aggregate costs of installation and related services to be provided by Tianshan Doors and Windows for the two years ending 31 December 2011 are as follows:

<u>Name of project</u>	<u>Expected date of completion of construction</u>	<u>Estimated amount of costs payable to Tianshan Doors and Windows</u>	
		<u>For the year ending 31 December 2010</u>	<u>For the year ending 31 December 2011</u>
		<i>RMB (million)</i>	<i>RMB (million)</i>
1. <i>New Great Earldom</i>	December 2011	2.3	0.1
2. <i>Ninjing Tian Shan Wonderful Waterside View</i>	September 2011	1.8	0.5
3. <i>Contemporary Noble Territory</i>	August 2011	3.4	0.7
4. <i>Tian Shan Long Hu Wan (Phase I)</i>	February 2013	1.5 <i>(note)</i>	0.08 <i>(note)</i>
	Total:	9.0	1.4

Note:

This amount refers to the estimated amount of the costs payable to Tianshan Doors and Windows during the relevant period.

For the sake of administration effectiveness, we will require our main building contractor to include the installation of doors and windows and related services in the relevant construction contracts and it is expected that the transactions with Tianshan Doors and Windows will be decreasing or cease in future.

Waiver From Announcement Requirement

The transactions with Tianshan Doors and Windows described above will constitute our Company's continuing connected transactions under the Listing Rules after the Listing. The applicable percentage ratios (other than profits ratio) as defined in rule 14A.10 of the Listing Rules and calculated with reference to the proposed annual caps each year shown above for the transactions with Tianshan Doors and Windows is expected to be less than 5%, and such transactions will require satisfaction of reporting and announcement requirements under the Listing Rules.

In addition, our Directors (including the independent non-executive Directors) confirm that it is in the interests of the Company to continue with these transactions after the Listing and that such transactions are conducted on normal commercial terms or terms that are not less favourable in the ordinary and usual course of business and are fair and reasonable and in the interests of the Shareholders as a whole. Our Directors (including the independent non-executive Directors) are also of the view that the annual caps of the continuing connected transactions above are fair and reasonable and in the interests of the Shareholders as a whole.

CONNECTED TRANSACTIONS

On the above basis, application has been made and the Stock Exchange has granted waivers from strict compliance with the announcement requirement subject to (i) our Directors' undertaking that we would comply with the applicable requirements under Chapter 14A of the Listing Rules; and (ii) the aggregate value of the non-exempt continuing connected transactions described above for each financial year not exceeding the relevant cap as set out above.

2. Transactions with Tianshan Construction

During the Track Record Period, Tian Shan Real Estate has been engaging Tianshan Construction to carry out construction works for our property development projects. Tianshan Construction is a limited liability company established in the PRC in 2000 and is ultimately controlled by the Founders, and therefore a connected person of our Company under the Listing Rules.

Background information of Tianshan Construction

The principal business of Tianshan Construction is building construction. At present, it holds a Class I Qualification for General Contracting of Building Construction Works (房屋建築工程施工總承包一級資質) and to the best of our knowledge and belief, it has obtained all relevant licences as a construction contractor. Its directors including Mr. WU Zhen Shan, Mr. WU Zhen Ling, Mr. ZHANG Zhen Hai and Mr. WU Zhen He have extensive experience in the construction industry in the PRC, ranging from 10 years to 30 years.

Since its establishment, Tianshan Construction has been engaging in the business of building construction and has been providing building construction services to us. Tianshan Construction will continue to carry out construction works and provide construction services to our property development projects after the Listing.

To the best knowledge of our Directors, for the three years ended 31 December 2009, Tianshan Construction derived approximately 34.1%, 51.1% and 62.0%, respectively of its total revenue from the provision of construction services to our Group.

Transactions during the Track Record Period

During the Track Record Period, we have been engaging Tianshan Construction to carry out construction works pursuant to a series of construction contracts which were granted to Tianshan Construction through tender process. For the three years ended 31 December 2009, the total construction costs incurred for the construction services provided by Tianshan Construction to our Group were approximately RMB75.2 million, RMB118.7 million and RMB211.4 million, respectively, representing approximately 39.0%, 29.4% and

CONNECTED TRANSACTIONS

41.0%, respectively of our total construction costs during the Track Record Period. Since all of the construction contracts were granted to Tianshan Construction through the tender process during the Track Record Period, we are of the view that the construction costs paid to Tianshan Construction during the Track Record Period were at the then prevailing market rates.

The fluctuations in the construction costs incurred for the construction services provided by Tianshan Construction for the Track Record Period are in line with our Group's property development progress. Starting from 2007 to 2009, we commenced the constructions of various new property projects, and incurred construction costs over this period, including *Tian Shan Water Waterside (Phase IV)* which commenced construction and completed construction in December 2006 and 2009, respectively, *Ninjing Tian Shan Wonderful Waterside View* commenced construction in July 2007, *Tianjin Tian Shan Wonderful Waterside View (Phase I)*, *Chengde Tian Shan Wonderful Waters View* and *Sanhe Tian Shan International Enterprise Base* which commenced construction in 2008 and *Contemporary Noble Territory*, *New Great Earldom* and *Tian Shan Long Hu Wan (Phases I, II and III)* which commenced construction in 2009, and this accounted for the increase in our construction costs incurred for the construction services provided by Tianshan Construction.

Estimated annual caps for the two years ending 31 December 2011

Projects where construction contracts have been entered into with Tianshan Construction

According to the contract sum of the existing outstanding construction contracts with Tianshan Construction, the aggregate construction costs to be incurred by our Group for the construction services to be provided by Tianshan Construction for the two years ending 31 December 2011 are as follows:–

<u>Name of project</u>	<u>Expected date of completion of construction</u>	<u>Estimated amount of construction costs payable to Tianshan Construction</u>	
		<u>For the year ending 31 December 2010</u>	<u>For the year ending 31 December 2011</u>
		<i>RMB (million)</i>	<i>RMB (million)</i>
1. <i>Chengde Tian Shan Wonderful Waters View</i>	December 2011	53.8	25.3
2. <i>New Great Earldom</i>	December 2011	23.5	Nil
3. <i>Ninjing Tian Shan Wonderful Waterside View</i>	September 2011	43.5	26.0
4. <i>Tianjin Tian Shan Wonderful Waterside View (Phase I)</i>	December 2011	58.5	Nil
5. <i>Tian Shan Science and Technology Industrial Park</i>	December 2012	3.6	1.9
6. <i>Contemporary Noble Territory</i>	August 2011	40.2	26.4
7. <i>Tian Shan Long Hu Wan (Phase I)</i>	February 2013	0.01	Nil
	Total:	223.1	79.6

CONNECTED TRANSACTIONS

Anticipated projects where a construction company has not been selected

In relation to the anticipated projects of our Group where a construction company has not been selected, based on the historical average percentage of the construction costs incurred by us for the construction services provided by Tianshan Construction of an average 36.5% to our total construction costs during the Track Record Period and the total estimated construction costs to be incurred by our Group with reference to the expected construction works of our property projects, it is estimated that the construction costs (less the contract sum of the existing outstanding construction contracts with Tianshan Construction) payable to Tianshan Construction for such anticipated projects of our Group for the two years ending 31 December 2011 will be approximately RMB47.5 million and RMB402.2 million, respectively.

Total estimated annual caps for the two years ending 31 December 2011

As a result of the total contract sum of the existing outstanding construction contracts with Tianshan Construction and the estimated construction costs to be incurred by us to Tianshan Construction for anticipated projects where a construction company has not been selected, the estimated total amount of construction costs payable by us to Tianshan Construction for the two years ending 31 December 2011 will be approximately RMB270.6 million and RMB481.8 million, respectively.

Basis for the estimated construction costs

The estimated annual construction costs for the two years ending 31 December 2011 are based on (i) the contract sum of the existing construction contracts with Tianshan Construction; and (ii) the historical average percentage of the construction costs to our Group's total construction costs incurred by us for the construction services provided by Tianshan Construction.

In line with the continuing expansion of our Group in respect of the property projects, the construction costs incurred by us for the construction services provided by Tianshan Construction have been increasing over the years and this accounts for the increase of the total construction costs (including the contract sum of the existing outstanding construction contracts with Tianshan Construction) of our projects for the two years ending 31 December 2011 are estimated to be of approximately RMB741.3 million and RMB1,319.9 million, respectively, based on the estimated total development costs with reference to factors such as the estimated projects development progress, the construction contracts signed, and the current market costs. etc. for our projects during the relevant period.

CONNECTED TRANSACTIONS

Below set out the estimated total development costs of our projects (including the contract sum of the existing outstanding contracts with Tianshan Construction) for the two years ending 31 December 2011:

	Year ending 31 December 2010 <i>RMB (million)</i>	Year ending 31 December 2011 <i>RMB (million)</i>
1. <i>Tian Shan Long Hu Wan (Phases I-III)</i>	75.7	46.4
2. <i>Contemporary Noble Territory</i>	65.3	43.1
3. <i>Ningjin Tian Shan Wonderful Waterside View</i>	51.9	49.2
4. <i>New Great Earldom</i>	52.1	19.2
5. <i>Xin Nan Jue</i>	80.0	314.5
6. <i>Tian Shan Science and Technology Industrial Park</i>	9.9	10.4
7. <i>Chengde Tian Shan Wonderful Waters View</i>	62.3	41.1
8. <i>Sanhe Tian Shan International Enterprise Base</i>	40.8	11.4
9. <i>Tianjin Tian Shan Wonderful Waterside View (Phase I)</i>	168.8	264.5
10. <i>Tianjin Tian Shan Wonderful Waterside View (Phase II)</i>	39.7	353.1
11. <i>Weihai Tian Shan International Enterprise Base</i>	35.1	7.0
12. <i>Weihai Tian Shan Waterside View</i>	26.0	75.0
13. <i>Weihai Tian Shan Contemporary Noble Territory</i>	33.7	85.0
Total:	<u>741.3</u>	<u>1,319.9</u>

The estimated total construction costs will be increased from approximately RMB741.3 million for the year ending 31 December 2010 to RMB1,319.9 million for the year ending 31 December 2011 principally due to the estimated construction costs for *Xin Nan Jue*, *Tianjin Tian Shan Wonderful Waterside View (Phase I)* and *Tianjin Tian Shan Wonderful Waterside View (Phase II)* will be substantially increased in 2011. Generally, we will first commence the construction of a project on a small scale and will invest substantially after the project is granted the Pre-Sales Permits whereby proceeds from the pre-sale will be invested in the further development of the project. In addition, properties of higher selling price and quality will be developed in the later stage of a project because at this later stage, the development of the whole project, including the ancillary facilities, are completed and therefore can attract higher prices for the properties. *Xin Nan Jue*, *Tianjin Tian Shan Waterside View (Phase I)* and *Tianjin Tian Shan Wonderful Waterside View (Phase II)* follow the above pattern of development. *Xin Nan Jue* and *Tianjin Tian Shan Wonderful Waterside View (Phase II)* are expected to commence their construction in August 2010 and substantial construction costs will be incurred in 2011 after the Pre-Sales Permits have been granted and pre-sale proceeds have been obtained to further develop the projects. In respect of *Xin Nan Jue*, in 2010, the construction costs are expected to be incurred for GFA of approximately 51,000 sq m. (being low-rise towers #1 to #5) in the second half of 2010.

CONNECTED TRANSACTIONS

From December 2010 to 2011, we will start the construction of high-rise towers #6-#10 in December 2010 and #11 to #30 in 2011, covering an GFA of about 140,000 sq. m. In respect of *Tianjin Tian Shan Wonderful Waterside View (Phase II)*, the estimated construction costs in 2010 are for the preliminary construction, while the main construction/development is planned to commence in 2011. In respect of *Tianjin Tian Shan Wonderful Waterside View (Phase I)*, the property planned to be developed in 2011 will be of higher quality with more storey and resulting in more construction costs. We are currently developing towers #1 to #39 (consist of multi-storeys and villas) and will concurrently start the construction of towers #40 to #61 in the third and fourth quarters of 2010. In 2011, we plan to complete all the towers #40 to #61 towers (mainly high-rise) and the completion of commercial sites as well.

In addition, the capital commitments outstanding for our Group's properties under development as at 31 December 2007, 2008 and 2009 was approximately RMB2,553.4 million, RMB3,360.3 million and RMB6,825.3 million, respectively. This increasing trend of capital commitments is parallel with the estimated increasing amount of our Group's total construction costs for the two years ending 31 December 2011.

As stated above, for the three years ended 31 December 2009, the construction costs incurred by us for the services provided by Tianshan Construction were approximately 39.0%, 29.4% and 41.0%, respectively, and this rise to an average percentage rate of approximately 36.5%. Based on the estimated total construction costs of our Group of approximately RMB741.3 million and RMB1,319.9 million for the two years ending 31 December 2011, respectively, the estimated annual construction costs (including both the contract sum and the anticipated projects where no construction company has been selected) to be incurred by us for services provided by Tianshan Construction will be approximately RMB270.6 million and RMB481.8 million, respectively.

Master service agreement

On 16 June 2010, our Company, Tian Shan Real Estate and Tianshan Construction entered into a framework agreement on construction works (the "**Construction Services Agreement**"). Pursuant to the Construction Services Agreement, the parties agreed that Tianshan Construction will be selected to provide the construction works and services for our real estate development projects through a tender process in compliance with the applicable laws and regulations. Tianshan Construction has agreed, in the event that it is selected following the tender process, to provide construction and related works and services to our Group according to the tender documents and the relevant construction contracts to

CONNECTED TRANSACTIONS

be signed and on terms no less favourable than it offers to Independent Third Parties. The Construction Services Agreement shall become effective from the Listing Date up to 31 December 2011, which, subject to the compliance with the Listing Rules, may be renewed as the parties mutually agree. Separate construction agreements will be entered into between Tian Shan Real Estate and Tianshan Construction if Tianshan Construction is selected through the tender process to provide the construction services to us. Under the construction agreements, we shall pay Tianshan Construction the construction fees in accordance with the progress and delivery of the construction works.

The tender process

The relevant PRC laws and regulations require the construction contracts to be granted to the contractors through tender process. Our Directors confirm that all our construction contracts with Tianshan Construction have been and will be awarded through tender process. The tender process for our construction works principally follow the requirements under the PRC Tendering and Bidding Law Tenders for Construction Projects (中華人民共和國招標投標法) (the “**Tender Law**”). Our Group has appointed an independent professional company to be responsible for the tender process, including sending invitations for and receiving of the tender bids. We will not have access to the tender bids submitted by the bidders before the submission deadline. Our Group, through its agent, and the relevant tender bureau will send invitations to at least five construction companies to tender for the construction works. The Tender Law provides that a tender can proceed only if at least three construction companies, all having competent qualifications and the ability to undertake the construction works, have submitted tender bids. Should there be fewer than three tender bids submitted, the Tender Law provides that such tender shall not be proceeded and shall be withdrawn and the tender process for that construction project shall be re-started in accordance with the Tender Law. After the tender bids are submitted to the relevant tender bureau, an assessment committee is formed, comprising industry experts randomly chosen from a pool of industry experts who are independent of our Group. In accordance with the Tender Law, the successful bidder is selected based on an independent assessment by each of the members of the assessment committee having taken into account, among others, factors including the fee quote, construction schedule for completion, quality of construction work, construction plan, allocation of manpower, safety measures and standard, equipment and facilities to be adopted and the industry experience of the project manager of the bidder. As such, the successful bidder is chosen independently by the majority member of the assessment committee making their own assessment in accordance with the prescribed criteria set by the assessment committee.

CONNECTED TRANSACTIONS

Directors' view

Upon review of the selected past tender documents, our Directors believe that the construction works and services provided by Tianshan Construction during the Track Record Period were on normal commercial terms because the fee quote, construction schedule and allocation of human resources offered by Tianshan Construction were comparable to other bidders during the Track Record Period.

Our Directors (including our independent non-executive Directors) are of the view that the construction and related services currently provided by Tianshan Construction are in the ordinary and usual course of business and are conducted on normal commercial terms and are commercially fair and reasonable and in the interests of the Shareholders as a whole.

Waivers from Announcement and Independent Shareholders' Approval

The transactions with Tianshan Construction described above will constitute our Company's continuing connected transactions under the Listing Rules after the Listing. The applicable percentage ratios (other than profits ratio) as defined in rule 14A.10 of the Listing Rules and calculated with reference to the proposed annual caps each year shown above for the transactions with Tianshan Construction is expected to be more than 5%, and such transactions will require satisfaction of full reporting, announcement and independent Shareholders' approval requirements under the Listing Rules.

In addition, our Directors (including our independent non-executive Directors) confirm that it is in our interests to continue with these transactions after the Listing and that such transactions are conducted on normal commercial terms or terms that are not less favourable in the ordinary and usual course of business and are fair and reasonable and in the interests of our Shareholders as a whole. Our Directors (including our independent non-executive Directors) are also of the view that the annual caps of the continuing connected transactions above are fair and reasonable and in the interests of our Shareholders as a whole.

On the above basis, application has been made and the Stock Exchange has granted waivers from strict compliance with the announcement and independent shareholders' approval requirements in respect of the above non-exempt continuing connected transactions with Tianshan Construction subject to (i) our Directors' undertaking that we would comply with the applicable requirements under Chapter 14A of the Listing Rules; and (ii) the aggregate value of each of the non-exempt continuing connected transactions described above for each financial year not exceeding the relevant cap as set out above.

CONNECTED TRANSACTIONS

CONFIRMATION FROM THE SPONSOR

The Sponsor has taken into account the relevant documentation, information and historical figures provided by us, and have participated in due diligence and discussions with our Company, to satisfy itself of the reliability of the information provided in relation to the above non-exempt continuing connected transactions. Accordingly, the Sponsor is of the view that:—

- (i) the above non-exempt continuing connected transactions for which waivers are sought have been entered into in the ordinary and usual course of the business of our Company on normal commercial terms and the terms of such transactions are fair and reasonable so far as our Company is concerned and are in the interests of the Shareholders as a whole; and
- (ii) that the proposed annual caps for the above non-exempt continuing connected transactions referred to above are fair and reasonable and in the interests of our Shareholders, taken as a whole.

FUTURE PLANS AND USE OF NET PROCEEDS FROM THE GLOBAL OFFERING

FUTURE PLANS

Further information on our future plans is set forth in the paragraphs under “Business — Our growth strategies” in this prospectus.

USE OF NET PROCEEDS FROM THE GLOBAL OFFERING

Our Directors estimate that the net proceeds from the Global Offering (after deducting underwriting fees and estimated expenses payable by us in connection with the Global Offering and assuming an Offer Price of HK\$1.6 per Share, being the mid-point of the indicative range of the Offer Price) will be approximately HK\$377.2 million on the basis that the Over-allotment Option is not exercised. Our Directors currently intend to apply such net proceeds in the following manner:—

- (a) approximately HK\$268.9 million, representing approximately 71.3% of the total amount of the net proceeds, will be used for the repayment of the Notes within one month following the Listing Date but in any event no later than 8 October 2010. Upon receiving the net proceeds from the Global Offering, we will deposit HK\$268.9 million into a designated bank account for the repayment of the Notes; and
- (b) approximately HK\$108.3 million, representing approximately 28.7% of the total amount of the net proceeds, will be used for the funding requirements the following property projects during the period commencing from the second-half of 2010 and ending on the first-half of 2011:—

Property projects under development	Percentage of funding (%)	Amount (HK\$'million)
<i>Weihai Tian Shan International Enterprise Base</i>	20.0	21.7
<i>Weihai Tian Shan Waterside View</i>	40.0	43.3
(including all phases proposed to be constructed)		
<i>Tianjin Tian Shan Wonderful Waterside View</i>	40.0	43.3
(including all phases proposed to be constructed)		

FUTURE PLANS AND USE OF NET PROCEEDS FROM THE GLOBAL OFFERING

If the Offer Price is determined at the high-end of the indicative range of the Offer Price, being HK\$1.8, the net proceeds from the Global Offering (assuming that the Over-allotment Option is not exercised) will increase by approximately HK\$48.5 million to HK\$425.7 million. We intend to apply the additional net proceeds to item (b) above.

If the Offer Price is determined at the low-end of the indicative range of the Offer Price, being HK\$1.4, the net proceeds from the Global Offering (assuming that the Over-allotment Option is not exercised) will decrease by approximately HK\$48.5 million to HK\$328.7 million. Other than the amount proposed to be used for the repayment of the Notes of HK\$268.9 million, we will use the remaining balance of HK\$59.8 million out of the net proceeds for item (b) above. If there is any additional funding need for item (b) above, we will provide from our internal financial resources.

If the Over-allotment Option is exercised in full, the net proceeds from the Global Offering will increase by approximately HK\$58.2 million, assuming the Offer Price is determined at the mid-point of the indicative range of the Offer Price. If the Offer Price is determined at the high-end of the indicative range of the Offer Price, the net proceeds from the Global Offering (including the proceeds from the exercise of the Over-allotment Option) will increase by approximately HK\$65.5 million. If the Offer Price is determined at the low-end of the indicative range of the Offer Price, the net proceeds from the Global Offering (including the net proceeds from the exercise of the Over-allotment Option) will increase by approximately HK\$50.9 million. We intend to apply the additional net proceeds from the exercise of the Over-allotment Option to item (b) above.

To the extent that the net proceeds from the Global Offering are not immediately required for the above purposes or if we are unable to effect any part of our future development plans as intended, we may hold such funds in short-term deposits with licensed banks and authorised financial institutions in Hong Kong for so long as it is in our best interests. We will also disclose the same in the relevant annual report.

SHARE CAPITAL

AUTHORISED AND ISSUED SHARE CAPITAL

The following is a description of the authorised and issued share capital of our Company immediately following completion of the Capitalisation Issue, the Global Offering and the Compulsory Conversion:–

HK\$

Authorised share capital:–

10,000,000,000 Shares 1,000,000,000.00

Based on the low-end of the indicative range of the Offer Price of HK\$1.4:–

Issued and to be issued, fully paid or credited as fully paid upon completion of Global Offering (assuming that the Over-allotment Option is not exercised):–

1,560,001 Shares in issue as of the date of this prospectus 156,000.10

250,000,000 Shares to be issued pursuant to the Global Offering 25,000,000.00

685,761,999 Shares to be issued under the Capitalisation Issue 68,576,199.90

62,678,000 Shares to be issued pursuant to the Compulsory Conversion 6,267,800.00

1,000,000,000 Shares in total 100,000,000.00

Issued and to be issued, fully paid or credited as fully paid upon completion of Global Offering (assuming that the Over-allotment Option is exercised in full):–

1,560,001 Shares in issue as of the date of this prospectus 156,000.10

287,500,000 Shares to be issued pursuant to the Global Offering 28,750,000.00

685,761,999 Shares to be issued under the Capitalisation Issue 68,576,199.90

62,678,000 Shares to be issued pursuant to the Compulsory Conversion 6,267,800.00

1,037,500,000 Shares in total 103,750,000.00

SHARE CAPITAL

Based on the high-end of the indicative range of the Offer Price of HK\$1.8:–

HK\$

**Issued and to be issued, fully paid or credited
as fully paid upon completion of Global Offering**

(assuming that the Over-allotment Option is not exercised):–

1,560,001 Shares in issue as of the date of this prospectus	156,000.10
250,000,000 Shares to be issued pursuant to the Global Offering.....	25,000,000.00
699,689,999 Shares to be issued under the Capitalisation Issue	69,968,999.90
48,750,000 Shares to be issued pursuant to the Compulsory Conversion.....	4,875,000.00
1,000,000,000 Shares in total	100,000,000.00

**Issued and to be issued, fully paid or credited
as fully paid upon completion of Global Offering**

(assuming that the Over-allotment Option is exercised in full):–

1,560,001 Shares in issue as of the date of this prospectus	156,000.10
287,500,000 Shares to be issued pursuant to the Global Offering.....	28,750,000.00
699,689,999 Shares to be issued under the Capitalisation Issue	69,968,999.90
48,750,000 Shares to be issued pursuant to the Compulsory Conversion.....	4,875,000.00
1,037,500,000 Shares in total	103,750,000.00

Assumptions

The above table assumes that the Global Offering becomes unconditional and is completed in accordance with the relevant terms and conditions. The above table takes no account of any Shares which may be allotted and issued or repurchased by our Company pursuant to the Issuing Mandate and the Repurchase Mandate, respectively.

Ranking

The Offer Shares are ordinary shares in the share capital of our Company and will rank *pari passu* in all respects with all Shares in issue and/or to be allotted and issued as mentioned in this prospectus, and will rank in full for all dividends or other distributions declared, paid or made on the Shares after the date of this prospectus other than participation in the Capitalisation Issue.

SHARE CAPITAL

PRE-IPO SHARE OPTION SCHEME AND SHARE OPTION SCHEME

We have conditionally adopted the Pre-IPO Share Option Scheme and the Share Option Scheme. Pursuant to the Pre-IPO Share Option Scheme, we have granted options to 83 employees, consultants, executives and officers of our Group and Tianshan Industrial Group, the full exercise of which would entitle the grantees an aggregate of 6,000,000 Shares, representing 0.6% of the Shares in issue immediately following completion of the Capitalisation Issue and Global Offering (assuming that the Over-allotment Option is not exercised and any options which may be granted under the Share Option Scheme are not exercised). The principal terms of the Pre-IPO Share Option Scheme and the Share Option Scheme are summarised in the paragraph headed “D. Other Information” in Appendix VII to this prospectus.

ISSUING MANDATE

Our Directors have been granted the general unconditional Issuing Mandate authorizing them to exercise all the powers of our Company to allot, issue and deal with Shares not exceeding the aggregate of 20% of the issued share capital of our Company immediately following completion of the Capitalisation Issue, the Global Offering, the Compulsory Conversion (but taking no account of any Shares which may be issued and allotted pursuant to the exercise of the Over-allotment Option, the options granted under the Pre-IPO Share Option Scheme and any option which may be granted under the Share Option Scheme or the exercise of the subscription rights attaching to the Warrants), and the number of Shares repurchased by our Company, if any, pursuant to the Repurchase Mandate. Our Directors may, in addition to the Shares which they are authorised to issue under the Issuing Mandate, allot, issue and deal in the Shares pursuant to a rights issue, an issue of Shares pursuant to the exercise of subscription rights attaching to any warrants of our Company, scrip dividends or similar arrangements or the exercise of the Warrants, options granted under the Pre-IPO Share Option Scheme and any option which may be granted under the Share Option Scheme or any other option scheme or similar arrangement for the time being adopted.

The Issuing Mandate will expire:–

- at the conclusion of the next annual general meeting of our Company; or
- upon the expiration of the period within which the next annual general meeting of our Company is required to be held by the Articles or the Companies Law or any applicable laws of the Cayman Islands; or

SHARE CAPITAL

- the passing of an ordinary resolution of the Shareholders in general meeting revoking, varying or renewing such mandate, whichever is the earliest.

Further information on the Issuing Mandate is set forth in the paragraphs under “A. Further Information about our Company and our subsidiaries – 2. Change in share capital” in Appendix VII to this prospectus.

REPURCHASE MANDATE

Our Directors have been granted the general unconditional Repurchase Mandate to exercise all the powers of our Company to repurchase Shares not more than 10% of the issued share capital of our Company (as set out in the table above but excluding Shares which may be issued pursuant to the exercise of the Over-allotment Option). The Repurchase Mandate only relates to repurchases made on the Stock Exchange and/or on any other stock exchange on which the Shares are listed (and which is recognised by the SFC and the Stock Exchange for this purpose), and which are in accordance with the Listing Rules. A summary of the relevant requirements of the Listing Rules on the Repurchase Mandate is set forth in the paragraphs under “A. Further Information about our Company and our subsidiaries – 6. Repurchase of our Shares” in Appendix VII to this prospectus.

The Repurchase Mandate will expire:–

- at the conclusion of the next annual general meeting of our Company; or
- upon the expiration of the period within which the next annual general meeting of our Company is required to be held by the Articles or the Companies Law or any applicable laws of the Cayman Islands; or
- the passing of an ordinary resolution of the Shareholders in general meeting revoking, varying or renewing such mandate, whichever is the earliest.

Further information on the Repurchase Mandate is set forth in the paragraphs under “A. Further Information about our Company and our subsidiaries – 2. Change in share capital” in Appendix VII to this prospectus.

SHARE CAPITAL

RULE 10.08 OF THE LISTING RULES

Our Directors confirm that, save for the Shares which may be issued pursuant to the exercise of the Over-allotment Option, we will comply with the requirements of Rule 10.08 of the Listing Rules upon the Listing. Rule 10.08 of the Listing Rules provides that we may not issue any further Shares or securities convertible into equity securities or enter into any agreement to make such an issue within six months from the Listing Date.

CONTROLLING SHAREHOLDERS AND SUBSTANTIAL SHAREHOLDERS

OUR CONTROLLING SHAREHOLDERS

So far as our Directors are aware, immediately following completion of the Capitalisation Issue, the Global Offering and the Compulsory Conversion (without taking into consideration the Shares which may be taken up under the Global Offering and the Shares which may be issued pursuant to the exercise of the Over-allotment Option, the options granted under the Pre-IPO Share Option Scheme and any option which may be granted under the Share Option Scheme), the following are our Controlling Shareholders:–

	<i>Based on the low-end of the indicative Offer Price of HK\$1.4</i>	<i>Based on the high-end of the indicative Offer Price of HK\$1.8</i>
	Number of Shares and approximate percentage of Shareholding held immediately after completion of the Capitalisation Issue, the Global Offering and Compulsory Conversion	Number of Shares and approximate percentage of Shareholding held immediately after completion of the Capitalisation Issue, the Global Offering and Compulsory Conversion
Neway Enterprises ¹	687,322,000 (68.7%)	701,250,000 (70.1%)

Note:–

1. The Shares are held by Neway Enterprises. Neway Enterprises is beneficially owned as to 25% by each of Mr. WU Zhen Shan, Mr. WU Zhen Ling, Mr. ZHANG Zhen Hai and Mr. WU Zhen He and all of them are our executive Directors and our Controlling Shareholders.

As of the Latest Practicable Date, other than being shareholders of the Company, the Founders and their respective associates hold interests in and are directors of other companies (the “**Excluded Companies**”) including Tianshan Industrial Group, Tianshan Construction, Tianshan Doors and Windows, which are principally engaged in businesses such as building construction, property management, doors and windows installation, operation of aquatic sports facilities, outdoors advertisement designs and publications, operation of recreational and physical exercise centre, assets management and provision of financial consultancy services. Our Directors confirm that none of the Founders and their respective associates have interest in or conduct any business which competes, or is likely to compete, either directly or indirectly, with our business.

CONTROLLING SHAREHOLDERS AND SUBSTANTIAL SHAREHOLDERS

DEED OF NON-COMPETITION

To better safeguard our Group from any potential competition, our Controlling Shareholders (collectively, the “**Covenantors**”) have entered into a deed of non-competition whereby each of the Covenantors jointly and severally, irrevocably and unconditionally, undertakes with our Company that with effect from the Listing Date and for as long as the Shares remain listed on the Stock Exchange and the Covenantors, individually or collectively with their associates, are, directly or indirectly, interested in not less than 30% of the Shares in issue, or are otherwise regarded as Controlling Shareholders, each of the Covenantors shall not, and shall procure that none of their respective associates shall not:–

- (a) directly or indirectly engage, participate or hold any right or interest in or render any services to or otherwise be involved in any business in competition with or likely to be in competition with the existing business activity of our Group or any business activities which our Group may undertake in the future (the “**Business**”) save for the holding of not more than 5% shareholding interests (individually or any of the Covenantors with their associates collectively) in any company listed on the Stock Exchange or any other stock exchange;
- (b) take any direct or indirect action which constitutes an interference with or a disruption to the business activities of our Group including, but not limited to, solicitation of customers, suppliers and staff of our Group; and
- (c) keep our Board (including our independent non-executive Directors) informed of any matter of potential conflicts of interests between the Covenantors (including their associates) and our Group, in particular, a transaction between any of the Covenantors (including its associates) and our Group.

In addition, each of the Covenantors hereby jointly and severally, irrevocably and unconditionally, undertakes that if any new business opportunity relating to, or compete, or likely to compete with, the Business of our Group (the “**Business Opportunity**”) is made available to any of the Covenantors or their respective associates (other than our Company), it or he will direct or procure the relevant associate to direct such Business Opportunity to our Group with such required information to enable our Group to evaluate the merits of the Business Opportunity.

The relevant Covenantor shall provide or procure the relevant associate to provide all such reasonable assistance to enable our Group to secure the Business Opportunity. None of the Covenantors and their respective associates (other than our Company) will pursue the Business Opportunity until our Group decides not to pursue the Business Opportunity because of commercial reasons. Any decision of our Company will have to be approved by the independent non-executive Directors taking into consideration our prevailing business and financial resources, the financial resources required for the Business Opportunity and any expert opinion on the commercial viability of the Business Opportunity.

CONTROLLING SHAREHOLDERS AND SUBSTANTIAL SHAREHOLDERS

Each of the Covenantors further jointly and severally, irrevocably and unconditionally, undertakes that he or it will (i) provide to our Group all information necessary for the enforcement of the undertakings contained in the deed of non-competition and (ii) confirm to our Company on an annual basis as to whether he or it has complied with such undertakings.

The deed of non-competition will cease to have any effect on the earliest of the date on which:–

- (a) our Company becomes wholly-owned by the Covenantors and/or their associates;
- (b) the aggregate beneficial shareholding (whether direct or indirect) of the Covenantors and/or their associates in the Shares falls below 30% of the number of Shares in issue or the relevant Covenantor (individually or collectively with its associates) shall cease to be a Controlling Shareholder;
- (c) the Shares cease to be listed on the Stock Exchange.

The undertakings to be given by the Covenantors mentioned above are conditional upon the conditions stated in the section headed “Structure of the Global Offering – Conditions of the Hong Kong Public Offer” in this prospectus being fulfilled.

CORPORATE GOVERNANCE MEASURES

Our Directors believe that there are adequate corporate governance measures in place to manage the conflict of interests arising from the competing business and to safeguard the interests of our Shareholders, including:–

- (a) review by our independent non-executive Directors on an annual basis on the compliance with the deed of non-competition by the Covenantors, the options, the pre-emptive rights or first rights of refusals provided by our Controlling Shareholders on their existing or future competing businesses;
- (b) undertakings by the Covenantors that they will provide to us all information necessary for the enforcement of the deed of non-competition, and confirm to us on an annual basis as to whether he or she or it has complied with the above non-competition undertakings;
- (c) disclosure by us on decisions on matters reviewed by the independent non-executive Directors relating to the compliance and enforcement of the deed of non-competition in our annual report; and

CONTROLLING SHAREHOLDERS AND SUBSTANTIAL SHAREHOLDERS

- (d) the Covenantors making an annual statement on compliance with the deed of non-competition in our annual report, including the disclosure on how the deed of non-competition was complied with and enforced, which is consistent with the principles of making voluntary disclosure in the corporate governance report of the annual report.

NON-DISPOSAL UNDERTAKINGS GIVEN BY OUR CONTROLLING SHAREHOLDERS

Pursuant to Rule 10.08 of the Listing Rules, each of our Controlling Shareholders has, jointly and severally, undertaken with our Company and the Stock Exchange that each of them shall not and shall procure that the relevant registered holder(s) shall not:–

- (a) in the period commencing on the date of this prospectus and ending on the date which is six months from the Listing Date (the “**First Six-Month Period**”), save for the transaction contemplated under the Stock Borrowing Agreement, 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 Shares in respect of which it/he/she is shown by this prospectus to be the beneficial owner(s); and
- (b) in the period of six months commencing on the date on which the First Six-Month Period expires (the “**Second Six-Month 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 the Shares if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, our Controlling Shareholders would cease to be our Controlling Shareholders of our Company, i.e. they cease to control 30% or more of the voting power at general meetings of our Company.

Further, each of our Controlling Shareholders has, jointly and severally, undertaken with our Company and the Stock Exchange that within a period commencing from the Listing Date and ending on the date on which is the first anniversary of the Listing Date, he or it shall:–

- (a) when he or it pledges or charges any securities beneficially owned by him or her or it in favour of an authorised institution (as defined under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)) for a bona fide commercial loan, immediately inform our Company of such pledge or charge together with the number of securities so pledged or charged; and
- (b) when he or it receives indications, either verbal or written, from the pledgee or chargee that any of the pledged or charged securities will be disposed of, immediately inform our Company of such indications.

CONTROLLING SHAREHOLDERS AND SUBSTANTIAL SHAREHOLDERS

OUR SUBSTANTIAL SHAREHOLDERS

So far as our Directors are aware, immediately following completion of the Capitalisation Issue and the Global Offering (without taking into consideration the Shares which may be taken up under the Global Offering and the Shares which may be issued pursuant to the exercise of the Over-allotment Option, the options granted under the Pre-IPO Share Option Scheme and any option which may be granted under the Share Option Scheme), except for our Controlling Shareholders, we have no other Substantial Shareholders.

Further information on the interests of our Substantial Shareholders is set forth in the paragraphs under “C. Further Information about Director, and substantial shareholders” in Appendix VII to this prospectus.

INDEPENDENCE OF OUR GROUP

In the opinion of our Directors, we are able to carry on our businesses independently of our Founders and/or their respective associates having considered the following factors:—

Independence of management

Our Directors (excluding the executive Directors) and senior management of our Group do not substantially overlap with that of the Excluded Companies.

The executive Directors, namely, Mr. WU Zhen Shan, Mr. WU Zhen Ling, Mr. ZHANG Zhen Hai and Mr. WU Zhen He, are also directors of some of the Excluded Companies. Their respective roles in our Group and the Excluded Companies are set forth as follows:—

CONTROLLING SHAREHOLDERS AND SUBSTANTIAL SHAREHOLDERS

	Principal roles and responsibilities in our Group	Principal roles and responsibilities in the Excluded Companies
Mr. WU Zhen Shan	Responsible for the development of strategies, investment plans and human resources of our Company	Responsible for the origination and implementation of business strategies and future development and approval of year plans
Mr. WU Zhen Ling	Responsible for the operation, production, planning, design and management of our property projects	Responsible for the origination and implementation of business strategies and future development and approval of year plans
Mr. ZHANG Zhen Hai	Responsible for overseeing the procurement of our construction materials	Responsible for the origination and implementation of business strategies and future development and approval of year plans
Mr. WU Zhen He	Responsible for the operation and production of our property projects	Responsible for the origination and implementation of business strategies and future development and approval of year plans

Despite the fact that the executive Directors are also directors of some of the Excluded Companies, our executive Directors will allocate substantially all of their time to the operation and management of our Group, since the scale of the Excluded Companies (except Tianshan Construction) are comparatively small and their businesses have been well established, therefore, most of the operation and management responsibilities of the Excluded Companies are delegated to the respective senior managements.

CONTROLLING SHAREHOLDERS AND SUBSTANTIAL SHAREHOLDERS

In addition, we are of the view that there are sufficient and effective control mechanism to enable our Directors to discharge their duties appropriately, avoid potential conflicts of interest arising from common directorship and leakage of sensitive information relating to our projects and the relevant tenders to Tianshan Construction on the following grounds:

- the core business of property development and sale have been and will be carried out by our Group and the businesses between us and that of the Excluded Companies are of two different business segments with different markets, target customers and products;
- a system of stringent corporate governance will be adopted by our Company to ensure the implementation of the deed of non-competition by the Covenantors, deal with potential conflicts of interests and safeguard the interests of our Shareholders as a whole. Further information on the corporate governance is summarised in the paragraphs under “_____ – Corporate governance measures” and “_____ – Measures to manage possible conflicts of interests with companies owned by our Founders” below; and
- all of the over-lapping executive Directors will only receive their remunerations, benefits and rewards from our Group.

Independence of operation and personnel

Since the businesses engaged by us and our Founders are different, we have our own operation resources, customers and suppliers, as well as marketing and sales personnel which are used exclusively for our business. We do not rely on our Founders for operation of our business.

We do not share office premises with our Founders and their respective associates. Our office premises and the premises occupied by our Founders and their respective associates are separate and we will exclusively occupy the whole floor of the office building leased from Tianshan Construction until 2012. In the opinion of our Directors, as there are adequate office premises available for lease in Shijiazhuang, after expiry of the lease on 31 December 2012, we have the flexibility to continue to lease the office premises from Tianshan Construction or to relocate our office premises without any significant disruption or costs and expenses.

CONTROLLING SHAREHOLDERS AND SUBSTANTIAL SHAREHOLDERS

Other than the property management services provided by Tianshan Property Management, the building construction services to be provided by Tianshan Construction and the doors and windows installation and other related services provided by Tianshan Doors and Windows, further information on which is set forth in the section headed “Connected Transactions” in this prospectus, no services will be provided by our Controlling Shareholders and their respective associates for our Group’s operation.

During the Track Record Period, services provided by Tianshan Construction accounted for approximately 39.0%, 29.4% and 41.0%, respectively, of our total purchase of construction services, and the services provided by Tianshan Doors and Windows accounted for approximately 3.1%, nil and 3.1%, respectively, of our total costs of purchase. Although Tianshan Construction and Tianshan Doors and Windows have provided construction services and doors and windows installation and related services for our property projects during the Track Record Period, our Directors confirm that there are readily available contractors in the market who are able to provide the construction services and doors and windows installation and related services as provided by Tianshan Construction and Tianshan Doors and Windows. In addition, in accordance with the relevant PRC laws and regulations, Tianshan Construction was selected to provide the construction services through the tender process and with comparable participants. The tender process is carried through independent assessment without any influence of our Group. Further information on the tender process is set forth in the section headed “Connected Transactions” in this prospectus.

In respect of the property management services provided by Tianshan Property Management, our Directors confirm that there are readily available companies provide property management services and there will be no reliance solely upon Tianshan Property Management to provide the services.

Pursuant to the Trademark Licensing Agreements, further information on which is set forth in the section headed “Connected Transactions” in this prospectus, Tianshan Industrial Group has granted us a right to use its trademarks up to the expiry date of the relevant trademark registrations for nil consideration. Our Directors consider that these trademarks are crucial to our operation and believe that such arrangements are appropriate to us and for the benefit of our Group as a whole, given the facts that Tianshan Industrial Group has been using the relevant trademarks for other business activities for approximately 10 years and that members of our Group were originally subsidiaries of Tianshan Industrial Group. Our Directors also confirm that the non-exclusive arrangements under the Trademark Licensing Agreement will not adversely affect our rights and the continued use of the relevant trademarks. As Tianshan Industrial Group and its subsidiaries are not engaged in the property development business, our Directors believe that the use of the same trademarks by them will not confuse our customers and our suppliers and the potential investors of our Shares. In addition, though we do not have a plan to develop our particular own trademarks in the foreseeable future, our Directors confirmed that all future trademarks which are important to our business and operation will be registered by our Group.

CONTROLLING SHAREHOLDERS AND SUBSTANTIAL SHAREHOLDERS

Financial independence

We financed our operation by our own operating cash flows as well as the profits earned during the Track Record Period. The asset pledge provided by Tianshan Construction for our benefit has been released. We have our own accounting and finance department and independent financial system and treasury function for cash receipts and payments, as well as independent access to financing, suppliers and customers. Our Directors also confirm that there was no non-trade amount due from related companies as of the Latest Practicable Date.

Independence of suppliers

For determining the suppliers for construction services and materials for us, we will be required to comply with the relevant laws and regulations in China, and in some cases, certain construction services will be determined by way of tender and awarded to the bidder with the best terms available. We will not be influenced by our Founders or their respective associates in their tender process, and Tianshan Construction may or may not obtain the bid in those cases. In the event Tianshan Construction is not engaged in the business of provision of construction services in future, we can find other suppliers which are Independent Third Parties.

Independent access to customers

We conduct our own sales and marketing with our own in-house sales teams or through independent third party agents. Our customers are independent of and not connected with our Controlling Shareholders and/or their respective associates.

MEASURES TO MANAGE POSSIBLE CONFLICTS OF INTERESTS WITH COMPANIES OWNED BY OUR FOUNDERS

As further explained below, our Directors do not consider that the businesses engaged by Excluded Companies are in direct or indirect, actual or potential competition with our business.

As of the Latest Practicable Date, these Excluded Companies were ultimately owned and controlled by the Founders and their associates.

As stated in the above, the principal businesses of the Excluded Companies are different and distinguished from that of our Group. In addition, the Excluded Companies have not obtained the necessary qualification licences as required under the relevant PRC laws and regulations to carry on the business of sale and development of properties. Our Directors do not consider that they are in direct or indirect, or actual or potential competition with our business.

CONTROLLING SHAREHOLDERS AND SUBSTANTIAL SHAREHOLDERS

However, our executive Directors are also directors of the Excluded Companies. To better protect our Group's interests, the Company has adopted the following measures for matters or transactions of potential conflicts of interests between our Group and the Excluded Companies, including but not limited to the transactions as set out in the section headed "Connected Transactions" of this prospectus :

- the interested Directors will not vote or be counted in the quorum on any resolutions of our Board relating to the relevant transaction;
- the interested Directors will not attend the relevant part of the Board meeting or participate in the discussions on the relevant resolution unless his attendance and participation are specifically invited by the disinterested Directors, but subject to the restrictions on voting and being counted in the quorum on the relevant resolution;
- in case all executive Directors have actual or potential conflict of interests in the transaction, such transaction shall be reviewed and approved by our independent non-executive Directors;
- all Directors, including the executive Directors, will strictly observe the obligations of confidentiality and would not disclose any sensitive information relating to our projects and the relevant tenders to Tianshan Construction unless such disclosure has complied with the requirements of the Listing Rules; and
- the independent non-executive Directors will review our tender process in which Tianshan Construction or our other connected persons is a bidder to ensure the tender process is concluded fairly in compliance with the relevant laws and regulations.

Given the experience and expertise of our independent non-executive Directors, in particular, the more than 28 years of experience in the real estate industry of Mr. Wang Ping, we believe that our independent non-executive Directors have sufficient industry experience in discharging their duties set out above when our executive Directors have an actual or potential conflict of interests in the transaction.

Since an independent professional company was appointed to be responsible for the tender process, including release of invitation for the tender, our Directors are of the view that the tender for our construction projects are conducted on a fair and objective manner. However, for better corporate governance practice, we have implemented the below major measures to ensure a fair divulge of information to Tianshan Construction and other bidders:

- all information which is reasonably necessary to enable a bidder for our construction project to appraise the position of making a tender will be released simultaneously to other bidders and Tianshan Construction;

CONTROLLING SHAREHOLDERS AND SUBSTANTIAL SHAREHOLDERS

- should the overlapping executive Directors are in possession of any information relating to a tender for our construction project, for example, the estimated financial returns of the project, because of their position as our executive Directors and such information will not be available to other bidders (the “**Restricted Information**”), the relevant executive Directors will inform us and our independent non-executive Director of such situation and not be involved in the preparation and participation of Tianshan Construction in that specific tender, including attending meetings whereby the specific tender is discussed; and
- our overlapping executive Directors have agreed not to disclose any of the Restricted Information to the management and staff of Tianshan Construction until the tender process for that particular tender has completed or withdrawn.

UNDERWRITING

I. UNDERWRITER

Hong Kong Underwriter and International Underwriter

China Everbright Securities

II. UNDERWRITING ARRANGEMENTS AND EXPENSES

Hong Kong Underwriting Agreement

Pursuant to the Hong Kong Underwriting Agreement, we are offering our Hong Kong Offer Shares for subscription by members of the public in Hong Kong on and subject to the terms and conditions of this prospectus and the Application Forms.

The Hong Kong Underwriting Agreement is conditional upon and subject to, amongst others, the International Underwriting Agreement becoming unconditional and not having been terminated. Subject to (i) the listing of and permission to deal in our Shares in issue and to be issued as mentioned in this prospectus being granted by the Listing Committee of the Stock Exchange and (ii) certain other conditions set forth in the Hong Kong Underwriting Agreement, China Everbright Securities has agreed to subscribe, or procure subscribers, for our Hong Kong Offer Shares.

Grounds for termination

The obligations of China Everbright Securities under the Hong Kong Underwriting Agreement are subject to the termination by China Everbright Securities by notice in writing given to our Company prior to 8:00 a.m. (Hong Kong time) on the Listing Date if any of the following events shall occur prior to such time:–

- (a) there has come to the notice of China Everbright Securities:–
 - (i) that any statement, considered by China Everbright Securities in its sole and absolute discretion to be material, contained in this prospectus was when the same was issued, or has become, untrue, incorrect or misleading in any material respect; or

UNDERWRITING

- (ii) that any matter has arisen or has been discovered which would, had it arisen or been discovered immediately before the date of this prospectus, constitute an omission therefrom considered by China Everbright Securities in its sole and absolute discretion to be material to the Global Offering; or
 - (iii) any material breach of any of the obligations imposed upon any party to the Hong Kong Underwriting Agreement or the International Underwriting Agreement (other than on China Everbright Securities); or
 - (iv) any change or development involving a prospective change in the conditions, business affairs, prospects or the financial or trading position of any member of our Group as a whole; or
 - (v) any breach, considered by China Everbright Securities in its sole and absolute discretion, to be material, of any of the Warranties (as defined in the Hong Kong Underwriting Agreement and the International Underwriting Agreement);
- (b) there shall develop, occur, exist, continue to exist or come into effect:–
- (i) any event, or series of events, beyond the control of China Everbright Securities (including, without limitation, acts of government, strikes, lock-outs, fire, explosion, flooding, civil commotion, acts of war, acts of God, acts of terrorism, riot, public disorder, economic sanctions, outbreak of diseases or epidemics including SARS and avian influenza and such related/mutated forms or interruption or delay in transportation) which in the sole and absolute opinion of China Everbright Securities has or would have the effect of making any part of this Agreement (including underwriting) incapable of performance in accordance with its terms or which prevents the processing of applications and/or payments pursuant to the Global Offering or pursuant to the underwriting thereof; or
 - (ii) any change or development involving a prospective change, or any event or series of events currently in existence or otherwise, likely to result in any change or development involving a prospective change in local, national, international, financial, economic, political, military, industrial, fiscal, regulatory or market conditions and matters and/or disaster or any monetary or trading settlement systems (including any moratorium, suspension or material restriction on trading in securities generally on the Stock Exchange, the New York Stock Exchange, the NASDAQ National Market or any of the stock exchanges in the PRC, or a material fluctuation in the exchange rate of Hong Kong dollars against any foreign currency, or any interruption in securities settlement or clearance service or procedures in Hong Kong or anywhere in the world); or

UNDERWRITING

- (iii) any new Law or regulation or policy or directive or change or development involving a prospective change in existing Laws or regulation or policy or directive or any change or development involving a prospective change in the interpretation or application thereof by any court or other competent authority in Hong Kong or any other jurisdictions relevant to any member of our Group; or
- (iv) the imposition of economic sanctions, in whatever form, directly or indirectly, by, or for the United States or by the European Union (or any member thereof) on Hong Kong or any other jurisdictions relevant to any member of our Group; or
- (v) a change or development occurs involving a prospective change in taxation or exchange control (or the implementation of any exchange control) in Hong Kong or any other jurisdictions relevant to any member of our Group; or
- (vi) any change or development involving a prospective change, or a materialisation of, any of the risks set forth in the section headed “Risk Factors” in this prospectus; or
- (vii) any litigation or claim of material importance of any third party being threatened or instigated against any member of our Group; or
- (viii) a valid demand by any creditor for repayment or payment of any indebtedness of any member of our Group or in respect of which any member of our Group is liable prior to its stated maturity; or
- (ix) any loss or damage sustained by any member of our Group (howsoever caused and whether or not the subject of any insurance or claim against any person); or
- (x) a petition is presented for the winding up or liquidation of any member of our Group or any member of our Group makes any composition or arrangement with its creditors or enters into a scheme of arrangement or any resolution is passed for the winding-up of any member of our Group or a provisional liquidator, receiver or manager is appointed to take over all or part of the assets or undertaking of any member of our Group or anything analogous thereto occurs in respect of any member of our Group; or
- (xi) any general moratorium on commercial banking activities in Hong Kong (imposed by the Financial Secretary of Hong Kong and/or the Hong Kong Monetary Authority or other competent authority) or other jurisdictions relevant to any member of our Group,

UNDERWRITING

which in the sole and absolute opinion of China Everbright Securities (1) is or shall have or could be expected to have an adverse material effect on the business, financial or other condition or prospects of the Group as a whole or (2) has or shall have or could be expected to have an adverse effect on the success, marketability or pricing of the Global Offering or the level of applications under the Hong Kong Public Offer or the level of interest under the International Placing or (3) makes it inadvisable, inexpedient or impracticable for the Global Offering to proceed.

International Placing

In connection with the International Placing, it is expected that our Company and China Everbright Securities shall enter into the International Underwriting Agreement. Under the International Underwriting Agreement, our Company shall offer our International Placing Shares for subscription by certain professional, institutional and other investors at the Offer Price payable in full on subscription, on and subject to the terms and conditions set forth in the International Underwriting Agreement. It is expected that China Everbright Securities shall agree to underwrite our International Placing Shares.

Commission

China Everbright Securities shall receive an underwriting commission of 3.0% of the aggregate Offer Price of our Hong Kong Offer Shares. China Everbright Securities shall also receive an underwriting commission of 3.0% of the aggregate of the Offer Price of our International Placing Shares, out of which China Everbright Securities shall pay any sub-underwriting commissions, if any.

The Sponsor shall receive sponsorship and documentation fees. The underwriting commission, financial advisory and documentation fees, listing fees, the Stock Exchange trading fee, the SFC transaction levy, legal and other professional fees together with printing and other expenses relating to the Global Offering, assuming an Offer Price of HK\$1.6 (being the mid-point of the indicative range of the Offer Price), are estimated to amount to approximately HK\$34.4 million in total (assuming that the Over-allotment Option is not being exercised).

UNDERWRITING

III. UNDERTAKINGS

Pursuant to the Hong Kong Underwriting Agreement, each of our Controlling Shareholders jointly and severally undertakes to and covenants with our Company, the Sponsor and China Everbright Securities that:–

- (a) he and it shall not, and shall procure that none of his or its associates or the companies controlled by him or it shall, within the First Six-Month Period, sell, transfer, dispose of or create any right (including without limitation the creation of any option, pledge, charge, or other encumbrance or rights) on any of the Shares or any interests therein owned by him or it or any of his or its associates or in which he or it or any of his or its associates is, directly or indirectly interested immediately after the completion of the Global Offering (or any other shares or securities of or interest in our Company arising or deriving therefrom as a result of capitalisation issue or scrip dividend or otherwise), or sell, transfer, dispose of or create any right (including the creation of any option, pledge, charge or other encumbrance or rights) on any shares or interest in any company controlled by him or it or any of his or its associates which is the beneficial owner (directly or indirectly) of any of such Shares or any interests therein as aforesaid (or any other shares or securities of or interest in our Company arising or deriving therefrom as a result of capitalisation issue or scrip dividend or otherwise); and
- (b) save with the prior written consent of the Sole Global Coordinator, within the Second Six-Month Period, he and it shall not, and shall procure that none of his or its associates or the companies controlled by him or it or any of his or its associates shall sell, transfer, dispose of or create any rights (including the creation of any option, pledge, charge or other encumbrance or rights) on any Shares or any interests therein referred to in paragraph (a) above or sell, transfer, dispose of or create any rights (including the creation of any option, pledge, charge or other encumbrance or rights) on any shares in any company controlled by him or it or any of his or its associates which is the beneficial owner (directly or indirectly) of such Shares or any interests therein as aforesaid if, immediately following such disposal or creation of rights, any of our Controlling Shareholders and its shareholders (together with his or its associates), either individually or taken together with the others, would, directly or indirectly, cease to be a controlling shareholder (within the meaning of the Listing Rules) of our Company or cease to hold, directly or indirectly, a controlling interest of over 30% or such lower amount as may from time to time be specified in the Takeovers Code as being the level for triggering a mandatory general offer, in any of the companies controlled by him or it and/or any of his or its associates which owns such Shares or interests as aforesaid.

UNDERWRITING

Our Company undertakes to and covenants with the Sponsor and China Everbright Securities that, and each of our Controlling Shareholders and our executive Directors undertakes to and covenants with the Sponsor and China Everbright Securities that he/it shall procure our Company that, without the prior written consent of China Everbright Securities, save for the Shares to be allotted and issued pursuant to the Capitalisation Issue, the Global Offering, the Over-allotment Option, options granted under the Pre-IPO Share Option Scheme and any option that may be granted under the Share Option Scheme:—

- (a) within the First Six-Month Period, our Company and our subsidiaries shall not, issue or agree to issue (conditionally or unconditionally) any shares or securities of, or grant or agree to grant (conditionally or unconditionally) any options, warrants or other rights carrying the rights to subscribe for, or otherwise convert into, or exchange for any securities of, our Company or any of our subsidiaries; and
- (b) within the Second Six-Month Period, issue or grant (conditionally or unconditionally) any options or right to subscribe for or otherwise convert into or exchange for shares or securities in our Company or any of our subsidiaries so as to result in any of our Controlling Shareholders or its shareholders (together with any of their associates) either individually or taken together with the others of them cease to be a controlling shareholder (within the meaning of the Listing Rules) of our Company or cease to hold, directly or indirectly, a controlling interest of over 30% or such lower amount as may from time to time be specified in the Takeovers Code as being the level for triggering a mandatory general offer in any of the companies controlled by him or it or any of his or its associates which owns any Shares or our Company ceasing to hold a controlling interest of over 30%, directly or indirectly, in any of such subsidiaries.

Each of our Company, our Controlling Shareholders and our executive Directors undertakes to and covenants with the Sponsor and China Everbright Securities that save with the prior written consent of China Everbright Securities, none of our Controlling Shareholders and our executive Directors shall during the First Six-Month Period purchase any Shares and our Company shall not repurchase any Shares during the same period.

UNDERWRITING

Without prejudice to the above, each of our Controlling Shareholders and our executive Directors undertakes and covenants with our Company, the Sponsor and China Everbright Securities that:–

- (a) save with the prior written consent of China Everbright Securities, during the period commencing on the date by reference to which disclosure of the shareholding of our Controlling Shareholders is made in this prospectus and ending on the date which is 12 months from the Listing Date, he or it shall not and shall procure that none of his or its associates shall pledge or charge or create any other rights or encumbrances in any Shares or any interest therein owned by him or it or any of his or its associates or in which he or it or any of his or its associates is, directly or indirectly, interested immediately following completion of the Global Offering (or any other Shares or interest arising or deriving therefrom) or any share or interest in any company controlled by him or it or any of their associates which is the beneficial owner (directly or indirectly) of such Shares or interest therein as aforesaid (or any other Shares or interest in the Shares arising or deriving therefrom); and
- (b) in the event that consent is granted by the Sole Global Coordinator, when he or it or any of their associates shall pledge, charge or create any encumbrance or other right or any of the Shares or interests referred to in paragraph (a) above, he or it shall give prior written notice of not less than three business days to the Stock Exchange, our Company, the Sponsor and China Everbright Securities giving details of the number of Shares, shares in our Company which is the beneficial owner of such Shares, or the interests as aforesaid, the identities of the pledgee or person (the “**Mortgagee**”) in favour of whom the pledge, charge, encumbrance or interest is created and further if he or it or any of his or its associate is aware of or receives indications or notice, either verbal or written, from the Mortgagee that the Mortgagee shall dispose of or transfer any of the Shares or interests referred to in paragraph (a) above, he or it shall immediately notify the Stock Exchange, our Company, the Sponsor and China Everbright Securities in writing of such indications and provide details of such disposal or transfer to the Stock Exchange, our Company, the Sponsor and China Everbright Securities as they may require.

Our Company undertakes and covenants with the Sponsor and China Everbright Securities that our Company shall forthwith inform the Sponsor and China Everbright Securities and the Stock Exchange in writing immediately after it has been informed of the matters referred to in paragraph (b) above and our Company shall, if so required by the Stock Exchange or the Listing Rules, disclose such matters by way of an announcement and shall comply with all requirements of the Stock Exchange.

UNDERWRITING

IV. HONG KONG UNDERWRITER'S INTERESTS IN OUR COMPANY

China Everbright shall be appointed as the compliance adviser of our Company with effect from the Listing Date until the despatch of our audited consolidated financial results for the first full financial year after the Listing Date, and we shall pay an agreed fee to China Everbright for its provision of services with the scope required under the Listing Rules.

Save for their interests and obligations under the Underwriting Agreements, none of the Sponsor or China Everbright Securities is interested in any shares in any member of our Group or has any right (whether legally enforceable or not) or option to subscribe for or to nominate persons to subscribe for any shares in any member of our Group.

STRUCTURE OF THE GLOBAL OFFERING

I. THE GLOBAL OFFERING

This prospectus is published in connection with the Hong Kong Public Offer as part of the Global Offering. China Everbright Securities is the sole lead manager of the Global Offering. China Everbright is the Sponsor.

The Global Offering consists of (subject to the Over-allotment Option):–

- the Hong Kong Public Offer of 25,000,000 Shares (subject to adjustment as mentioned below) in Hong Kong as described in the paragraphs under “The Hong Kong Public Offer” below; and
- the International Placing of 225,000,000 Shares (subject to adjustment as mentioned below and the Over-allotment Option).

Investors may apply for our Hong Kong Offer Shares or indicate an interest, if qualified to do so, for our Offer Shares under the International Placing, but may not do both. The Hong Kong Public Offer is open to members of the public in Hong Kong as well as to institutional and professional investors in Hong Kong.

The International Placing will involve selective marketing of our Offer Shares to professional, institutional or other investors whom we anticipate to have a sizeable demand for the Shares in Hong Kong and other jurisdictions outside the United States. The International Underwriter is soliciting from prospective investors indications of interest in acquiring our International Placing Shares. Prospective investors will be required to specify the number of our Offer Shares under the International Placing they would be prepared to acquire either at different prices or at a particular price.

The number of our Offer Shares under the Hong Kong Public Offer and the International Placing, respectively, may be subject to reallocation as described in the paragraphs under “Pricing and Allocation” below.

II. PRICING AND ALLOCATION

The Offer Price is expected to be fixed by agreement between us and China Everbright Securities on the Price Determination Date, when market demand for our Offer Shares will be determined. The Price Determination Date is expected to be on or around Friday, 9 July 2010, and in any event no later than Sunday, 11 July 2010.

STRUCTURE OF THE GLOBAL OFFERING

The Offer Price will be not more than HK\$1.8 per Offer Share and is expected to be not less than HK\$1.4 per Offer Share.

If we and China Everbright Securities are unable to reach agreement on the Offer Price, the Global Offering will not become unconditional and will lapse.

Our Offer Shares under the Hong Kong Public Offer and the International Placing may, in certain circumstances, be reallocated at the discretion of China Everbright Securities. Allocation of our Offer Shares pursuant to the International Placing will be determined by China Everbright Securities and will be based on a number of factors including the level and timing of demand, total size of the relevant investor's invested assets or equity assets in the relevant sector and whether or not it is expected that the relevant investor is likely to buy further, and/or hold or sell Shares after the Listing. Such allocation may be made to professional, institutional and corporate investors and is intended to result in a distribution of our Shares on a basis which would lead to the establishment of a solid Shareholder base to the benefit of our Company and our Shareholders as a whole.

Allocation of our Hong Kong Offer Shares will be based on the level of valid applications received thereunder. The basis of allocation may vary, depending on the number of Hong Kong Offer Shares validly applied for by applicants. The allocation of our Hong Kong Offer Shares could, where appropriate, consist of balloting, which would mean that some applicants may receive a higher allocation than others who have applied for the same number of our Hong Kong Offer Shares, and those applicants who are not successful in the ballot may not receive any Hong Kong Offer Shares.

The applicable Offer Price, level of applications in the Hong Kong Public Offer, the level of indications of interest in the International Placing, and the basis of allocations of our Hong Kong Offer Shares and the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants under the Hong Kong Public Offer are expected to be made available in a variety of channels in the manner described in the section headed "How to Apply for Hong Kong Offer Shares - IX. Publication of results and despatch/collection of Share certificates, refund cheques and e-Auto Refund Payment Instructions – Publication of results" in this prospectus from Wednesday, 14 July 2010.

STRUCTURE OF THE GLOBAL OFFERING

III. CONDITIONS OF THE HONG KONG PUBLIC OFFER

Acceptance of all applications for our Hong Kong Offer Shares will be conditional on:—

- (a) the granting by the Listing Committee for the listing of, and permission to deal in, the Shares in issue, our Offer Shares, additional Shares which may be issued pursuant to the Capitalisation Issue, the Compulsory Conversion and the exercise of the Over-allotment Option and the options granted under the Pre-IPO Share Option Scheme;
- (b) the Offer Price being duly determined;
- (c) the execution and delivery of the International Underwriting Agreement on or around the Price Determination Date; and
- (d) the obligations of China Everbright Securities under each of the Hong Kong Underwriting Agreement and the International Underwriting Agreement having become unconditional (including, if relevant, as a result of the waiver of any condition by China Everbright Securities) and not having been terminated in accordance with the terms of the respective agreements,

in each case on or before the dates and times specified in the Underwriting Agreements (unless and to the extent such conditions are validly waived on or before such dates and times) and in any event not later than the date which is 30 days after the date of this prospectus.

If for any reason, the Offer Price is not agreed by Sunday, 11 July 2010 between us and China Everbright Securities, the Global Offering will not proceed and will lapse.

If the above conditions are not fulfilled or waived prior to the times and dates specified, the Global Offering will lapse and the Stock Exchange will be notified immediately. We will cause a notice of the lapse of the Hong Kong Public Offer to be published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) on the next day following such lapse. In such eventuality, all application money will be returned, without interest, on the terms set forth in the section headed “How to apply for our Hong Kong Offer Shares - IX. Publication of results and despatch/collection of Share certificates, refund cheques and e-Auto Refund Payment Instructions” in this prospectus. In the meantime, the application money will be held in separate bank account(s) with the receiving banker(s) or other bank(s) in Hong Kong licensed under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong) (as amended). The consummation of each of the Hong Kong Public Offer and the International Placing is conditional upon, among other things, the other becoming unconditional and not having been terminated in accordance with its terms.

STRUCTURE OF THE GLOBAL OFFERING

Share certificates for our Offer Shares are expected to be issued on Wednesday, 14 July 2010, but will only become valid certificates of title at 8:00 a.m. on Thursday, 15 July 2010 provided that (i) the Global Offering have become unconditional in all respects and (ii) the right of termination as described in the section headed “Underwriting - II. Underwriting arrangements and expenses - Hong Kong Public Offer - Grounds for termination” in this prospectus has not been exercised. Investors who trade Shares prior to the receipt of Share certificates or prior to the Share certificates bearing valid certificates of title do so entirely at their own risk.

IV. THE HONG KONG PUBLIC OFFER

Number of our Offer Shares initially offered

We are initially offering 25,000,000 Shares at the Offer Price, representing 10% of the initial number of our Offer Shares, for subscription by members of the public in Hong Kong. Subject to adjustment as mentioned below, the number of our Hong Kong Offer Shares will represent 2.5% of the enlarged number of our Shares immediately following completion of the Capitalisation Issue and the Global Offering (assuming that the Over-allotment Option is not exercised).

Allocation

For allocation purposes only, the initial number of our Hong Kong Offer Shares will be divided equally into two pools (subject to adjustment of odd lot size):–

- Pool A: our Hong Kong Offer Shares in pool A will be allocated on an equitable basis to applicants who have applied for our Hong Kong Offer Shares with an aggregate subscription price of HK\$5.0 million (excluding the brokerage, the Stock Exchange trading fee and the SFC transaction levy payable) or less; and
- Pool B: our Hong Kong Offer Shares in pool B will be allocated on an equitable basis to applicants who have applied for our Hong Kong Offer Shares with an aggregate subscription price of more than HK\$5.0 million (excluding the brokerage, the Stock Exchange trading fee and the SFC transaction levy payable) and up to the value of pool B.

Applicants should be aware that applications in pool A and pool B are likely to receive different allocation ratios. If our Hong Kong Offer Shares in one pool (but not both pools) are undersubscribed, the surplus Hong Kong Offer Shares will be transferred to the other pool to satisfy demand in that other pool and be allocated accordingly. Applicants can only receive an allocation of our Hong Kong Offer Shares from either pool A or pool B but not from both pools and may only apply for our Hong Kong Offer Shares in either pool A or pool B.

STRUCTURE OF THE GLOBAL OFFERING

In addition, multiple or suspected multiple applications within either pool or between pools will be rejected. No application will be accepted from applicants for more than 12,500,000 Hong Kong Offer Shares (being 50% of the initial number of our Hong Kong Offer Shares).

Reallocation and clawback

The allocation of our Offer Shares between the Hong Kong Public Offer and the International Placing is subject to adjustment.

If the number of Shares validly applied for under the Hong Kong Public Offer represents (i) 15 times or more but less than 50 times, (ii) 50 times or more but less than 100 times, and (iii) 100 times or more, of the initial number of our Hong Kong Offer Shares, the total number of our Offer Shares to be available under the Hong Kong Public Offer will be increased to 75,000,000, 100,000,000 and 125,000,000 Offer Shares, respectively, representing 30% (in the case of (i)), 40% (in the case of (ii)) and 50% (in the case of (iii)), respectively, of the initial number of our Offer Shares (assuming that the Over-allotment Option is not exercised). In such cases, the number of our International Placing Shares will be correspondingly reduced in such manner as China Everbright Securities deems appropriate, and such additional offer Shares will be allocated to pool A and pool B equally.

If our Hong Kong Offer Shares are not fully subscribed, China Everbright Securities shall have the authority to reallocate all or any unsubscribed Hong Kong Offer Shares to the International Placing in such proportions as China Everbright Securities deems appropriate.

Applications

China Everbright Securities may require any investor who has been offered Shares under the International Placing, and who has made an application under the Hong Kong Public Offer, to provide sufficient information to China Everbright Securities so as to allow it to identify the relevant applications under the Hong Kong Public Offer and to ensure that it is excluded from any application for our Hong Kong Offer Shares.

Each applicant under the Hong Kong Public Offer will also be required to give an undertaking and confirmation in the application submitted by him or her or it that he or she or it and any person for whose benefit he or she or it is making the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any International Placing Shares, and such applicant's application will be liable to be rejected if the said undertaking or confirmation is breached or untrue (as the case may be) or it has been or will be placed or allocated International Placing Shares.

STRUCTURE OF THE GLOBAL OFFERING

The Offer Price will be not more than HK\$1.8 and is expected to be not less than HK\$1.4. Applicants under the Hong Kong Public Offer are required to pay, on application, the maximum Offer Price of HK\$1.8 per Share plus 1.0% brokerage fee, 0.004% SFC transaction levy, and 0.005% Stock Exchange trading fee. If the Offer Price, as finally determined on the Price Determination Date, is lower than HK\$1.8, being the maximum Offer Price, we will refund the respective difference (including the brokerage fee, the SFC transaction levy, and the Stock Exchange trading fee attributable to the surplus application money) to successful applicants, without interest. Further information is set forth in “How to Apply for our Hong Kong Offer Shares” in this prospectus.

References in this prospectus to applications, Application Forms, application money or to the procedure for application relate solely to the Hong Kong Public Offer.

V. THE INTERNATIONAL PLACING

Number of our Offer Shares initially offered

We are initially offering 225,000,000 Shares at the Offer Price, representing 90% of the initial number of our Offer Shares, for subscription under the International Placing. Subject to adjustment as mentioned below, the number of our International Placing Shares will represent 22.5% of the enlarged number of our Shares immediately following completion of the Capitalisation Issue and the Global Offering (assuming that the Over-allotment Option is not exercised).

Allocation

Pursuant to the International Placing, China Everbright Securities will conditionally place our International Placing Shares with selected professional, institutional or other investors outside the U.S. whom are expected to have a sizeable demand for our Shares. Allocation of Offer Shares pursuant to the International Placing will be effected in accordance with the “bookbuilding” process described in “_____ – Pricing and allocation” in this section and based on a number of factors, including the level and timing of demand, total size of the relevant investor’s invested assets or equity assets in the relevant sector and whether or not it is expected that the relevant investor is likely to buy further Shares, and/or hold or sell its Shares, after Listing. Such allocation is intended to result in a distribution of the Shares on a basis which would lead to the establishment of a solid professional and institutional Shareholder base to the benefit of our Company and our Shareholders as a whole.

The International Placing is subject to the Hong Kong Public Offer becoming unconditional.

STRUCTURE OF THE GLOBAL OFFERING

VI. OVER-ALLOTMENT OPTION

We expect to grant the Over-allotment Option to China Everbright Securities, exercisable by China Everbright Securities, pursuant to the International Underwriting Agreement, from the Listing Date up to (and including) the date which is the 30th day after the last date for lodging of Application Forms under the Hong Kong Public Offer.

Pursuant to the Over-allotment Option, China Everbright Securities or its agents will have the right to require us to allot and issue up to an aggregate of 37,500,000 additional new Shares, representing in aggregate 15% of the initial number of our Offer Shares at the Offer Price. An announcement will be made in the event that the Over-allotment Option is exercised.

VII. STOCK BORROWING ARRANGEMENT

In order to facilitate the settlement of over-allotments in connection with the International Placing, China Everbright Securities or any of its affiliates or any person acting for it may choose to borrow up to 37,500,000 Shares from Neway Enterprises pursuant to the stock borrowing arrangement (being the maximum number of Shares which may be issued upon exercise of the Over-allotment Option) or acquire Shares from other sources, including exercising the Over-allotment Option.

If such stock borrowing arrangement with Neway Enterprises is entered into, it will only be effected by China Everbright Securities or any of its affiliates or any person acting for it for settlement of over-allocation in the International Placing and such arrangement is not subject to the restrictions of Rule 10.07(1)(a) of the Listing Rules, provided that the requirements set forth in Rule 10.07(3) of the Listing Rules are complied with, which provides that (i) the arrangement is fully described in this prospectus and must be for the sole purpose of covering any short position prior to the exercise of the Over-allotment Option; (ii) the maximum number of Shares to be borrowed is the maximum number of Shares that may be issued upon full exercise of the Over-allotment Option; and (iii) the same number of Shares borrowed is returned to Neway Enterprises or its nominee (as the case may be) within three business days after the last day on which the Over-allotment Option may be exercised or, if earlier, the date on which the Over-allotment Option is exercised in full; (iv) borrowing of Shares will be effected in compliance with applicable listing rules, laws and other regulatory requirements and (v) no payments will be made to Neway Enterprises by China Everbright Securities in relation to this borrowing arrangement. The same number of Shares so borrowed must be returned to Neway Enterprises or its nominees, as the case may be, on or before the third business day following the earlier of (i) the last day for exercising the Over-allotment Option and (ii) the day on which the Over-allotment Option is exercised in full. The stock borrowing arrangement will be effected in compliance with all applicable laws, rules and regulatory requirements. No payment will be made to Neway Enterprises by China Everbright Securities or its agent in relation to such stock borrowing arrangement.

STRUCTURE OF THE GLOBAL OFFERING

VIII. STABILISATION

Stabilisation is a practice used by underwriters in some markets to facilitate the distribution of securities. To stabilise, the underwriters may bid for, or purchase, the newly issued securities in the secondary market, during a specified period of time (which will begin on the Listing Date, and is expected to expire on Thursday, 5 August 2010, being the 30th day after the last date for lodging applications under the Hong Kong Public Offer), to retard and, if possible, prevent a decline in the initial public market price of the securities below the offer price. Such transactions may be effected in all jurisdictions where it is permissible to do so, in each case in compliance with all applicable laws and regulatory requirements including those of Hong Kong. In Hong Kong, the stabilisation price is not permitted exceed the offer price.

In connection with the Global Offering, China Everbright Securities or its affiliates or any person acting for it, as stabilising manager, may over-allocate Shares or effect transactions with a view to stabilising or supporting the market price of our Shares at a level higher than that which might otherwise prevail for a limited period after the Listing Date.

However, there is no obligation on China Everbright Securities or its affiliates or any persons acting for it, to conduct any such stabilising action. Such stabilisation action, if commenced, may be discontinued at any time, and is required to be brought to an end after a limited period. Should stabilising transactions be effected in connection with the Global Offering, this will be at the absolute discretion of China Everbright Securities or its affiliates or any person acting for it.

The number of Shares over-allocated will not be greater than the maximum number of Shares which may be issued upon exercise of the Over-allotment Option, being 37,500,000 Shares, which is 15% of the initial number of our Offer Shares.

Stabilisation action permitted in Hong Kong pursuant to the Securities and Futures (Price Stabilizing) Rules, as amended, includes (i) over-allocating for the purpose of preventing or minimising any reduction in the market price of our Shares, (ii) selling or agreeing to sell our Shares so as to establish a short position in them for the purpose of preventing or minimising any reduction in the market price of our Shares, (iii) purchasing or subscribing for, or agreeing to purchase or subscribe for, our Shares pursuant to the Over-allotment Option in order to close out any position established under (i) or (ii) above, (iv) purchasing, or agreeing to purchase, any of our Shares for the sole purpose of preventing or minimising any reduction in the market price of our Shares, (v) selling or agreeing to sell any Shares in order to liquidate any position established as a result of those purchases and (vi) offering or attempting to do anything as described in (ii), (iii), (iv) or (v).

STRUCTURE OF THE GLOBAL OFFERING

Prospective applicants for and investors in our Offer Shares should note that:–

- China Everbright Securities or its affiliates or any person acting for it, may, in connection with the stabilising action, maintain a long position in our Shares;
- there is no certainty regarding the extent to which and the time or period for which China Everbright Securities or its affiliates or any person acting for it, will maintain such a long position;
- liquidation of any such long position by China Everbright Securities or its affiliates or any person acting for it, may have an adverse impact on the market price of our Shares;
- no stabilising action can be taken to support the price of our Shares for longer than the stabilising period which will begin on the Listing Date, and is expected to expire on Thursday, 5 August 2010, being the 30th day after the last date for lodging applications under the Hong Kong Public Offer. After this date, when no further stabilising action may be taken, demand for our Shares, and therefore the price of our Shares, could fall;
- the price of our Shares cannot be assured to stay at or above the final Offer Price by the taking of any stabilising action; and
- stabilising bids may be made or transactions effected in the course of the stabilising action at any price at or below the final Offer Price, which means that stabilising bids may be made or transactions effected at a price below the price paid by applicants for, or investors in, our Shares.

We will ensure or procure that a public announcement in compliance with the Securities and Futures (Price Stabilising) Rules will be made within seven days of the expiration of the stabilising period.

In connection with the Global Offering, China Everbright Securities may over-allocate up to and not more than an aggregate of 37,500,000 additional Shares and cover such over-allocations by exercising the Over-allotment Option, which will be exercisable by China Everbright Securities or its agent or by making purchases in the secondary market at prices that do not exceed the Offer Price or through stock borrowing arrangement or a combination of these means. In particular, for the purpose of settlement of over-allocations in connection with the International Placing, China Everbright Securities may borrow up to 37,500,000 Shares from Neway Enterprises, equivalent to the maximum number of Shares to be issued on full exercise of the Over-allotment Option, under the stock borrowing arrangement. The stock borrowing arrangement will be effected in compliance with all applicable laws, rules and regulatory requirements. No payments or other benefit will be made to Neway Enterprises by China Everbright Securities in relation to the stock borrowing arrangement.

STRUCTURE OF THE GLOBAL OFFERING

IX. DEALING ARRANGEMENTS

Assuming that the Hong Kong Public Offer becomes unconditional at 8:00 a.m. in Hong Kong on Thursday, 15 July 2010, it is expected that dealings in Shares on the Main Board will commence at 9:30 a.m. on Thursday, 15 July 2010.

X. UNDERWRITING ARRANGEMENTS

The Hong Kong Public Offer is fully underwritten by China Everbright Securities under the terms of the Hong Kong Underwriting Agreement, subject to agreement on the Offer Price between us and China Everbright Securities on the Price Determination Date.

We expect that we will, on or before Sunday, 11 July 2010, shortly after determination of the Offer Price, enter into the International Underwriting Agreement relating to the International Placing. Underwriting arrangements, the Hong Kong Underwriting Agreement and the International Underwriting Agreement are summarised in the section headed “Underwriting” in this prospectus.

XI. MINIMUM PUBLIC FLOAT

Our Directors shall ensure that there shall be a minimum of 25% of the total Shares in issue in public hands in accordance with Rule 8.08 of the Listing Rules after completion of the Capitalisation Issue and the Global Offering.

HOW TO APPLY FOR OUR HONG KONG OFFER SHARES

There are three ways to make an application for our Hong Kong Offer Shares. You may either:–

- (a) use a **WHITE** or **YELLOW** Application Form; or
- (b) electronically instruct HKSCC to cause HKSCC Nominees to apply for our Hong Kong Offer Shares on your behalf; or
- (c) applying through the **HK eIPO White Form** by submitting an electronic application online to the **HK eIPO White Form** Service Provider through the designated website at *http://www.hkeipo.hk*.

Except where you are a nominee and provide the required information in your application, you or your joint applicant(s) may not make more than one application (whether individually or jointly) by applying on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or to the designated HK eIPO White Form Service Provider (individual applicant only).

I. WHO CAN APPLY FOR OUR HONG KONG OFFER SHARES

You can apply for our Hong Kong Offer Shares available for subscription by the public if you or any person(s) for whose benefit you are applying are an individual, and:–

- are 18 years of age or older;
- have a Hong Kong address;
- are not residing in the United States; and
- are not a U.S. person (as defined in Regulation S of the U.S. Securities Act 1933), or a legal or natural person of the PRC (except for those qualified domestic institutional investors).

If the applicant is a firm, the application must be in the names of the individual members, not the firm's name. If the applicant is a body corporate, the application form must be signed by a duly authorised officer, who must state his or her representative capacity.

If an application is made by a person duly authorised under a valid power of attorney, China Everbright Securities (or its agent or nominee) may accept it at its discretion, and subject to any conditions it thinks fit, including production of evidence of the authority of the attorney.

The number of joint applicants may not exceed four.

HOW TO APPLY FOR OUR HONG KONG OFFER SHARES

We and China Everbright Securities, in their capacity as our agents, have full discretion to reject or accept any application, in full or in part, without assigning any reason.

Our Hong Kong Offer Shares are not available to existing beneficial owners of our Shares, our Directors or chief executive or their respective associates as defined in the Listing Rules or any other connected persons of our Company or persons who will become our connected persons immediately upon completion of the Capitalisation Issue and the Global Offering.

You may apply for our Hong Kong Offer Shares or indicate an interest for International Placing Shares, but may not do both.

II. APPLYING BY USING AN APPLICATION FORM

Which Application Form to use

Use a **WHITE** Application Form if you want our Hong Kong Offer Shares issued in your own name.

Use a **YELLOW** Application Form if you want our Hong Kong Offer Shares issued in the name of HKSCC Nominees and deposited directly into CCASS for credit to your CCASS Investor Participant stock account or your designated CCASS Participant's stock account.

Where to collect Application Forms

You can collect a **WHITE** Application Form and this prospectus during normal business hours from 9:00 a.m. on Wednesday, 30 June 2010 until 12:00 noon on Tuesday, 6 July 2010 from:–

(1) Any participant of
The Stock Exchange of Hong Kong Limited

or

(2) **China Everbright Securities (HK) Limited**
36th Floor, Far East Finance Centre
16 Harcourt Road
Hong Kong

or

HOW TO APPLY FOR OUR HONG KONG OFFER SHARES

(3) or any of the following branches of Bank of China (Hong Kong) Limited:—

Hong Kong Island	Bank of China Tower Branch	3/F, 1 Garden Road
	409 Hennessy Road Branch	409-415 Hennessy Road, Wan Chai
	North Point (Kiu Fai Mansion) Branch	413-415 King's Road, North Point
	United Centre Branch	Shop 1021, United Centre, 95 Queensway
Kowloon	Yau Ma Tei Branch	471 Nathan Road, Yau Ma Tei
	Whampoa Garden Branch	Shop G8B, Site 1, Whampoa Garden, Hung Hom
	To Kwa Wan Branch	80N To Kwa Wan Road, To Kwa Wan
	Mong Kok (President Commercial Centre) Branch	608 Nathan Road, Mong Kok
	Humphrey's Avenue Branch	4-4A Humphrey's Avenue, Tsim Sha Tsui
	Mei Foo Mount Sterling Mall Branch	Shop N47-49 Mount Sterling Mall, Mei Foo Sun Chuen
New Territories	Lucky Plaza Branch	Lucky Plaza, Wang Pok Street, Shatin
	Castle Peak Road (Yuen Long) Branch	162 Castle Peak Road, Yuen Long

HOW TO APPLY FOR OUR HONG KONG OFFER SHARES

You can collect a **YELLOW** Application Form and this prospectus during normal business hours from 9:00 a.m. on Wednesday, 30 June 2010 until 12:00 noon on Tuesday, 6 July 2010 from:–

- (1) The Depository Counter of HKSCC at 2nd Floor, Vicwood Plaza, 199 Des Voeux Road Central, Hong Kong; or
- (2) Your stockbrokers, who may have such Application Forms and this prospectus available.

How to apply by using a WHITE or YELLOW Application Form

There are detailed instructions on each Application Form. You should read these instructions carefully. If you do not follow the instructions your application may be rejected and returned by ordinary post together with the accompanying cheque(s) or banker's cashier order(s) to you (or the first-named applicant in the case of joint applicants) at your own risk at the address stated in the Application Form.

- (a) Obtain an Application Form as set forth in the paragraphs under “_____ – Where to collect Application Forms” above.
- (b) Complete the Application Form in English in ink, and sign it. There are detailed instructions on each Application Form. You should read these instructions carefully. If you do not follow the instructions, your application may be rejected and returned by ordinary post together with the accompanying cheque(s) or banker's cashier order(s) to you (or the first-named applicant in the case of joint applicants) at your own risk at the address stated in the Application Form.
- (c) Each Application Form must be accompanied by payment, in the form of either one cheque or one banker's cashier order. You should read the detailed instructions set out on the Application Form carefully, as an application is liable to be rejected if the cheque or banker's cashier order does not meet the requirements set out on the Application Form.

HOW TO APPLY FOR OUR HONG KONG OFFER SHARES

- (d) Lodge the Application Form in one of the collection boxes provided at any one of the branches of Bank of China (Hong Kong) Limited as set forth in the paragraphs under “Where to collect Application Forms” above at the times set forth under the subparagraphs under “Applications on **WHITE** or **YELLOW** Application Forms” in the section headed “V. When may Applications be made” above.

In order for the **YELLOW** Application Forms to be valid:–

You, as the applicant(s), must complete the Application Form as indicated below and sign on the first page of the Application Form. Only written signatures will be accepted.

- (a) If the application is made through a designated CCASS Participant (other than a CCASS Investor Participant):–
- (i) the designated CCASS Participant must endorse the form with its company chop (bearing its company name) and insert its participant I.D. in the appropriate box in the Application Form.
- (b) If the application is made by an individual CCASS Investor Participant:–
- (i) the Application Form must contain the CCASS Investor Participant’s name and Hong Kong identity card number; and
 - (ii) the CCASS Investor Participant must insert its participant I.D. in the appropriate box in the Application Form.
- (c) If the application is made by a joint individual CCASS Investor Participant:–
- (i) the Application Form must contain all joint CCASS Investor Participants’ names and Hong Kong identity card numbers of all joint CCASS Investor Participants; and
 - (ii) the participant I.D. must be inserted in the appropriate box in the Application Form.
- (d) If the application is made by a corporate CCASS Investor Participant:–
- (i) the Application Form must contain the CCASS Investor Participant’s company name and Hong Kong business registration number; and
 - (ii) the participant I.D. and company chop (bearing its company name) must be inserted in the appropriate box in the Application Form.

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Incorrect or omission of details of the CCASS Participant (including participant I.D. and/or company chop bearing its company name) or other similar matters may render the application invalid. Nominees who wish to submit separate applications in their names on behalf of different beneficial owners are requested to designate on each Application Form in the box marked “For nominees” account numbers or other identification codes for each beneficial owner or, in the case of joint beneficial owners, for each joint beneficial owner.

If your application is made through a duly authorised attorney, we, China Everbright Securities and the Sponsor, as our agent, may accept it at our discretion, and subject to any conditions we think fit, including evidence of the authority of your attorney. We, China Everbright Securities and the Sponsor, as our agent, will have full discretion to reject or accept any application, in full or in part, without assigning any reason.

III. APPLYING BY GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC VIA CCASS

General information

CCASS Participants may give **electronic application instructions** via CCASS to HKSCC to apply for our Hong Kong Offer Shares and to arrange payment of the money due on application and payment of refunds. This will be in accordance with their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures in effect from time to time.

If you are a **CCASS Investor Participant**, you may give **electronic application instructions** through the CCASS Phone System by calling 2979-7888 or through the CCASS Internet System (<https://ip.ccass.com>) (according to the procedures contained in HKSCC’s “An Operating Guide for Investor Participants” in effect from time to time).

HKSCC can also input **electronic application instructions** for you if you go to:–

Hong Kong Securities Clearing Company Limited

Customer Service Centre
2nd Floor, Vicwood Plaza
199 Des Voeux Road Central
Hong Kong

and complete an input request form.

Prospectuses are available for collection from the above address.

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If you are **not a CCASS Investor Participant**, you may instruct your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for our Hong Kong Offer Shares on your behalf. You are deemed to have authorised HKSCC and/or HKSCC Nominees to transfer the details of your application, whether submitted by you or through your broker or custodian, to our Company, the Sponsor and our Hong Kong branch registrar.

Application for our Hong Kong Offer Shares by HKSCC Nominees on your behalf

Where a **WHITE** Application Form is signed by HKSCC Nominees on behalf of persons who have given **electronic application instructions** to apply for our Hong Kong Offer Shares:–

- (a) HKSCC Nominees is only acting as a nominee for those persons and shall not be liable for any breach of the terms and conditions of the **WHITE** Application Form or this prospectus;
- (b) HKSCC Nominees does the following on behalf of each such person:–
 - (i) agrees that our Hong Kong Offer Shares to be allotted shall be issued in the name of HKSCC Nominees and deposited directly into CCASS for the credit of the stock account of the CCASS Participant who has inputted **electronic application instructions** on that person's behalf or that person's CCASS Investor Participant stock account;
 - (ii) undertakes and agrees to accept our Hong Kong Offer Shares in respect of which that person has given **electronic application instructions** or any lesser number of such Offer Shares;
 - (iii) undertakes and confirms that that person has not indicated an interest for, applied for or taken up any Offer Shares under the International Placing nor otherwise participated in the International Placing;
 - (iv) (if the **electronic application instructions** are given for that person's own benefit) declares that only one set of **electronic application instructions** has been given for that person's benefit;
 - (v) (if that person is an agent for another person) declares that that person has only given one set of **electronic application instructions** for the benefit of that other person and that that person is duly authorised to give those instructions as that other person's agent;

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- (vi) understands that the above declaration will be relied upon by us, our Directors and China Everbright Securities in deciding whether or not to make any allotment of Hong Kong Offer Shares in respect of the **electronic application instructions** given by that person and that that person may be prosecuted if he makes any false declaration;
- (vii) authorises us to place the name of HKSCC Nominees on the register of members of our Company as the holder of our Hong Kong Offer Shares allotted in respect of that person's **electronic application instructions** and to send Share certificate(s) and/or refund money in accordance with the arrangements separately agreed between our Company and HKSCC;
- (viii) confirms that that person has read the terms and conditions and application procedures set out in this prospectus and agrees to be bound by them;
- (ix) confirms that that person has only relied on the information and representations in this prospectus in giving that person's **electronic application instructions** or instructing that person's broker or custodian to give **electronic application instructions** on that person's behalf and will not rely on any other information and representations save as set out in any supplement to this prospectus, and that person agrees that neither our Company, our Directors, China Everbright Securities, the Sponsor, or any of the parties involved in the Global Offering will have any liability for any such other information or representation;
- (x) agrees that our Company, China Everbright Securities and any of their respective directors, officers, employees, partners, agents or advisors are liable only for the information and representations contained in this prospectus and any supplement thereto;
- (xi) agrees to disclose that person's personal data to our Company, our Hong Kong branch registrar, our receiving banker, China Everbright Securities and any of their respective advisors and agents and any information which they may require about that person for whose benefit the application is made;
- (xii) agrees (without prejudice to any other rights which that person may have) that once the application of HKSCC Nominees is accepted, the application cannot be rescinded for innocent misrepresentation;

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- (xiii) agrees that any application made by HKSCC Nominees on behalf of that person pursuant to the **electronic application instructions** given by that person is irrevocable before Tuesday, 6 July 2010, such agreement to take effect as a collateral contract with our Company and to become binding when that person gives the instructions and such collateral contract to be in consideration of our Company agreeing that it will not offer any Hong Kong Offer Shares to any person before Tuesday, 6 July 2010, except by means of one of the procedures referred to in this prospectus. However, HKSCC Nominees may revoke the application before the fifth business day after the time of the opening of the Application Lists if a person responsible for this prospectus under section 40 of the Companies Ordinance gives a public notice under that section which excludes or limits the responsibility of that person for this prospectus;
- (xiv) agrees that once the application of HKSCC Nominees is accepted, neither that application nor that person's **electronic application instructions** can be revoked, and that acceptance of that application will be evidenced by the announcement of the results of the Hong Kong Public Offer made by our Company;
- (xv) agrees to the arrangements, undertakings and warranties specified in the participant agreement between that person and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, in respect of the giving of **electronic application instructions** relating to Hong Kong Offer Shares;
- (xvi) agrees with our Company, for ourselves and for the benefit of each of our shareholders (and so that we will be deemed by our acceptance in whole or in part of the application by HKSCC Nominees to have agreed, for ourselves and on behalf of each of our shareholders, with each CCASS Participant giving **electronic application instructions**) to observe and comply with the Companies Law, the Companies Ordinance and the Articles; and
- (xvii) agrees that that person's application, any acceptance of it and the resulting contract will be governed by and construed in accordance with the laws of Hong Kong.

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Effect of giving electronic application instructions to HKSCC

By giving **electronic application instructions** to HKSCC or instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give such instructions to HKSCC, you (and if you are joint applicants, each of you jointly and severally) are deemed to have taken the following actions. Neither HKSCC nor HKSCC Nominees shall be liable to our Company or any other person in respect of the actions mentioned below:–

- (a) instructed and authorised HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participants) to apply for our Hong Kong Offer Shares on your behalf;
- (b) instructed and authorised HKSCC to arrange payment of the maximum offer price, and the related brokerage fee, the SFC transaction levy, and the Stock Exchange trading fee by debiting your designated bank account and, in the case of a wholly or partially unsuccessful application and/or the Offer Price is less than the initial price per Offer Share paid on application, refund of the application money (in each case including brokerage fee, the SFC transaction levy, and the Stock Exchange trading fee) by crediting your designated bank account; and
- (c) instructed and authorised HKSCC to cause HKSCC Nominees to take on your behalf all the actions which it is stated to take on your behalf in the **WHITE** Application Form.

Minimum application amount and permitted multiples

You may give or cause your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give electronic application instructions in respect of a minimum of 2,000 Hong Kong Offer Shares. Such instructions in respect of more than 2,000 Hong Kong Offer Shares must be in one of the number of shares in the table in the Application Forms. No application for any other number of Hong Kong Offer Shares will be considered and any such application is liable to be rejected.

Allocation of our Hong Kong Offer Shares

For the purposes of allocating our Hong Kong Offer Shares, HKSCC Nominees will not be treated as an applicant. Instead, each CCASS Participant who gives **electronic application instructions** or each person for whose benefit each such instruction is given will be treated as an applicant.

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Section 40 of the Companies Ordinance

For the avoidance of doubt, we and all other parties involved in the preparation of this prospectus acknowledge that each CCASS Participant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under section 40 of the Companies Ordinance.

Personal Data

The paragraphs in the Application Form under “Personal Data” applies to any personal data held by us, our Hong Kong branch registrar, receiving banker, China Everbright Securities and any of their respective advisors and agents about you in the same way as it applies to personal data about applicants other than HKSCC Nominees.

Warning

The application for our Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC is only a facility provided to CCASS Participants. We, our Directors, the Sponsor and China Everbright Securities take no responsibility for the application and provide no assurance that any CCASS Participant will be allotted any Hong Kong Offer Shares.

To ensure that CCASS Investor Participants can give their **electronic application instructions** to HKSCC through the CCASS Phone System or the CCASS Internet System, CCASS Investor Participants are advised not to wait until the last minute to input their electronic application instructions to the systems. In the event that CCASS Investor Participants have problems connecting to the CCASS Phone System or the CCASS Internet System to submit their **electronic application instructions**, they should either: (i) submit a **WHITE** or **YELLOW** Application Form; or (ii) go to HKSCC’s Customer Service Centre to complete an input request form for **electronic application instructions** before 12:00 noon on Tuesday, 6 July 2010 or such later time as set forth in the paragraphs under “_____ – V. When may applications be made - Effect of bad weather on the opening of the Application Lists” below.

HOW TO APPLY FOR OUR HONG KONG OFFER SHARES

IV. APPLYING THROUGH THE DESIGNATED HK eIPO WHITE FORM SERVICE

You may apply for our Hong Kong Offer Shares online through the designated website at <http://www.hkeipo.hk>, referred to herein as the “**HK eIPO White Form**” service. In addition to any other requirements, you must also:

- have a valid Hong Kong identity card number; and
- be willing to provide a valid e-mail address and a contact telephone number.

You may only apply by means of the **HK eIPO White Form** service if you are an individual applicant. Corporations or joint applicants may not apply by means of the **HK eIPO White Form**.

- (a) You may apply through **HK eIPO White Form** by submitting an application through the designated website at <http://www.hkeipo.hk>. If you apply through **HK eIPO White Form**, the Shares will be issued in your name. For the purposes of allocating Hong Kong Offer Shares, each applicant giving **electronic application instructions** through the **HK eIPO White Form** service to the **HK eIPO White Form** Service Provider through the designated website at <http://www.hkeipo.hk> will be treated as an applicant.
- (b) Detailed instructions for application through the **HK eIPO White Form** service are set out on the designated website at <http://www.hkeipo.hk>. You should read these instructions carefully. If you do not follow the instructions, your application may be rejected by the designated **HK eIPO White Form** Service Provider and may not be submitted to our Company.
- (c) The designated **HK eIPO White Form** Service Provider may impose additional terms and conditions upon you for the use of the **HK eIPO White Form** service. Such terms and conditions are set out on the designated website at <http://www.hkeipo.hk>. You will be required to read, understand and agree to such terms and conditions in full prior to making any application.
- (d) By submitting an application to the designated **HK eIPO White Form** Service Provider through the **HK eIPO White Form** service, you are deemed to have authorized the designated **HK eIPO White Form** Service Provider to transfer the details of your application to our Company and the Hong Kong branch registrar.

HOW TO APPLY FOR OUR HONG KONG OFFER SHARES

- (e) You may submit an application through the **HK eIPO White Form** service in respect of a minimum of 2,000 Hong Kong Offer Shares. Each electronic application instruction in respect of more than 2,000 Hong Kong Offer Shares must be in one of the numbers set out in the table in the Application Forms, or as otherwise specified on the designated website at <http://www.hkeipo.hk>.
- (f) You should give **electronic application instructions** through **HK eIPO White Form** at the times set out in the sub-paragraph headed “Applications through the **HK eIPO White Form** service” under the section headed “V. When may Applications be made”.
- (g) You should make payment for your application made by **HK eIPO White Form** service in accordance with the methods and instructions set out in the designated website at <http://www.hkeipo.hk>. If you do not make complete payment of the application money (including any related fees) on or before 12:00 noon on Tuesday, 6 July 2010, or such later time as described under the sub-paragraph headed “Effect of bad weather on the opening of the Application Lists” in the section headed “_____ – V. When may Applications be made”, the designated **HK eIPO White Form** Service Provider will reject your application and your application money will be returned to you in the manner described in the designated website at <http://www.hkeipo.hk>.
- (h) Once you have completed payment in respect of any application instruction given by you or for your benefit to the designated **HK eIPO White Form** Service Provider, an actual application shall be deemed to have been made. For the avoidance of doubt, giving an application instruction under the **HK eIPO White Form** service more than once and obtaining different application reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application.
- (i) **Warning:** The application for Hong Kong Offer Shares through the **HK eIPO White Form** service is only a facility provided by the designated **HK eIPO White Form** Service Provider to public investors. Our Company, Directors, China Everbright Securities, the Sponsor and China Everbright Securities take no responsibility for such applications, and provide no assurance that applications through the **HK eIPO White Form** service will be submitted to our Company or that you will be allotted any Hong Kong Offer Shares.

Please note that internet services may have capacity limitations and/or be subject to service interruptions from time to time. To ensure that you can submit your applications through the **HK eIPO White Form** service, you are advised not to wait until the last day for submitting applications in the Hong Kong Public Offer to submit your **electronic application instructions**. In the event that you have problems connecting to the designated website for the **HK eIPO White Form** service, you should submit a **WHITE** Application Form. However, once you have submitted **electronic application instructions** and

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completed payment in full using the application reference number provided to you on the designated website, you will be deemed to have made an actual application and should not submit a **WHITE** or **YELLOW** Application Form or give **electronic application instructions** to HKSCC via CCASS. See “_____ – VI. How many applications may you make” below.

V. WHEN MAY APPLICATIONS BE MADE

Applications on WHITE or YELLOW Application Forms

Completed **WHITE** and **YELLOW** Application Forms, with payment attached, must be lodged by 12:00 noon on Tuesday, 6 July 2010, or, if the Application Lists are not open on that day, then by 12:00 noon on the next day the Application Lists are open. Your completed Application Form, together with a cheque or banker’s cashier order attached and marked payable to “Bank of China (Hong Kong) Nominees Limited – Tian Shan Public Offer” for the payment, should be deposited in the special collection boxes provided at any of the branches of the receiving banker listed in the paragraphs under “_____ – II. Applying by using an Application Form - Where to collect Application Forms” above at the following times:–

Wednesday, 30 June 2010 - 9:00 a.m. to 5:00 p.m.

Friday, 2 July 2010 - 9:00 a.m. to 5:00 p.m.

Saturday, 3 July 2010 - 9:00 a.m. to 1:00 p.m.

Monday, 5 July 2010 - 9:00 a.m. to 5:00 p.m.

Tuesday, 6 July 2010 - 9:00 a.m. to 12:00 noon

The Application Lists will be open from 11:45 a.m. to 12:00 noon on Tuesday, 6 July 2010.

No proceedings will be taken on applications for our Hong Kong Offer Shares and no allotment of any such Hong Kong Offer Shares will be made until the closing of the Application Lists. No application for our Hong Kong Offer Shares shall be made later than 12:00 noon, Tuesday, 6 July 2010.

Electronic Application Instructions to HKSCC via CCASS

CCASS Clearing/Custodian Participants can input electronic application instructions at the following times on the following dates:–

Wednesday, 30 June 2010 - 9:00 a.m. to 8:30 p.m.¹

Friday, 2 July 2010 - 8:00 a.m. to 8:30 p.m.¹

Saturday, 3 July 2010 - 8:00 a.m. to 1:00 p.m.¹

Monday, 5 July 2010 - 8:00 a.m. to 8:30 p.m.¹

Tuesday, 6 July 2010 - 8:00 a.m.⁽¹⁾ to 12:00 noon

Note:–

¹ These times are subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing/Custodian Participants.

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CCASS Investor Participants can input **electronic application instructions** from 9:00 a.m. on Wednesday, 30 June 2010 until 12:00 noon on Tuesday, 6 July 2010 (24 hours daily, except the first and the last application day). The latest time for inputting **electronic application instructions** via CCASS will be 12:00 noon on Tuesday, 6 July 2010, the last application day, or if the Application Lists are not open on that day, by the time and date stated in the paragraphs under “Effect of bad weather on the opening of the Application Lists” below.

Applications through the HK eIPO White Form service

You may submit your application to the designated **HK eIPO White Form Service Provider** through the designated website at <http://www.hkeipo.hk> from 9:00 a.m. on Wednesday, 30 June 2010 until 11:30 a.m. on Tuesday, 6 July 2010 or such later time as described under the sub-paragraph headed “Effect of bad weather on the opening of the Application Lists”. The latest time for completing full payment of application money in respect of such applications will be 12:00 noon on Tuesday, 6 July 2010, the last application day, or, if the Application Lists are not open on that day, by the time and date stated in the sub-paragraph headed “Effect of bad weather on the opening of the Application Lists” below.

You will not be permitted to submit your application to the designated **HK eIPO White Form Service Provider** through the designated website at <http://www.hkeipo.hk> after 11:30 a.m. on the last day for submitting applications. If you have already submitted your application and obtained an application reference number from the website prior to 11:30 a.m., you will be permitted to continue the application process (by completing payment of application money) until 12:00 noon on the last day for submitting applications, when the Application Lists close.

Effect of bad weather on the opening of the Application Lists

The Application Lists will not open if there is:–

- a tropical cyclone warning signal number 8 or above, or
- a “black” rainstorm warning signal in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Tuesday, 6 July 2010.

Instead the last application day will be postponed and the Application Lists will open between 11:45 a.m. and 12:00 noon on the next business day which does not have either of those warning signals in force in Hong Kong at anytime between 9:00 a.m. and 12:00 noon on such day. If the Application Lists do not open and close on Tuesday, 6 July 2010 or if there is a tropical cyclone warning signal number 8 or above or a “black” rainstorm warning signal in force in Hong Kong on the other dates mentioned in the section headed “Expected Timetable” in this prospectus, such dates mentioned in the section headed “Expected Timetable” in this prospectus may be affected. An announcement will be made in such event.

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VI. HOW MANY APPLICATIONS MAY YOU MAKE

Multiple applications or suspect multiple applications are liable to be rejected. **You may make more than one application for our Hong Kong Offer Shares only if you are a nominee**, in which case you may both give **electronic application instructions** to HKSCC (if you are a CCASS Participant) and lodge more than one Application Form in your own name on behalf of different beneficial owners. In the box on the Application Form marked “For nominees”, you must include some other identification code for each beneficial owner. If you do not include this information, the application will be treated as being made for your benefit. **Otherwise, multiple applications are not allowed and will be rejected.**

If you have made an application by giving **electronic application instructions** to HKSCC and you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of Hong Kong Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Hong Kong Offer Shares in respect of which you have given such instructions and/or in respect of which such instructions have been given for your benefit. Any **electronic application instructions** to make an application for our Hong Kong Offer Shares given by you or for your benefit to HKSCC shall be deemed to be an actual application for the purposes of considering whether multiple applications have been made. No application for any other number of Hong Kong Offer Shares will be considered and any such application is liable to be rejected.

It will be a term and condition of all applications that by completing and delivering a **WHITE** or **YELLOW** Application Form or submitting an **electronic application instruction** to HKSCC, or submitting your application to the designated **HK eIPO White Form** Service Provider via **HK eIPO White Form** service, you:–

- (if the application is made for your own benefit) warrant that the application made pursuant to a **WHITE** or **YELLOW** Application Form or **electronic application instructions** is the only application which will be made for your benefit on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or submitting an application to the designated **HK eIPO White Form** Service Provider via **HK eIPO White Form** service; or
- (if you are an agent for another person) warrant that reasonable enquiries have been made of that other person which confirm that this is the only application which will be made for the benefit of that other person on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or submitting an application to the designated **HK eIPO White Form** Service Provider via **HK eIPO White Form** service, and that you are duly authorised to sign the Application Form or give **electronic application instructions** as that other person’s agent.

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Save as referred to above, all of your applications will be rejected as multiple applications if you, or you and your joint applicant(s) together:–

- make more than one application (whether individually or jointly) on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or submitting an application to the designated **HK eIPO White Form** Service Provider via **HK eIPO White Form** service; or
- both apply (whether individually or jointly) on one **WHITE** Application Form and one **YELLOW** Application Form or on one **WHITE** or **YELLOW** Application Form and give **electronic application instructions** to HKSCC or submitting an application to the designated **HK eIPO White Form** Service Provider via **HK eIPO White Form** service; or
- apply on one **WHITE** or **YELLOW** Application Form (whether individually or jointly) or by giving **electronic application instructions** to HKSCC or submitting an application to the designated **HK eIPO White Form** Service Provider via **HK eIPO White Form** service for more than 12,500,000 Hong Kong Offer Shares, (being 50% of the initial number of our Hong Kong Offer Shares); or
- have indicated an interest for or have been or will be placed any of the International Placing Shares.

All of your applications will also be rejected as multiple applications if more than one application is made for **your benefit** (including the part of an application made by HKSCC Nominees acting on **electronic application instructions**). If an application is made by an unlisted company and:–

- the principal business of that company is dealing in securities; and
- you exercise statutory control over that company,

then the application will be treated as being made for your benefit.

“*Unlisted company*” means a company with no equity securities listed on the Stock Exchange.

“*Statutory control*” means you:—

- control the composition of the board of directors of the company; or
- control more than one-half of the voting power of the company; or

HOW TO APPLY FOR OUR HONG KONG OFFER SHARES

- hold more than one-half of the issued share capital of the company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

VII. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOTTED HONG KONG OFFER SHARES

Full information on the circumstances in which you will not be allotted Hong Kong Offer Shares is set forth in the notes attached to the Application Forms, and you should read them carefully. You should note in particular the following situations in which Hong Kong Offer Shares will not be allotted to you:—

- (a) If your application is revoked:—

By completing and submitting an Application Form or submitting an **electronic application instruction** to the **HK eIPO White Form** Service Provider through the **HK eIPO White Form** Service or HKSCC, you agree that your application or the application made by HKSCC Nominees on your behalf cannot be revoked before the expiration of the fifth day (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong) after the time of the opening of the Application Lists, unless a person responsible for this prospectus under section 40 of the Companies Ordinance gives a public notice under that section which excludes or limits the responsibility of that person for this prospectus.

This agreement will take effect as a collateral contract with us, and will become binding when you lodge your Application Form or give your **electronic application instruction** to the **HK eIPO White Form** Service Provider or to HKSCC and an application has been made by HKSCC Nominees on your behalf accordingly. This collateral contract will be in consideration of our Company agreeing that we will not offer any Hong Kong Offer Shares to any person on or before that day, except by means of one of the procedures referred to in this prospectus.

If any supplement to this prospectus is issued, applicant(s) who have already submitted an application may or may not (depending on the information contained in the supplement) be notified that they can withdraw their applications. If applicant(s) have not been so notified, or if applicant(s) have been notified but have not withdrawn their applications in accordance with the procedure to be notified, all applications that have been submitted remain valid and may be accepted. Subject to the above, an application once made is irrevocable and applicants shall be deemed to have applied on the basis of the prospectus as supplemented.

HOW TO APPLY FOR OUR HONG KONG OFFER SHARES

If your application or the application made by HKSCC Nominees on your behalf has been accepted, it cannot be revoked or withdrawn. For this purpose, acceptance of applications which are not rejected will be constituted by notification in the press of the results of allocation, and where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or results of the ballot, respectively.

- (b) Full discretion of our Company, China Everbright Securities or our or their respective agents or nominees to reject or accept any application, or to accept only part of any application. No reasons have to be given for any rejection or acceptance.
- (c) If the allotment of Hong Kong Offer Shares is void:—

The allotment of Hong Kong Offer Shares to you or to HKSCC Nominees (if you give **electronic application instructions** to HKSCC or apply by a **YELLOW** Application Form) will be void if the Listing Committee does not grant permission to list our Hong Kong Offer Shares either:

- within three weeks from the closing of the Application Lists; or
 - within a longer period of up to six weeks if the Listing Committee notifies us of that longer period within three weeks of the closing date of the Application Lists.
- (d) You will not receive any allotment if:—
 - you make multiple applications or you are suspected to have made multiple applications;
 - you or the person whose benefits you apply for have taken up or indicated an interest or applied for or received or have been or will be placed or allocated (including conditionally and/or provisionally) International Placing Shares. By filling in any of the Application Forms or submitting **electronic application instructions** to HKSCC or to the **HK eIPO White Form** Service Provider, you agree not to apply for or indicate an interest for Offer Shares in the International Placing. Reasonable steps will be taken to identify and reject applications in the Hong Kong Public Offer from investors who have received Offer Shares in the International Placing, and to identify and reject indications of interest in the International Placing from investors who have received Hong Kong Offer Shares;
 - your payment is not made correctly or you pay by cheque or banker's cashier order and the cheque or banker's cashier order is dishonored upon its first presentation;

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- your Application Form is not completed in accordance with the instructions as stated in the Application Form (if you apply by an Application Form);
- you apply for more than 12,500,000 Hong Kong Offer Shares (being 50% of the initial number of our Hong Kong Offer Shares);
- our Company believes that by accepting your application, we would violate the applicable securities or other laws, rules or regulations of the jurisdiction in which your application is received or your address overleaf is located;
- the Underwriting Agreements do not become unconditional; or
- the Hong Kong Underwriting Agreement and/or the International Underwriting Agreement are/is terminated in accordance with their respective terms.

You should also note that you may apply for our Offer Shares under the Hong Kong Public Offer or indicate an interest for our Offer Shares under the International Placing, but may not do both.

VIII. HOW MUCH ARE OUR HONG KONG OFFER SHARES

The maximum amount in the indicative range of the Offer Price is HK\$1.8. You must also pay a brokerage fee of 1%, SFC transaction levy of 0.004%, and Stock Exchange trading fee of 0.005%. This means that for every board lot of 2,000 Hong Kong Offer Shares, you will pay HK\$3,636.32. The Application Forms have tables showing the exact amount payable for the numbers of Hong Kong Offer Shares that may be applied for. You must pay the maximum Offer Price and related brokerage fee, SFC transaction levy, and the Stock Exchange trading fee in full when you apply for our Hong Kong Offer Shares. You must pay the amount payable upon application for Hong Kong Offer Shares in accordance with the terms set out in the Application Forms or this prospectus.

If your application is successful, the brokerage fee will be paid to participants of the Stock Exchange or the Stock Exchange, and the SFC transaction levy and Stock Exchange trading fee will be paid to the Stock Exchange (in the case of the SFC transaction levy collected by the Stock Exchange on behalf of the SFC).

HOW TO APPLY FOR OUR HONG KONG OFFER SHARES

IX. PUBLICATION OF RESULTS AND DESPATCH/COLLECTION OF SHARE CERTIFICATES, REFUND CHEQUES AND E-AUTO REFUND PAYMENT INSTRUCTIONS

Publication of results

We expect to announce (i) the Offer Price; (ii) the level of indications of interest in the International Placing; (iii) the level of applications in the Hong Kong Public Offer; (iv) the basis of allocation of the Hong Kong Offer Shares under the Hong Kong Public Offer; and (v) the number of Offer Shares reallocated, if any, between the Hong Kong Public Offer and the International Placing to be published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) and our website at <http://www.tian-shan.com> and the website of the Stock Exchange at <http://www.hkexnews.hk> on Wednesday, 14 July 2010.

In addition, we expect to announce the results of applications and the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants under the Hong Kong Public Offer at the times and dates and in the manner specified below:—

- Results of allocations will be available from our website at <http://www.tian-shan.com> and the website of the Stock Exchange at <http://www.hkexnews.hk> and at 9:00 a.m. on Wednesday, 14 July 2010;
- Results of allocations for the Hong Kong Public Offer will be available from our designated results of allocations website at <http://www.tricor.com.hk/ipo/result> on a 24-hour basis from 8:00 a.m. on Wednesday, 14 July 2010 to 12:00 midnight on Tuesday, 20 July 2010. The user will be required to key in the Hong Kong identity card/passport/Hong Kong business registration number provided in his/her/its application to search for his/her/its own allocation result;
- Results of allocations will be available from the Hong Kong Public Offer allocation results telephone enquiry line. Applicants may find out whether or not their applications have been successful and the number of Hong Kong Offer Shares allocated to them, if any, by calling 3691 8488 between 9:00 a.m. and 6:00 p.m. from Wednesday, 14 July 2010 to Monday, 19 July 2010 (excluding Saturday and Sunday); and
- Special allocation results booklets setting out the results of allocations will be available for inspection during opening hours of individual branches from Wednesday, 14 July 2010 to Friday, 16 July 2010 at all the receiving banker branches at the addresses set forth in the paragraphs under “II. Applying by using an Application Form - Where to collect Application Forms” above.

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Despatch/collection of Share certificates, refund cheques and e-Auto Refund Payment Instructions

If an application is rejected, not accepted or accepted in part only, or if the Offer Price as finally determined is less than the initial price per Offer Share (excluding brokerage fee, SFC transaction levy, and Stock Exchange trading fee thereon) paid on application, or if the conditions of the Global Offering are not fulfilled in accordance with the section headed “Structure of the Global Offering - III. Conditions of the Hong Kong Public Offer” or if any application is revoked or any allotment pursuant thereto has become void, the application money, or the appropriate portion thereof, together with the related brokerage fee, SFC transaction levy, and Stock Exchange trading fee, will be refunded, without interest. It is intended that special efforts will be made to avoid any undue delay in refunding application money where appropriate. No temporary document of title will be issued in respect of our Hong Kong Offer Shares. No receipt will be issued for sums paid on application.

If you apply by **WHITE** or **YELLOW** Application Form, subject as mentioned below, in due course, the following will be sent to you (or, in the case of joint applicants, to the first-named applicant) by ordinary post, at your own risk, to the address specified on the Application Form (a) (i) Share certificate for all our Hong Kong Offer Shares applied for, if the application is wholly successful; or (ii) Share certificate for the number of our Hong Kong Offer Shares successfully applied for, if the application is partially successful (except for wholly successful and partially successful applicants on **YELLOW** Application Forms whose Share certificates will be deposited into CCASS as described below); and/or (b) refund cheque crossed “Account Payee Only” in favour of the applicant (or, in the case of joint applicants, the first-named applicant) for (i) the excessive application money for our Hong Kong Offer Shares unsuccessfully applied for, if the application is partially unsuccessful; or (ii) all the application money, if the application is wholly unsuccessful; and/or (iii) the difference between the Offer Price and the maximum Offer Price paid on application in the event that the Offer Price is less than the initial price per Offer Share paid on application, in each case including related brokerage fee of 1%, SFC transaction levy of 0.004% and Stock Exchange trading fee of 0.005%, but without interest.

Part of your Hong Kong identity card number/passport number, or, if you are joint applicants, part of the Hong Kong Identity card number/passport number of the first-named applicant, provided by you may be printed on your refund cheque, if any. Such data would also be transferred to a third-party for refund purposes. Your banker may require verification of your Hong Kong Identity card number/passport number before encashment of your refund cheque. Inaccurate completion of your Hong Kong identity card number/passport number may lead to delay in encashment of or may invalidate your refund cheque.

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Subject as mentioned below, refund cheques for excessive application money (if any) in respect of wholly and partially unsuccessful applications and the difference between the Offer Price and the initial price per Offer Share paid on application in the event that the Offer Price is less than the initial price per Offer Share paid on application and share certificates for successful applicants under **WHITE** Application Forms are expected to be posted on or before Wednesday, 14 July 2010. The right is reserved to retain any Share certificates and any excessive application money pending clearance of cheque(s).

If you apply by giving **electronic application instructions** to HKSCC, and your application is wholly or partially successful: (a) your Share certificate will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit of the stock account of the CCASS Participant which you have instructed to give **electronic application instructions** on your behalf or your CCASS Investor Participant stock account at the close of business on Wednesday, 14 July 2010 or, in the event of a contingency situation, on any other date as shall be determined by HKSCC or HKSCC Nominees and (b) refund of your application money (if any) in respect of wholly and partially unsuccessful applications and/or difference between the Offer Price and the maximum Offer Price paid on application, in each case including the related brokerage fee of 1%, SFC transaction levy of 0.004%, and Stock Exchange trading fee of 0.005%, will be credited to your designated bank account or the designated bank account of your broker or custodian on Wednesday, 14 July 2010. No interest will be paid thereon.

If you apply using a **WHITE** Application Form:–

If you have applied for 1,000,000 Hong Kong Offer Shares or more and you have elected on your **WHITE** Application Form to collect your refund cheque (where applicable) and/or Share certificate (where applicable) in person, you may collect your refund cheque (where applicable) and/or Share certificate (where applicable) from our Hong Kong branch registrar, Tricor Investor Services Limited at 26/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong from 9:00 a.m. to 1:00 p.m. on Wednesday, 14 July 2010. If you are an individual, you must not authorise any other person to make collection on your behalf. If you are a corporate applicant, you must attend by your authorised representative bearing a letter of authorisation from your corporation stamped with your company chop. Both individuals and authorised representatives (if applicable) must produce, at the time of collection, evidence of identity acceptable to Tricor Investor Services Limited. If you do not collect your refund cheque and share certificate within the time period specified for collection, they will be despatched thereafter to you by ordinary post to the address as specified in your Application Form at your own risk.

HOW TO APPLY FOR OUR HONG KONG OFFER SHARES

If you have applied for 1,000,000 Hong Kong Offer Shares or above and have not indicated on your Application Form that you will collect your Share certificate and/or refund cheque (if any) in person, or you have applied for less than 1,000,000 Hong Kong Offer Shares or if your application is rejected, not accepted or accepted in part only, or if the conditions of the Hong Kong Public Offer are not fulfilled in accordance with the section headed “Structure of the Global Offering - III. Conditions of the Hong Kong Public Offer” in this prospectus, or if your application is revoked or any allotment pursuant thereto has become void, your Share certificate (where applicable) and/or refund cheque (where applicable) in respect of the application money or the appropriate portion thereof, together with the related brokerage fee, Stock Exchange trading fee, and SFC transaction levy, if any, (without interest) will be sent to the address on your Application Form on Wednesday, 14 July 2010 by ordinary post and at your own risk.

If you apply using a **YELLOW** Application Form:–

If you apply for Hong Kong Offer Shares using a **YELLOW** Application Form and your application is wholly or partially successful, your Share certificate will be issued in the name of HKSCC Nominees and deposited into CCASS for credit to your CCASS Investor Participant stock account or the stock account of your designated CCASS Participant as instructed by you in your Application Form at the close of business on Wednesday, 14 July 2010, or under contingent situation, on any other date as shall be determined by HKSCC or HKSCC Nominees.

If you are applying through a designated CCASS Participant (other than a CCASS Investor Participant), for Hong Kong Offer Shares credited to the stock account of your designated CCASS Participant (other than a CCASS Investor Participant), you can check the number of Hong Kong Offer Shares allotted to you with that CCASS Participant.

If you are applying as a CCASS Investor Participant, we expect to announce the results of CCASS Investor Participants’ applications together with the results of the Hong Kong Public Offer on Wednesday, 14 July 2010 in the manner set forth in the paragraphs under “_____ – IX. Publication of results and despatch/collection of Share certificates, refund cheques and e-Auto Refund Payment Instructions - Publication of results” above. You should check the results made available by us and report any discrepancies to HKSCC before 5:00 p.m. on Wednesday, 14 July 2010 or such other date as shall be determined by HKSCC or HKSCC Nominees. Immediately after the credit of our Hong Kong Public Offer Shares to your stock account, you can also check your new account balance via the CCASS Phone System and CCASS Internet System (under the procedures contained in HKSCC’s “An Operating Guide for Investor Participants” in effect from time to time). HKSCC will also make available to you an activity statement showing the number of Hong Kong Offer Shares credited to your stock account.

HOW TO APPLY FOR OUR HONG KONG OFFER SHARES

If you apply for 1,000,000 Hong Kong Offer Shares or more and you have elected on your **YELLOW** Application Form to collect your refund cheque (where applicable) in person, please follow the same instructions as those for **WHITE** Application Form applicants as described above. If you have applied for 1,000,000 Hong Kong Offer Shares or above and have not indicated on your Application Forms that you will collect your refund cheque (if any) in person, or you have applied for less than 1,000,000 Hong Kong Offer Shares or if your application is rejected, not accepted or accepted in part only, or if the conditions of the Hong Kong Public Offer are not fulfilled in accordance with the section headed “Structure of the Global Offering - III. Conditions of the Hong Kong Public Offer” in this prospectus, or if your application is revoked or any allotment pursuant thereto has become void, your refund cheque (where applicable) in respect of the application money or the appropriate portion thereof, together with the related brokerage fee, Stock Exchange trading fee, SFC transaction levy, if any, (without interest) will be sent to the address on your Application Form on Wednesday, 14 July 2010 by ordinary post and at your own risk.

If you apply by giving electronic application instructions to HKSCC:–

If you apply by giving **electronic application instructions** to HKSCC Nominees, we expect to make available the application results of CCASS Participants (and where the CCASS participant is a broker or custodian, we shall include information relating to the beneficial owner, if supplied), your Hong Kong identity card/passport number or other identification code (Hong Kong business registration number for corporate entities) on Wednesday, 14 July 2010 in the manner set forth in the paragraphs under “IX. Publication of results and despatch/collection of Share certificates and refund cheques - Publication of results” above. You should check the results made available by us and report any discrepancies to HKSCC before 5:00 p.m. on Wednesday, 14 July 2010 or such other date as shall be determined by HKSCC or HKSCC Nominees.

If you have instructed your broker or custodian to give **electronic application instructions** on your behalf, you can also check the number of Hong Kong Offer Shares allotted to you and the amount of refund money (if any) payable to you with that broker or custodian.

If you have applied as a CCASS Investor Participant, you can also check the number of Hong Kong Offer Shares allotted to you and the amount of refund money (if any) payable to you via the CCASS Phone System and the CCASS Internet System (under the procedures contained in HKSCC’s “An Operating Guide for Investor Participants” in effect from time to time) on Wednesday, 14 July 2010. Immediately following the credit of the public offer shares to your stock account and the credit of the refund money to your bank account, HKSCC will also make available to you an activity statement showing the number of Hong Kong Offer Shares credited to your CCASS Investor Participant stock account and the amount of refund money (if any) credited to your designated bank account.

HOW TO APPLY FOR OUR HONG KONG OFFER SHARES

If you apply through HK eIPO White Form:–

If you apply for 1,000,000 Hong Kong Offer Shares or more under the **HK eIPO White Form** service by applying online through the designated **HK eIPO White Form** Service Provider at designated website at <http://www.hkeipo.hk> and your application is wholly or partially successful, you may collect your Share certificate and/or refund cheque(s) (where applicable) in person from Tricor Investor Services Limited at 26/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong from 9:00 a.m. to 1:00 p.m. on Wednesday, 14 July 2010, or such other date as notified by our Company in the newspapers as the date of despatch/collection of share certificates/refund cheques/e-Auto Refund payment instructions.

If you do not collect your Share certificate and/or refund cheque personally within the time specified for collection, they will be sent to the address specified in your application instructions to the **HK eIPO White Form** Service Provider promptly thereafter by ordinary post and at your own risk.

If you apply for less than 1,000,000 Hong Kong Offer Shares, your share certificate(s) and/or refund cheque(s) (where applicable) will be sent to the address specified in your application instructions to the **HK eIPO White Form** Service Provider on Wednesday, 14 July 2010 by ordinary post and at your own risk.

If you apply through the **HK eIPO White Form** service by paying the application money through a single bank account, e-Auto Refund payment instructions for excessive application money (if any) in respect of wholly and partially unsuccessful applications and the difference between the Offer Price and the initial price per Offer Share paid on application will be despatched to your application payment bank account on Wednesday, 14 July 2010.

If you apply through the **HK e IPO White Form** service by paying the application money through multiple bank accounts, refund cheque(s) for excessive application money (if any) in respect of wholly and partially unsuccessful applications and the difference between the Offer Price and the initial price per Offer Share paid on application will be despatched to you to the address specified in your application instructions to the designated **HK eIPO White Form** Service Provider on Wednesday, 14 July 2010 by ordinary post and at your own risk.

Refund of application money

If you do not receive any Hong Kong Offer Shares for any reason, we will refund your application money, including related brokerage of 1%, SFC transaction levy of 0.004% and Stock Exchange trading fee of 0.005%. No interest will be paid thereon.

HOW TO APPLY FOR OUR HONG KONG OFFER SHARES

If your application is accepted only in part, we will refund to you the appropriate portion of your application money (including the related brokerage fee of 1%, SFC transaction levy of 0.004%, and Stock Exchange trading fee of 0.005%) without interest.

If the Offer Price as finally determined is less than the maximum Offer Price (excluding brokerage fee, SFC transaction levy, and Stock Exchange trading fee thereon) paid on application, we will refund to you the surplus application money, together with the related brokerage fee of 1%, SFC transaction levy of 0.004% and Stock Exchange trading fee of 0.005%, without interest.

All such interest accrued prior to the date of despatch of refund will be retained for our benefit. In a contingency situation involving a substantial over-application, at the discretion of us and China Everbright Securities, applications made on Application Forms for certain small denominations of Hong Kong Offer Shares (apart from successful applications) may not be cleared.

Refund of your application money (if any) is expected to be made on Wednesday, 14 July 2010 in accordance with the various arrangements as described above.

X. COMMENCEMENT OF DEALINGS IN OUR SHARES

Dealings in our Shares on the Stock Exchange are expected to commence on Thursday, 15 July 2010. Our Shares will be traded in board lots of 2,000 Shares. The stock code of our Shares is 2118.

XI. SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, our Shares and our Company complies with the stock admission requirements of HKSCC, our Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the Listing Date or any other date HKSCC chooses. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second business day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. Investors should seek the advice of their stockbroker or other professional advisor for details of the settlement arrangements as such arrangements will affect their rights and interests.

All necessary arrangements have been made for our Shares to be admitted into CCASS.

The following is the text of a report, prepared for the purpose of incorporation in this prospectus, received from the Company's reporting accountants, KPMG, Certified Public Accountants, Hong Kong.



8th Floor
Prince's Building
10 Chater Road
Central
Hong Kong

30 June 2010

The Directors
Tian Shan Development (Holding) Limited
China Everbright Capital Limited

Dear Sirs

INTRODUCTION

We set out below our report on the financial information relating to Tian Shan Development (Holding) Limited (the "Company", formerly known as Tian Shan Construction (Holding) Limited) and its subsidiaries (hereinafter collectively referred to as the "Group"), including the consolidated income statements, the consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated cash flow statements of the Group, for each of the three years ended 31 December 2007, 2008 and 2009 (the "relevant period"), the consolidated balance sheets of the Group as at 31 December 2007, 2008 and 2009, and the balance sheets of the Company as at 31 December 2007, 2008 and 2009, together with notes thereto (the "Financial Information") for inclusion in the prospectus of the Company dated 30 June 2010 (the "Prospectus").

The Company was incorporated in the Cayman Islands on 10 June 2005 as an exempted company with limited liability under the Companies Law Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. Pursuant to the reorganisation of the Group (the "Reorganisation"), as detailed on the Section headed "Reorganisation" in the Prospectus, the Company became the holding company of the companies now comprising the Group, details of which are set out in Section A below. The Company has not carried out any business since the date of its incorporation save for the aforementioned Reorganisation.

As at the date of this report, no audited financial statements have been prepared for the Company and Tian Shan International Investment Company Limited as they are not subject to statutory audit requirements under the relevant rules and regulations in their jurisdictions of incorporation.

All companies now comprising the Group have adopted 31 December as their financial year end date. Details of the companies comprising the Group that are subject to audit during the relevant period and the names of the respective auditors are set out in note 28(a) of Section C. The statutory financial statements of these companies were prepared either in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants (The "HKICPA") or the relevant requirements of the Accounting Standards for Business Enterprises and the Accounting Regulations for Business Enterprises ("PRC GAAP") issued by the Ministry of Finance of the People's Republic of China (the "PRC").

The directors of the Company have prepared the consolidated financial statements of the Group for the relevant period in accordance with the basis of preparation set out in Section A below and the accounting policies set out in Section C below (the "Underlying Financial Statements"). The Underlying Financial Statements for each of the years ended 31 December 2007, 2008 and 2009 were audited by us in accordance with Hong Kong Standards on Auditing issued by the HKICPA.

The Financial Information has been prepared by the directors of the Company based on the Underlying Financial Statements with no adjustments made thereon, and in accordance with the applicable disclosure provisions of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND REPORTING ACCOUNTANTS

The directors of the Company are responsible for the preparation and the true and fair presentation of the Financial Information in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board (the "IASB"), the disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure provisions of the Listing Rules. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and true and fair presentation of the Financial Information that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Our responsibility is to form an opinion on the Financial Information based on our procedures.

BASIS OF OPINION

As a basis for forming an opinion on the Financial Information, for the purpose of this report, we have examined the Underlying Financial Statements and have carried out such appropriate procedures as we considered necessary in accordance with Auditing Guideline “Prospectus and the Reporting Accountant” (Statement 3.340) issued by the HKICPA.

We have not audited any financial statements of the Company, its subsidiaries or the Group in respect of any period subsequent to 31 December 2009.

OPINION

In our opinion, for the purpose of this report, the Financial Information, on the basis of preparation set out in Section A below and in accordance with the accounting policies set out in Section C below, gives a true and fair view of the Group’s consolidated results and cash flows for the relevant period, and the state of affairs of the Company and of the Group as at 31 December 2007, 2008 and 2009.

A BASIS OF PREPARATION

Mr Wu Zhen Shan, Mr Wu Zhen Ling, Mr Wu Zhen He and Mr Zhang Zhen Hai (the “Controlling Shareholders”), collectively owned and controlled various companies in the British Virgin Islands (the “BVI”), the Cayman Islands and the PRC which are principally engaged in investment holding and property development. In preparation of the listing of the Company’s shares on the Stock Exchange, the Company underwent the Reorganisation, as detailed in the section headed “Reorganisation” in the Prospectus. The Reorganisation was completed on 26 March 2010.

All the companies that took part in the Reorganisation were collectively controlled by the Controlling Shareholders prior to and after the Reorganisation. The control is not transitory and, consequently, there was a continuation of the risks and benefits to the Controlling Shareholders. Therefore, the Reorganisation is considered as a business combination under common control and Accounting Guideline 5 “Merger Accounting for Common Control Combinations” has been applied. The Financial Information has been prepared using the merger basis of accounting as if the Group had always been in existence. The net assets of the companies that took part in the Reorganisation are combined using the existing book values from the controlling party’s perspective.

The consolidated income statements, the consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated cash flow statements of the Group for the relevant period as set out in Section B include the results of operations of the companies now comprising the Group for the relevant period (or where the companies were incorporated/established/transferred to the Group at a date later than

1 January 2007, for the period from the date of incorporation/establishment/transfer to 31 December 2009) as if the current group structure had been in existence throughout the entire relevant period except for the companies which were transferred to a related company/deregistered during the relevant period set out below, the results of which are included in the consolidated financial statements of the Group up to the respective dates of transfer/deregistration. The consolidated balance sheets of the Group as at 31 December 2007, 2008 and 2009 as set out in Section B have been prepared to present the state of affairs of the companies comprising the Group as at the respective dates as if the current group structure had been in existence as at the respective dates.

Intra-group balances and transactions are eliminated in full in preparing the Financial Information.

As at the date of this report, the Company had direct or indirect interests in the following subsidiaries, all of which are private companies, particulars of which are set out below:

Name of subsidiary	Place and date of incorporation/establishment	Issued and fully paid share capital/paid-in capital	Percentage of equity attributable to the Group			Principal activities	
			At 31 December 2007 %	At 31 December 2008 %	At 31 December 2009 %		
Tian Shan International Investment Company Limited ("Tian Shan International") 天山國際投資有限公司	The British Virgin Islands (incorporated on 23 December 2003)	US\$20,000	100	100	100	100	Investment holding
Hebei Tian Shan Real Estate Development Company Limited ("Tian Shan Real Estate")* 河北天山房地產開發有限公司	Hebei, the PRC (established on 21 December 1998)	RMB 510,000,000	100	100	100	100	Property development
Tianjin Tian Shan Real Estate Development Company Limited ("Tian Shan Tianjin Real Estate")* 天津市天山房地產開發有限公司	Tianjin, the PRC (established on 18 March 2008)	RMB 153,000,000	–	100	100	100	Property development
Sanhe Hengji Real Estate Development Company Limited ("Tian Shan Hengji Real Estate")* 三河市恆基房地產有限公司 (note (i))	Hebei, the PRC (established on 15 December 2006)	RMB 4,000,000	100	100	100	100	Property development
Dragon China Engineering Limited 龍華工程有限公司 (note (ii))	Hong Kong (acquired on 3 April 2009)	HK\$1	–	–	100	100	Property holding
Weihai Tian Shan Real Estate Development Company Limited* 威海天山房地產開發有限公司	Weihai, the PRC (established on 16 November 2009)	RMB 105,000,000	–	–	100	100	Property development
Tian Shan (Hong Kong) Limited 天山(香港)有限公司	Hong Kong (incorporated on 26 March 2010)	US\$10,000	–	–	–	100	Investment holding

*Note**: The English translation of the names is for reference only. The official names of these entities are in Chinese.

Notes:

- (i) Tian Shan Hengji Real Estate, formerly Sanhe Tian Shan Machinery Manufacturing Company Limited, was established by the Group on 15 December 2006. On 11 April 2007, the Group transferred Tian Shan Hengji Real Estate to Tian Shan Industrial Group, a company held by the Controlling Shareholders, at a consideration of RMB4,000,000, approximately the net asset value of Tian Shan Hengji Real Estate at the transfer date. On 16 November 2007, Tian Shan Industrial Group transferred back Tian Shan Hengji Real Estate to the Group at the same consideration.

For the purpose of this report, as Tian Shan Hengji Real Estate was under the control of the Controlling Shareholders from 11 April 2007 to 16 November 2007, the results of Tian Shan Hengji Real Estate were included in the Financial Information of the Group as if both transfers did not exist during the relevant period.

- (ii) Dragon China Engineering Limited was acquired by Tian Shan International on 3 April 2009 from an independent third party at a consideration of HK\$1.

On 23 November 2007, Tian Shan Industrial Group, Mr Wu Zhen Ling, Mr Wu Zhen He, Mr Zhang Zhen Hai and Ms Xu Lan Ying, the wife of Mr Wu Zhen Shan, altogether transferred 100% interest in Shijiazhuang Development Zone Tian Shan Commerce and Trading Company Limited (“Tian Shan Commerce and Trading”) which was principally engaged in property development, to the Group at a total consideration of RMB500,000 satisfied through the amount receivable from Tian Shan Industrial Group. The consideration represented the share capital of Tian Shan Commerce and Trading at the transfer date. Tian Shan Commerce and Trading was deregistered on 5 November 2009.

For the purpose of this report, as Tian Shan Commerce and Trading was under the control of the Controlling Shareholders throughout the relevant period, the transfer of interest in Tian Shan Commerce and Trading is accounted for as if the transfer had occurred at 1 January 2007, and the results of Tian Shan Commerce and Trading were included in the consolidated financial statements from 1 January 2007 up to 5 November 2009, the date of deregistration of Tian Shan Commerce and Trading.

B CONSOLIDATED FINANCIAL INFORMATION**1 CONSOLIDATED INCOME STATEMENTS**

	<i>Section C Note</i>	Year ended 31 December		
		2007 <i>RMB'000</i>	2008 <i>RMB'000</i>	2009 <i>RMB'000</i>
Turnover	3	463,167	648,174	752,592
Cost of sales		(284,578)	(382,607)	(502,391)
Gross profit		178,589	265,567	250,201
Other income		3,907	1,747	2,017
Selling and marketing expenses		(16,345)	(38,626)	(34,949)
Administrative expenses		(46,127)	(63,687)	(46,638)
Profit from operations		120,024	165,001	170,631
Net change in fair value of derivative financial instruments		–	6,222	21,301
Finance income		5,241	1,389	886
Finance expenses		(30,536)	(8,593)	(7,366)
Net financing (costs)/income	4(a)	(25,295)	(982)	14,821
Profit before taxation	4	94,729	164,019	185,452
Income tax	5	(29,045)	(52,670)	(55,414)
Profit for the year		65,684	111,349	130,038
Earnings per share (RMB cents) – Basic and diluted	7	N/A	N/A	N/A

The accompanying notes form part of the Financial Information.

2 CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	<i>Section C Note</i>	Year ended 31 December		
		2007 <i>RMB'000</i>	2008 <i>RMB'000</i>	2009 <i>RMB'000</i>
Profit for the year		65,684	111,349	130,038
Other comprehensive income for the year	8			
– Exchange differences on translation of financial statements of overseas subsidiaries		7,449	39,834	(14)
Total comprehensive income for the year		<u>73,133</u>	<u>151,183</u>	<u>130,024</u>

The accompanying notes form part of the Financial Information.

3 CONSOLIDATED BALANCE SHEETS

		At 31 December		
	Section C	2007	2008	2009
	Note	RMB'000	RMB'000	RMB'000
ASSETS				
Non-current assets				
Property, plant and equipment	11	22,197	13,957	19,928
Deferred tax assets	5(d)	18,615	12,309	30,591
		<u>40,812</u>	<u>26,266</u>	<u>50,519</u>
Current assets				
Inventories	12	1,318,589	1,862,250	2,085,709
Trade and other receivables	13	323,394	141,451	301,445
Restricted cash	14	41,342	42,336	60,700
Cash and cash equivalents	15	192,368	154,086	178,376
		<u>1,875,693</u>	<u>2,200,123</u>	<u>2,626,230</u>
TOTAL ASSETS		<u>1,916,505</u>	<u>2,226,389</u>	<u>2,676,749</u>
EQUITY				
Share capital	16	160	160	160
Reserves	17	307,367	437,845	567,869
SHAREHOLDERS' EQUITY		<u>307,527</u>	<u>438,005</u>	<u>568,029</u>

		At 31 December		
	Section C	2007	2008	2009
	Note	RMB'000	RMB'000	RMB'000
LIABILITIES				
Non-current liabilities				
Bank loans – secured	18	61,770	191,066	163,000
Senior Notes	19	–	290,484	–
Deferred tax liabilities	5(d)	–	12,657	19,400
		<u>61,770</u>	<u>494,207</u>	<u>182,400</u>
Current liabilities				
Bank loans – secured	18	125,000	104,720	267,937
Senior Notes	19	552,558	219,234	308,802
Trade and other payables	20	828,150	923,569	1,283,383
Current taxation	5(c)	41,500	46,654	66,198
		<u>1,547,208</u>	<u>1,294,177</u>	<u>1,926,320</u>
TOTAL LIABILITIES		<u>1,608,978</u>	<u>1,788,384</u>	<u>2,108,720</u>
TOTAL EQUITY AND LIABILITIES		<u>1,916,505</u>	<u>2,226,389</u>	<u>2,676,749</u>
NET CURRENT ASSETS		<u>328,485</u>	<u>905,946</u>	<u>699,910</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>369,297</u>	<u>932,212</u>	<u>750,429</u>

The accompanying notes form part of the Financial Information.

4 CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

		Attributable to equity holders of the Group						
		Share capital	Exchange reserve	Other capital reserve	PRC statutory reserve	Warrant reserve	Retained profits	Total
<i>Section C</i>		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<i>Note</i>		<i>16</i>	<i>17(a)</i>	<i>17(b)</i>	<i>17(c)</i>	<i>17(d)</i>		
	At 1 January 2007	160	97	110,070	53,622	–	195,548	359,497
	Warrants issued	–	–	–	–	74,897	–	74,897
	Dividend declared	–	–	–	–	–	(200,000)	(200,000)
	Transfer to statutory reserve	–	–	–	19,331	–	(19,331)	–
	Total comprehensive income	–	7,449	–	–	–	65,684	73,133
	At 31 December 2007	<u>160</u>	<u>7,546</u>	<u>110,070</u>	<u>72,953</u>	<u>74,897</u>	<u>41,901</u>	<u>307,527</u>
	At 1 January 2008	160	7,546	110,070	72,953	74,897	41,901	307,527
	Transfer to statutory reserve	–	–	–	9,819	–	(9,819)	–
	Total comprehensive income	–	39,834	–	–	–	111,349	151,183
	Transfer upon changes of terms of warrants	–	–	–	–	(74,897)	54,192	(20,705)
	At 31 December 2008	<u>160</u>	<u>47,380</u>	<u>110,070</u>	<u>82,772</u>	<u>–</u>	<u>197,623</u>	<u>438,005</u>
	At 1 January 2009	160	47,380	110,070	82,772	–	197,623	438,005
	Transfer to statutory reserve	–	–	–	13,184	–	(13,184)	–
	Total comprehensive income	–	(14)	–	–	–	130,038	130,024
	At 31 December 2009	<u>160</u>	<u>47,366</u>	<u>110,070</u>	<u>95,956</u>	<u>–</u>	<u>314,477</u>	<u>568,029</u>

The accompanying notes form part of the Financial Information.

5 CONSOLIDATED CASH FLOW STATEMENTS

	Year ended 31 December		
	2007	2008	2009
	RMB'000	RMB'000	RMB'000
Operating activities			
Profit before taxation	94,729	164,019	185,452
Adjustments for:			
– Depreciation and amortisation	3,598	3,965	4,295
– Gain on disposal of property, plant and equipment	(354)	(344)	(299)
– Net change in fair value of derivative financial instruments	–	(6,222)	(21,301)
– Exchange difference	(7,861)	44	3
– Finance income	(5,241)	(1,389)	(886)
– Net interest expense	28,582	7,571	7,363
Changes in working capital:			
– Increase in inventories	(795,712)	(409,603)	(112,977)
– (Increase)/decrease in trade and other receivables	(290,604)	146,697	(141,611)
– Increase in restricted cash	(8,996)	(994)	(18,364)
– Increase in trade and other payables	394,499	87,615	366,806
Cash (used in)/generated from operations	(587,360)	(8,641)	268,481
Tax paid			
– PRC tax paid	(28,542)	(28,553)	(47,409)
Net cash (used in)/generated from operating activities	(615,902)	(37,194)	221,072

	Year ended 31 December		
	2007	2008	2009
	RMB'000	RMB'000	RMB'000
Investing activities			
Payments for the purchase of property, plant and equipment	(11,821)	(1,747)	(11,296)
Proceeds from disposal of property, plant and equipment	780	1,131	1,329
Interest received	5,241	1,389	886
	<u> </u>	<u> </u>	<u> </u>
Net cash (used in)/generated from investing activities	<u> </u>	<u> </u>	<u> </u>
	(5,800)	773	(9,081)
	-----	-----	-----
Financing activities			
Net proceeds from Senior Notes	644,111	–	–
Repayment of Senior Notes	–	(62,100)	(245,880)
Proceeds from new bank loans	86,770	234,016	235,000
Repayment of bank loans	(50,000)	(125,000)	(104,720)
Repayment of other borrowings	(13,046)	–	–
Repayment from/(advance to) related parties	3,617	35,236	(18,383)
Interest paid	(12,964)	(83,971)	(53,168)
	<u> </u>	<u> </u>	<u> </u>
Net cash generated from/(used in) financing activities	<u> </u>	<u> </u>	<u> </u>
	658,488	(1,819)	(187,151)
	-----	-----	-----
Net increase/(decrease) in cash and cash equivalents	36,786	(38,240)	24,840
Cash and cash equivalents at 1 January	156,810	192,368	154,086
Effect of foreign exchange rate changes	<u> </u>	<u> </u>	<u> </u>
	(1,228)	(42)	(550)
	-----	-----	-----
Cash and cash equivalents at 31 December	<u> </u>	<u> </u>	<u> </u>
	192,368	154,086	178,376
	=====	=====	=====

The accompanying notes form part of the Financial Information.

C NOTES TO CONSOLIDATED FINANCIAL INFORMATION**1 SIGNIFICANT ACCOUNTING POLICIES****(a) Statement of compliance**

The Financial Information set out in this report has been prepared in accordance with International Financial Reporting Standards (“IFRSs”), which collective term includes International Accounting Standards (“IASs”) and related interpretations issued by the International Accounting Standards Board (the “IASB”). Further details of the significant accounting policies adopted are set out in the remainder of this Section C.

The IASB has issued a number of new and revised IFRSs. For the purpose of preparing this Financial Information, the Group has adopted all these new and revised IFRSs to the relevant period, except for any new standards or interpretations that are not yet effective for the accounting periods beginning on or after 1 January 2009. The revised and new accounting standards and interpretations issued but not yet effective for the accounting year beginning on or after 1 January 2009 are set out in note 27.

The Financial Information also complies with the disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

The accounting policies set out below have been applied consistently to all periods presented in the Financial Information.

(b) Basis of preparation of the Financial Information*(i) Basis of preparation and presentation*

The Financial Information comprises the Company and its subsidiaries and has been prepared using the merger basis of accounting as if the Group had always been in existence, as further explained in Section A.

(ii) Basis of measurement

The Financial Information is presented in Renminbi (“RMB”), rounded to the nearest thousand. It is prepared on the historical cost basis except for derivative financial instruments (see note 1(e)) which are stated at their fair value.

(iii) Use of estimates and judgements

The preparation of Financial Information in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. 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.

Judgements made by management in the application of IFRSs that have significant effect on the Financial Information and major sources of uncertainty are discussed in note 26.

(c) Subsidiaries

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from their activities. In assessing control, potential voting rights that presently are exercisable are taken into account.

An investment in a subsidiary is included in the Financial Information from the date that control commences until the date that control ceases. Book value accounting is adopted for common control combinations in which all of the combining entities or businesses are ultimately controlled by the same party or parties both before and after the business combination, and that control is not transitory.

Intra-group balances and transactions and any unrealised profits arising from intra-group transactions, are eliminated in full in preparing the Financial Information. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

In the Company's balance sheet, an investment in a subsidiary is stated at cost less impairment losses (see note 1(h)).

(d) Business combination for entities under common control

Business combination arising from transfer of interest in an equity that is under the control of the shareholders that control the Group are accounted for as if the acquisition had occurred at the beginning of the relevant period or, if later, at the date that common control was established. The assets and liabilities acquired are recognised at the carrying amounts recognised previously in the Group's controlling shareholder's consolidated financial statements.

(e) Derivative financial instruments

Derivative financial instruments are recognised initially at fair value. At each balance sheet date the fair value is remeasured. The gain or loss on remeasurement to fair value is recognised immediately to profit or loss.

(f) Property, plant and equipment

Items of property, plant and equipment are stated in the consolidated balance sheets at cost less accumulated depreciation and impairment losses (see note 1(h)).

The cost of self-constructed items of property, plant and equipment includes the cost of materials, direct labour, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of production overheads and borrowing costs (see note 1(u)).

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the estimated net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss on the date of retirement or disposal.

Depreciation is calculated to write off the cost of items of property, plant and equipment, less their estimated residual value, if any, using the straight-line basis over their estimated useful lives as follows:

– Buildings situated on leasehold land	Over the shorter of the unexpired term of lease and their estimated useful lives, being 30 years after the date of completion
– Leasehold improvement	5 years
– Plant and machinery	8 years
– Furniture, fixtures and equipment	5 – 8 years
– Motor vehicles	8 years

Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

Subsequent expenditures relating to an item of property, plant and equipment that has already been recognised is added to the carrying amount of the asset when it is probable that future economic benefits embodied within the item will flow to the Group and the cost of the item can be measured reliably. All other subsequent expenditure is recognised in profit or loss as an expense as incurred.

Construction in progress is stated at cost less impairment losses (see note 1(h)). Cost comprises direct costs of construction during the year of construction and installation. Capitalisation of these costs ceases and the construction in progress is transferred to property, plant and equipment when substantially all of the activities necessary to prepare the assets of their intended use are substantially complete, notwithstanding any delays in the issue of the relevant completion certificates by the relevant PRC authorities.

No depreciation is provided in respect of construction in progress until it is substantially complete and ready for its intended use.

(g) Leased assets

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

(i) Classification of assets leased to the Group

Assets that are held by group under leases which transfer to the Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases.

(ii) Operating lease charges

Where the Group has the use of assets held under operating leases, payments made under the leases are charged to profit or loss in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

The cost of acquiring land held under an operating lease is amortised on a straight-line basis over the period of the lease term, except for property held for development for sale (see note 1(i)(ii)).

(h) Impairment of assets*(i) Impairment of trade and other receivables*

Current and non-current receivables that are stated at cost or amortised cost are reviewed at each balance sheet date to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable data that comes to the attention of the Group about one or more of the following loss events:

- significant financial difficulty of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- it becoming probable that the debtor will enter bankruptcy or other financial reorganisation; and
- significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor.

If any such evidence exists, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material. This assessment is made collectively where financial assets carried at amortised cost share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective group.

If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. A reversal of an impairment losses shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

Impairment losses are written off against the corresponding assets directly, except for impairment losses recognised in respect of trade debtors and bill receivables included within trade and other receivables, whose recovery is considered doubtful but not remote. In this case, the impairment losses for doubtful debts are recorded using an allowance account. When the Group is satisfied that recovery is remote, the amount and any amounts held in the allowance account relating to that debt are reversed. Subsequently recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

(ii) *Impairment of other assets*

Internal and external sources of information are reviewed at each balance sheet date to identify indications that the following assets may be impaired or an impairment loss previously recognised no longer exists or may have decreased:

- investments in subsidiaries;
- property, plant and equipment; and
- pre-paid interests in leasehold land classified as being held under an operating lease.

If any such indication exists, the asset's recoverable amount is estimated.

- Calculation of recoverable amount

The recoverable amount of an asset is the greater of its net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. cash-generating unit).

– Recognition of impairment losses

An impairment loss is recognised in profit or loss whenever the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs to sell, or value in use, if determinable.

– Reversals of impairment losses

An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

(i) Inventories

(i) Construction materials

Inventories are carried at the lower of cost and net realisable value.

Cost is calculated using the weighted average cost formula and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs to completion and the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

(ii) *Property development*

Inventories in respect of property development activities are carried at the lower of cost and net realisable value. Cost and net realisable values are determined as follows:

- Properties held for future development for sale and properties under development for sale

The cost of properties held for future development for sale and properties under development for sale comprises specifically identified cost, including the acquisition cost of land, aggregate cost of development, materials and supplies, wages and other direct expenses and borrowing costs capitalised (see note 1(u)). Net realisable value represents the estimated selling price less estimated costs of completion and costs to be incurred in selling the properties.

- Completed properties held for sale

In the case of completed properties developed by the Group, cost is determined by apportionment of the total development costs for that development project, attributable to the unsold properties. Net realisable value represents the estimated selling price less costs to be incurred in selling the properties.

Cost of completed properties held for sale comprises all costs of purchase, costs of conversion and other costs incurred in bringing the properties to their present location and condition.

(j) Construction contracts

Construction contracts are contracts specifically negotiated with a customer for the construction of an asset or a group of assets, where the customer is able to specify the major structural elements of design. The accounting policy for contract revenue is set out in note 1(s)(ii). When the outcome of a construction contract can be estimated reliably, contract costs are recognised as an expense by reference to the stage of completion of the contract at the balance sheet date. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately. When the outcome of a construction contract cannot be estimated reliably, contract costs are recognised as an expense in the period in which they are incurred.

Construction contracts in progress at the balance sheet date are recorded in the consolidated balance sheets at the net amount of costs incurred plus recognised profit less recognised losses and progress billings, and are presented in the consolidated balance sheets as the “Gross amount due from customers for contract work” (as an asset) or the “Gross amount due to customers for contract work” (as a liability), as applicable. Progress billings not yet paid by the customer are included in the consolidated balance sheets under “Trade and other receivables”. Amounts received before the related work is performed are included in the consolidated balance sheets, as a liability under “Trade and other payables”.

(k) Trade and other receivables

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost less impairment losses for bad and doubtful debts (see note 1(h)(i)), except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less impairment losses for bad and doubtful debts (see note 1(h)(i)).

(l) Senior notes with detachable warrants

Senior notes of the Company are issued with detachable warrants. Where the warrants issued by the Company will be settled by exchange of the warrants and fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments, senior notes with detachable warrants are accounted for as compound financial instruments which contain a liability component (senior notes) and an equity component (warrants).

The senior notes are initially measured as the present value of the future interest and principal payments, discounted at the market rate of interest applicable at the time of initial recognition to similar liabilities that do not have detachable warrants, less the derivatives embedded to the senior notes. The derivatives embedded are accounted for in accordance with the accounting policy set out in note 1(e). The warrants are recognised as the excess of proceeds over the amount initially recognised as the senior notes and the embedded derivatives. Transaction costs that relate to the issuance of the senior notes with detachable warrants are allocated to senior notes and warrants in proportion to the allocation of proceeds.

The senior notes are subsequently carried at amortised cost. The interest expense recognised in profit or loss on the senior notes is calculated using the effective interest method. The warrants are recognised in warrant reserve in equity until they are exercised. If the warrants are exercised, the warrant reserve, together with the proceeds received at the time of exercise, is transferred to share capital and share premium as consideration for shares issued. If warrants are not exercised upon expiry, the warrant reserve is released directly to retained profits.

When the terms of warrants change so that they no longer meet the definition of equity, the fair value of the warrants is remeasured and recognised as derivative financial instruments at the date of change of terms, with a corresponding adjustment to the warrant reserve. The warrants are subsequently accounted for in accordance with the accounting policy set out in note 1(e). The remaining balance of warrant reserve is transferred to retained profits.

(m) Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between the amount initially recognised and redemption value being recognised in profit or loss over the period of the borrowings, together with any interest and fees payable, using the effective interest method.

(n) Trade and other payables

Trade and other payables are initially recognised at fair value. Except for financial guarantee liabilities measured in accordance with note 1(r)(i), trade and other payables are subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(o) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the consolidated cash flow statements.

(p) Employee benefits

- (i) Salaries, wages, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.
- (ii) Contributions to local defined contribution retirement schemes pursuant to the relevant labour rules and regulations in the PRC and the Hong Kong Mandatory Provident Fund Schemes Ordinance are expensed in the period in which they are incurred, except to the extent that they are included in properties under development for sale not yet recognised as an expense.
- (iii) Termination benefits are recognised when, and only when, the Group demonstrably commits itself to terminate employment or to provide benefits as a result of voluntary redundancy by having a detailed formal plan which is without realistic possibility of withdrawal.

(q) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous periods.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities and all deferred tax assets, to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at each balance sheet date and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities if the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

- in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or
- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:
 - the same taxable entity; or
 - different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(r) Financial guarantees issued, provisions and contingent liabilities*(i) Financial guarantees issued*

Financial guarantees are contracts that require the issuer (i.e. the guarantor) to make specified payments to reimburse the beneficiary of the guarantee (the “holder”) for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Where the Group issues a financial guarantee, the fair value of the guarantee (being the transaction price, unless the fair value can otherwise be reliably estimated) is initially recognised as deferred income within trade and other payables. Where consideration is received or receivable for the issuance of the guarantee, the consideration is recognised in accordance with the Group’s policies applicable to that category of asset. Where no such consideration is received or receivable, an immediate expense is recognised in profit or loss on initial recognition of any deferred income.

The amount of the guarantee initially recognised as deferred income is amortised in profit or loss over the term of the guarantee as income from financial guarantees issued. In addition, provisions are recognised in accordance with note 1(r)(ii) if and when (i) it becomes probable that the holder of the guarantee will call upon the Group under the guarantee, and (ii) the amount of that claim on the Group is expected to exceed the amount currently carried in trade and other payables in respect of that guarantee i.e. the amount initially recognised, less accumulated amortisation.

(ii) Other provisions and contingent liabilities

Provisions are recognised for other liabilities of uncertain timing or amount when the Group or the Company has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(s) **Revenue recognition**

Revenue is measured at the fair value of the consideration received or receivable. Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in profit or loss as follows:

(i) *Sale of properties*

Revenue arising from the sale of properties is recognised when the significant risks and rewards of ownership have been transferred to the buyers. The Group considers that the significant risks and rewards of ownership are transferred when the properties are completed and delivered to the buyers. Revenue from sales of properties excludes business tax or other sales related taxes and is after deduction of any trade discounts. Deposits and instalments received on properties sold prior to the date of revenue recognition are included in the consolidated balance sheets as receipts in advance.

Revenue from instalment sales is recognised by discounting the instalments receivable at the imputed rate of interest to present value. The interest element is recognised as it is earned using the effective interest method.

(ii) *Contract revenue*

When the outcome of a construction contract can be estimated reliably, revenue from a fixed price contract is recognised using the percentage of completion method, measured by reference to the percentage of contract costs incurred to date to estimated total contract costs for the contract.

When the outcome of a construction contract cannot be estimated reliably, revenue is recognised only to the extent of contract costs incurred that it is probable will be recoverable.

(iii) *Rental income from operating leases*

Rental income receivable under operating leases is recognised in profit or loss in equal instalments over the periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset. Lease incentives granted are recognised in the profit or loss as an integral part of the aggregate net lease payments receivable. Contingent rentals are recognised as income in the accounting period in which they are earned.

(v) *Interest income*

Interest income is recognised as it accrues using the effective interest method.

(vi) *Government grants*

Government grants are recognised in the consolidated balance sheets initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate for expenses incurred in a previous period is recognised as revenue in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Group for the cost of an asset are deducted in arriving at the carrying amount of the assets.

(t) **Translation of foreign currencies**

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the balance sheet date. Exchange gains and losses are recognised in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was determined.

The results of foreign operations are translated into Renminbi at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Balance sheet items are translated into Renminbi at the closing foreign exchange rates at the balance sheet date. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the exchange reserve.

On disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation is reclassified from equity to profit or loss when the profit or loss on disposal is recognised.

(u) **Borrowing costs**

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

(v) Related parties

For the purposes of the Financial Information, a party is considered to be related to the Group if:

- (i) the party has the ability, directly or indirectly through one or more intermediaries, to control the Group or exercise significant influence over the Group in making financial and operating policy decisions, or has joint control over the Group;
- (ii) the Group and the party are subject to common control;
- (iii) the party is an associate of the Group or a joint venture in which the Group is a venturer;
- (iv) the party is a member of key management personnel of the Group or the Group's parent, or a close family member of such an individual, or is an entity under the control, joint control or significant influence of such individuals;
- (v) the party is a close family member of a party referred to in (i) or is an entity under the control, joint control or significant influence of such individuals; or
- (vi) the party is a post-employment benefit plan which is for the benefit of employees of the Group or of any entity that is a related party of the Group.

Close family members of an individual are those family members who may be expected to influence, or be influenced by, that individual in their dealings with the entity.

(w) Segment reporting

Operating segments, and the amounts of each segment item reported in the Financial Information, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

2 SEGMENT REPORTING

Management has determined operating segments with reference to the reports reviewed by the chief operating decision maker of the Group that are used to assess the performance and allocate resources.

The chief operating decision maker of the Group assesses the performance and allocates the resources of the Group as a whole, as all of the Group's activities are considered to be primarily dependent on the performance on property development. Therefore, management considers there to be only one operating segment under the requirements of IFRS 8, *Operating Segments*. In this regard, no segment information is presented for each of the years ended 31 December 2007, 2008 and 2009.

No geographic information is shown as the turnover and profit from operation of the Group is derived from activities in the PRC.

3 TURNOVER

The principal activity of the Group is property development. Turnover is analysed as follows:

	Year ended 31 December		
	2007	2008	2009
	RMB'000	RMB'000	RMB'000
Property sales	424,088	648,174	693,862
Construction contracts	39,079	–	58,730
	<u>463,167</u>	<u>648,174</u>	<u>752,592</u>

Turnover from construction contracts represents income arising from development of industrial properties in accordance with designs provided by customers.

4 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging/(crediting):

(a) Net financing costs/(income)

	Year ended 31 December		
	2007	2008	2009
	RMB'000	RMB'000	RMB'000
Net change in fair value of derivative financial instruments	–	(6,222)	(21,301)
Interest income (<i>note (i)</i>)	(5,241)	(1,389)	(886)
Finance income	(5,241)	(1,389)	(886)
Interest expense and other borrowing costs on loans and borrowings wholly repayable within five years (<i>note (i)</i>)	39,045	142,943	117,845
Less: Interest capitalised (<i>note (ii)</i>)	(10,463)	(135,372)	(110,482)
Net interest expense	28,582	7,571	7,363
Exchange loss	1,954	1,022	3
Finance expenses	30,536	8,593	7,366
Net financing costs/(income)	25,295	982	(14,821)

Notes:

- (i) All interest income and expense are arose from financial assets/liabilities not at fair value through profit or loss.
- (ii) Borrowing costs have been capitalised into properties under development for sale at average rates of 6.9%, 13.0% and 15.1% per annum for the years ended 31 December 2007, 2008 and 2009 respectively.

(b) Staff costs

	Year ended 31 December		
	2007	2008	2009
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Wages, salaries and other staff costs	15,254	16,771	18,882
Contributions to retirement benefits scheme	241	371	485
	<u>15,495</u>	<u>17,142</u>	<u>19,367</u>

Employees of the Group's PRC subsidiaries are required to participate in a defined contribution retirement scheme administered and operated by the local municipal government. The Group's PRC subsidiaries contribute funds which are calculated on certain percentage of the average employee salary as agreed by the local municipal government to the scheme to fund the retirement benefits of the employees.

The Group also maintains Mandatory Provident Fund Scheme (the "MPF Scheme") for all qualifying employees in Hong Kong. The Group's and employee's contributions to the MPF Scheme are based on 5% of the relevant income of the relevant employee up to a cap of monthly relevant income of HK\$20,000 and in accordance with the requirements of the Mandatory Provident Fund Scheme Ordinance and related regulations.

The Group has no other material obligation for the payment of retirement benefits associated with these schemes beyond the annual contributions described above.

(c) Other items

	Year ended 31 December		
	2007	2008	2009
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Depreciation and amortisation	3,598	3,965	4,295
Auditors' remuneration	36	1,892	2,893
Gain on disposal of property, plant and equipment	(354)	(344)	(299)
Provision for impairment losses on other receivables	–	19,515	–
Operating lease charges on hire of property	989	1,287	1,283
Gross rental income less direct outgoings	<u>(3,381)</u>	<u>(1,033)</u>	<u>(1,268)</u>

5 INCOME TAX

(a) Income tax in the consolidated income statements represents:

	Year ended 31 December		
	2007	2008	2009
	RMB'000	RMB'000	RMB'000
<i>Current tax</i>			
Provision for PRC Corporate Income Tax for the year (note 5(c))	27,444	16,110	45,204
Land Appreciation Tax for the year (note 5(c))	13,858	17,597	21,749
	<u>41,302</u>	<u>33,707</u>	<u>66,953</u>
<i>Deferred tax</i>			
Origination and reversal of temporary differences (note 5(d))	(12,257)	18,963	(11,539)
	<u>(12,257)</u>	<u>18,963</u>	<u>(11,539)</u>
Total income tax in the consolidated income statements	<u>29,045</u>	<u>52,670</u>	<u>55,414</u>

- (i) Pursuant to the rules and regulations of the British Virgin Islands (“the BVI”) and the Cayman Islands, the Group is not subject to any income tax in the BVI and the Cayman Islands.
- (ii) No Hong Kong Profits Tax has been provided for as the Group’s Hong Kong operations sustained losses for taxation purposes.

(iii) PRC Corporate Income Tax ("CIT")

Hebei Tian Shan Real Estate, one of the PRC subsidiaries of the Group, was subject to CIT at deemed profit which represents 10%, 13% and 13% of their revenue for each of the years ended 31 December 2007, 2008 and 2009 respectively in accordance with authorised tax valuation method (核定徵收) approved by local tax bureau pursuant to the applicable PRC tax regulations. On 18 December 2004, Hebei Tian Shan Real Estate became a foreign investment enterprise which enjoyed tax incentives granted by Hebei Province pursuant to CIT Law on Foreign Investment Enterprise and Foreign Enterprise in the PRC (中華人民共和國外商投資企業和國外企業所得稅法). Under such law, the income tax was 30% for the first two years and 31.5% for the next three years. According to the income tax law that was passed by the Standing Committee of the Tenth National People's Congress ("NPC") on 16 March 2007 ("the New Tax Law"), the CIT rate was revised to 25% with effect from 1 January 2008. In this regard, the CIT rates applied to Hebei Tian Shan Real Estate under such law were 31.5%, 25% and 25% for each of the years ended 31 December 2007, 2008 and 2009 respectively.

Other PRC subsidiaries of the Group, which were subject to the actual taxation method (查賬徵收), CIT were charged on their assessable profits at a rate of 33% for the year ended 31 December 2007 and 25% for each of the years ended 31 December 2008 and 2009 respectively.

(iv) PRC Land Appreciation Tax ("LAT")

According to the requirements of the Provisional Regulations of the PRC on LAT (中華人民共和國土地增值稅暫行條例) effective from 1 January 1994, and the Detailed Implementation Rules on the Provisional Regulations of the PRC on LAT (中華人民共和國土地增值稅暫行條例實施細則) effective from 27 January 1995, all income from the sale or transfer of state-owned land use rights, buildings and their attached facilities in the PRC is subject to LAT at progressive rates ranging from 30% to 60% of the appreciation value, with an exemption provided for property sales of ordinary residential properties (普通標準住宅) if their appreciation values do not exceed 20% of the sum of the total deductible items.

In addition, certain subsidiaries of the Group were subject to LAT which is calculated based on 1% to 3% of their revenue in accordance with the authorised tax valuation method approved by respective local tax bureau.

The Directors are of the opinion that the authorised tax valuation method is one of the allowable taxation methods in the PRC and the respective local tax bureaus are the competent tax authorities to approve the authorised tax valuation method in charging CIT and LAT to the respective PRC subsidiaries of the Group, and the risk of being challenged by the State Tax Bureau or any tax bureau of higher authority is remote.

(v) Withholding tax

The New Tax Law also imposes a withholding tax at 10%, unless reduced by a treaty or agreement, for dividends distributed by a PRC-resident enterprise to its immediate holding company outside PRC for earnings generated beginning on 1 January 2008 and undistributed earnings generated prior to 1 January 2008 are exempted from such withholding tax. Deferred tax liabilities were recognised for the undistributed earnings of the Group's PRC subsidiaries earned for each of the years ended 31 December 2008 and 2009, since it is probable that they will be distributed to its immediate holding company outside PRC in the foreseeable future.

(b) Reconciliation between tax expense and accounting profit before taxation at applicable tax rates:

	Year ended 31 December		
	2007 <i>RMB'000</i>	2008 <i>RMB'000</i>	2009 <i>RMB'000</i>
Profit before taxation	94,729	164,019	185,452
Notional tax on profit before taxation calculated at the rates applicable to the jurisdictions concerned	29,840	41,005	46,363
Non-taxable income	(1,211)	(2,356)	(5,325)
Non-deductible expenses	12,979	7,687	5,960
Withholding tax on earnings distributable by the PRC foreign investment enterprises	–	12,657	6,743
Land Appreciation Tax	13,858	17,597	21,749
CIT effect on Land Appreciation Tax	(4,365)	(4,399)	(5,438)
Effect on using authorised tax valuation method in calculating CIT	(22,056)	(19,521)	(14,638)
Actual tax expense	29,045	52,670	55,414

(c) Current taxation in the consolidated balance sheets represents:

	The Group		
	At 31 December		
	2007	2008	2009
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<i>PRC Corporate Income Tax</i>			
At 1 January	3,642	10,346	5,584
Charged to profit or loss (<i>note 5(a)</i>)	27,444	16,110	45,204
Tax paid	(20,740)	(20,872)	(33,031)
	<u>10,346</u>	<u>5,584</u>	<u>17,757</u>
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<i>Land Appreciation Tax</i>			
At 1 January	25,098	31,154	41,070
Charged to profit or loss (<i>note 5(a)</i>)	13,858	17,597	21,749
Tax paid	(7,802)	(7,681)	(14,378)
	<u>31,154</u>	<u>41,070</u>	<u>48,441</u>
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Total	<u><u>41,500</u></u>	<u><u>46,654</u></u>	<u><u>66,198</u></u>

(d) Deferred tax assets/(liabilities)

The components of deferred tax assets/(liabilities) recognised in the consolidated balance sheets and the movements during the relevant period are as follows:

	The Group		
	Withholding tax on undistributed earnings by the PRC foreign		
	Pre-sale of properties	investment enterprises	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At 1 January 2007	6,358	–	6,358
Credited to profit or loss (<i>note 5(a)</i>)	12,257	–	12,257
	<u>18,615</u>	<u>–</u>	<u>18,615</u>
	-----	-----	-----
At 1 January 2008	18,615	–	18,615
Charged to profit or loss (<i>note 5(a)</i>)	(6,306)	(12,657)	(18,963)
	<u>12,309</u>	<u>(12,657)</u>	<u>(348)</u>
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At 1 January 2009	12,309	(12,657)	(348)
Credited/(charged) to profit or loss (<i>note 5(a)</i>)	18,282	(6,743)	11,539
	<u>30,591</u>	<u>(19,400)</u>	<u>11,191</u>
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Representing:

	At 31 December		
	2007 <i>RMB'000</i>	2008 <i>RMB'000</i>	2009 <i>RMB'000</i>
Deferred tax assets	18,615	12,309	30,591
Deferred tax liabilities	—	(12,657)	(19,400)
	<u>18,615</u>	<u>(348)</u>	<u>11,191</u>

6 DIVIDENDS

Pursuant to a resolution passed by the Company's board of directors on 5 November 2007, the Company declared a special dividend of RMB200,000,000 by way of distribution in specie, being the amount due from Tian Shan Industrial Group to its equity holders. No dividend was approved and declared by the Company during the years ended 31 December 2008 and 2009.

7 EARNINGS PER SHARE

No earnings per share is presented as the number of shares issued upon the initial public offering and potential dilutive shares cannot be reliably determined. The number of shares that would be issued on the mandatory conversion of Senior Notes to the shares of the company and the exercise of warrants is linked to the offer price of shares of the Company upon the initial public offering.

8 OTHER COMPREHENSIVE INCOME

	Year ended 31 December		
	2007 <i>RMB'000</i>	2008 <i>RMB'000</i>	2009 <i>RMB'000</i>
Exchange differences on translation of financial statements of overseas subsidiaries	7,449	39,834	(14)
	<u>7,449</u>	<u>39,834</u>	<u>(14)</u>

There is no tax effect relating to the above component of other comprehensive income.

9 DIRECTORS' REMUNERATION

The individual amounts of remuneration payable to executive directors of the Company during the relevant period are as follows:

	Directors' fees	Basic salaries, housing allowances and other allowances and benefits in kind	Discretionary bonuses	Retirement scheme contributions	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Year ended 31 December 2007					
Mr Wu Zhen Shan	–	26	–	1	27
Mr Wu Zhen Ling	–	–	–	–	–
Mr Wu Zhen He	–	–	–	–	–
Mr Zhang Zhen Hai	–	–	–	–	–
	–	26	–	1	27
	<u>–</u>	<u>26</u>	<u>–</u>	<u>1</u>	<u>27</u>
Year ended 31 December 2008					
Mr Wu Zhen Shan	–	313	–	2	315
Mr Wu Zhen Ling	–	317	–	2	319
Mr Wu Zhen He	–	317	–	2	319
Mr Zhang Zhen Hai	–	316	–	2	318
	–	1,263	–	8	1,271
	<u>–</u>	<u>1,263</u>	<u>–</u>	<u>8</u>	<u>1,271</u>
Year ended 31 December 2009					
Mr Wu Zhen Shan	–	344	–	3	347
Mr Wu Zhen Ling	–	346	–	3	349
Mr Wu Zhen He	–	348	–	3	351
Mr Zhang Zhen Hai	–	345	–	3	348
	–	1,383	–	12	1,395
	<u>–</u>	<u>1,383</u>	<u>–</u>	<u>12</u>	<u>1,395</u>

No directors of the Company waived or agreed to waive any remuneration during the relevant period. No remuneration was paid to independent non-executive directors during the relevant period as the independent non-executive directors have not been appointed during the relevant period.

10 INDIVIDUALS WITH THE HIGHEST EMOLUMENTS

The numbers of Directors and non-Directors included in the five highest paid individuals during the relevant period are set out below:

	Year ended 31 December		
	2007	2008	2009
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Directors	–	4	4
Non-Directors	5	1	1
	<u>5</u>	<u>5</u>	<u>5</u>
	<u>5</u>	<u>5</u>	<u>5</u>

The emoluments of the Directors are set out in note 9. The aggregate of the emoluments in respect of the remaining highest paid individuals are as follows:

	Year ended 31 December		
	2007	2008	2009
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Basic salaries, housing allowances and other allowances and benefits in kind	1,503	803	819
Discretionary bonuses	–	–	–
Retirement scheme contributions	10	11	11
	<u>1,513</u>	<u>814</u>	<u>830</u>
	<u>1,513</u>	<u>814</u>	<u>830</u>

The above individuals' emoluments are within the following bands:

	Number of individuals		
	Year ended 31 December		
	2007	2008	2009
Not more than RMB1,000,000	5	1	1
	<u>5</u>	<u>1</u>	<u>1</u>
	<u>5</u>	<u>1</u>	<u>1</u>

During the relevant period, no emoluments have been paid by the Group to the directors, senior executives or any of the five highest individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

11 PROPERTY, PLANT AND EQUIPMENT – THE GROUP

	Buildings held for own use at cost <i>RMB'000</i>	Construction in progress <i>RMB'000</i>	Leasehold improvement <i>RMB'000</i>	Plant and machinery <i>RMB'000</i>	Furniture, fixtures and equipment <i>RMB'000</i>	Motor vehicles <i>RMB'000</i>	Subtotal <i>RMB'000</i>	Interests in leasehold land held for own use under operating leases <i>RMB'000</i>	Total <i>RMB'000</i>
Cost:									
At 1 January 2007	–	–	–	207	2,614	18,261	21,082	–	21,082
Additions	–	6,106	2,170	–	1,123	2,140	11,539	282	11,821
Transferred to buildings held for own use at cost	871	(871)	–	–	–	–	–	–	–
Disposals	–	–	–	–	(139)	(864)	(1,003)	–	(1,003)
At 31 December 2007	871	5,235	2,170	207	3,598	19,537	31,618	282	31,900
Accumulated depreciation and amortisation:									
At 1 January 2007	–	–	–	117	1,254	5,311	6,682	–	6,682
Charge for the year	5	–	326	25	452	2,789	3,597	1	3,598
Write back on disposals	–	–	–	–	(122)	(455)	(577)	–	(577)
At 31 December 2007	5	–	326	142	1,584	7,645	9,702	1	9,703
Net book value:									
At 31 December 2007	866	5,235	1,844	65	2,014	11,892	21,916	281	22,197

	Buildings held for own use at cost <i>RMB'000</i>	Construction in progress <i>RMB'000</i>	Leasehold improvement <i>RMB'000</i>	Plant and machinery <i>RMB'000</i>	Furniture, fixtures and equipment <i>RMB'000</i>	Motor vehicles <i>RMB'000</i>	Subtotal <i>RMB'000</i>	Interests in leasehold land held for own use under operating leases <i>RMB'000</i>	Total <i>RMB'000</i>
Cost:									
At 1 January 2008	871	5,235	2,170	207	3,598	19,537	31,618	282	31,900
Additions	-	-	-	16	547	1,184	1,747	-	1,747
Transferred to inventories	-	(5,235)	-	-	-	-	(5,235)	-	(5,235)
Disposals	-	-	-	-	(103)	(1,882)	(1,985)	-	(1,985)
At 31 December 2008	871	-	2,170	223	4,042	18,839	26,145	282	26,427
Accumulated depreciation and amortisation:									
At 1 January 2008	5	-	326	142	1,584	7,645	9,702	1	9,703
Charge for the year	40	-	434	20	600	2,865	3,959	6	3,965
Write back on disposals	-	-	-	-	(43)	(1,155)	(1,198)	-	(1,198)
At 31 December 2008	45	-	760	162	2,141	9,355	12,463	7	12,470
Net book value:									
At 31 December 2008	826	-	1,410	61	1,901	9,484	13,682	275	13,957

	Buildings held for own use at cost <i>RMB'000</i>	Leasehold improvement <i>RMB'000</i>	Plant and machinery <i>RMB'000</i>	Furniture, fixtures and equipment <i>RMB'000</i>	Motor vehicles <i>RMB'000</i>	Subtotal <i>RMB'000</i>	Interests in leasehold land held for own use under operating leases <i>RMB'000</i>	Total <i>RMB'000</i>
Cost:								
At 1 January 2009	871	2,170	223	4,042	18,839	26,145	282	26,427
Additions	2,217	–	–	3,231	5,848	11,296	–	11,296
Disposals	–	–	–	(879)	(1,127)	(2,006)	–	(2,006)
At 31 December 2009	<u>3,088</u>	<u>2,170</u>	<u>223</u>	<u>6,394</u>	<u>23,560</u>	<u>35,435</u>	<u>282</u>	<u>35,717</u>
Accumulated depreciation and amortisation:								
At 1 January 2009	45	760	162	2,141	9,355	12,463	7	12,470
Charge for the year	97	434	14	479	3,264	4,288	7	4,295
Write back on disposals	–	–	–	(23)	(953)	(976)	–	(976)
At 31 December 2009	<u>142</u>	<u>1,194</u>	<u>176</u>	<u>2,597</u>	<u>11,666</u>	<u>15,775</u>	<u>14</u>	<u>15,789</u>
Net book value:								
At 31 December 2009	<u>2,946</u>	<u>976</u>	<u>47</u>	<u>3,797</u>	<u>11,894</u>	<u>19,660</u>	<u>268</u>	<u>19,928</u>

The analysis of carrying value of leasehold land held for own use under operating leases is as follows:

	The Group		
	At 31 December		
	2007 <i>RMB'000</i>	2008 <i>RMB'000</i>	2009 <i>RMB'000</i>
In PRC, held on leases of – Between 10 and 50 years	<u>281</u>	<u>275</u>	<u>268</u>

12 INVENTORIES

- (a) Inventories in the consolidated balance sheets comprise:

	The Group		
	At 31 December		
	2007	2008	2009
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Construction materials	1,061	115	65
Properties held for future development for sale	902,172	282,815	342,536
Properties under development for sale	304,756	1,418,248	1,583,372
Completed properties held for sale	110,600	161,072	159,736
	<u>1,317,528</u>	<u>1,862,135</u>	<u>2,085,644</u>
	<u>1,318,589</u>	<u>1,862,250</u>	<u>2,085,709</u>

- (b) The analysis of carrying value of leasehold land included in inventories for property development is as follows:

	The Group		
	At 31 December		
	2007	2008	2009
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
In PRC, held on leases of			
– Over 50 years	866,650	1,406,366	1,203,672
– Between 10 and 50 years	83,591	69,843	73,144
	<u>950,241</u>	<u>1,476,209</u>	<u>1,276,816</u>

- (c) The amount of inventories for property development expected to be recovered after more than one year is analysed as follows:

	The Group		
	At 31 December		
	2007	2008	2009
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Properties held for future development for sale	902,172	282,815	342,536
Properties under development for sale	28,818	299,455	820,995
	<u>930,990</u>	<u>582,270</u>	<u>1,163,531</u>

- (d) Certain Group's inventories were pledged against the bank loans at the respective balance sheet date, details are set out in note 18.
- (e) The cost of inventories sold for each of the years ended 31 December 2007, 2008 and 2009 amounted to RMB269,102,000, RMB382,607,000 and RMB471,533,000 respectively.
- (f) The Group temporarily leased out certain properties under operating leases. The leases run for an initial period of two years. The leases do not include contingent rents. The Group's total future minimum lease payments under non-cancellable operating leases are not significant.

13 TRADE AND OTHER RECEIVABLES

	The Group		
	At 31 December		
	2007	2008	2009
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Trade receivables (<i>note (a)</i>)	28,861	12,292	24,432
Deposits, prepayments and other receivables (<i>note (c)</i>)	158,453	44,501	245,239
Amounts due from related parties (<i>note (d)</i>)	136,070	84,658	27,574
Derivative financial instruments (<i>note 19</i>)	10	–	–
Gross amount due from customers for contract work (<i>note (e)</i>)	–	–	4,200
	<u>323,394</u>	<u>141,451</u>	<u>301,445</u>

All of the trade and other receivables are expected to be recovered within one year.

- (a) Included in trade and other receivables are trade debtors with the following ageing analysis as at each balance sheet date:

	The Group		
	At 31 December		
	2007	2008	2009
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Current or less than 1 month overdue	28,390	11,821	23,961
3 months to 1 year overdue	471	471	471
	<u>28,861</u>	<u>12,292</u>	<u>24,432</u>

The Group's credit policy is set out in note 21(b).

(b) Impairment of other receivable

Impairment losses in respect of other receivables are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against other receivables directly (see note 1(h)(i)).

The movement in the allowance for doubtful debts during the relevant period is as follows:

	The Group		
	At 31 December		
	2007	2008	2009
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At 1 January	–	–	19,515
Impairment loss recognised	–	19,515	–
	<u>–</u>	<u>19,515</u>	<u>–</u>
At 31 December	<u>–</u>	<u>19,515</u>	<u>19,515</u>

The Group's other receivables which were individually determined to be impaired were RMB Nil, RMB19,515,000 and RMB19,515,000 as at 31 December 2007, 2008, 2009 respectively. The Group does not hold any collateral over these balances.

(c) Included in deposits, prepayments and other receivables as at 31 December 2007, 2008, 2009 were prepayments for leasehold land costs of RMB114,510,000, RMB7,560,000 and RMB158,049,000 respectively.

(d) Included in the amount due from related parties is non-trade balance of RMB44,429,000, RMB9,191,000 and RMB27,574,000 as at 31 December 2007, 2008 and 2009 respectively. The Directors confirm that the non-trade balance is for the purpose of short-term financing to the related parties and will be settled in cash prior to the listing of the Company's shares on the Stock Exchange.

(e) Gross amount due from customers for contract work at each balance sheet date is set out as follows:

	The Group		
	At 31 December		
	2007	2008	2009
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Costs incurred	–	–	30,858
Recognised profit	–	–	30,964
	<u>–</u>	<u>–</u>	<u>61,822</u>
Less: Progress billings	–	–	(57,622)
	<u>–</u>	<u>–</u>	<u>4,200</u>

(f) During the Relevant Period, the maximum amount outstanding due from directors is RMB680,000, RMB4,000,000 and RMBNil for each of the years ended 31 December 2007, 2008 and 2009 respectively. There were no outstanding balances due from directors as at 31 December 2007, 2008 and 2009.

14 RESTRICTED CASH

Restricted cash are deposits with certain banks as guarantee deposits against the mortgage loan facilities granted by the banks to purchasers of the Group's properties.

15 CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of cash on hand and balances with banks.

16 SHARE CAPITAL

The details of the authorised and issued share capital are set out as follows:

	The Group and the Company		
	At 31 December		
	2007	2008	2009
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<i>Authorised:</i>			
3,800,000 ordinary shares of HK\$0.1 each	380	380	380
	<u> </u>	<u> </u>	<u> </u>
<i>Issued and fully paid:</i>			
1,560,001 ordinary shares of HK\$0.1 each	156	156	156
	<u> </u>	<u> </u>	<u> </u>
RMB equivalent	160	160	160
	<u> </u>	<u> </u>	<u> </u>

Pursuant to the resolutions in writing of the sole shareholder of the Company passed on 16 June 2010, the authorised share capital of the Company was increased to HK\$1,000,000,000 by the creation of an additional 9,996,200,000 ordinary shares. In addition, conditional on the share premium account of the Company being credited as a result of the issue of the offer shares by the Company pursuant to the initial public offering of shares of the Company ("IPO") and subject to the IPO price, the Company will capitalise up to an amount of HK\$69,968,999.9 standing to the credit of the share premium account of the Company by applying such sum in paying up in full at par up to 699,689,999 shares, each of which will be allotted and issued to the shareholder of the Company.

Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to fund its property development projects, provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

Consistent with the industry practice, the Group monitors its capital structure on the basis of debt to equity ratio. This ratio is calculated as total debt divided by total equity attributable to shareholders.

The debt to equity ratios at each balance sheet date are as follows:

	The Group		
	At 31 December		
	2007	2008	2009
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Non-current liabilities			
Bank loans	61,770	191,066	163,000
Senior Notes	–	290,484	–
	<u>61,770</u>	<u>481,550</u>	<u>163,000</u>
Current liabilities			
Bank loans	125,000	104,720	267,937
Senior Notes	552,558	219,234	308,802
	<u>677,558</u>	<u>323,954</u>	<u>576,739</u>
Total debt	<u>739,328</u>	<u>805,504</u>	<u>739,739</u>
Total equity attributable to shareholders	<u>307,527</u>	<u>438,005</u>	<u>568,029</u>
Debt to equity ratio	<u>2.40</u>	<u>1.84</u>	<u>1.30</u>

17 RESERVES

(a) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations.

(b) Other capital reserve

Other capital reserve represents the difference between the Group's interest in the net book value of an entity under common control of the shareholders that control the Group and the cost of transfer/consideration of disposal of that entity; and the difference between the nominal value of shares of the subsidiary acquired over the nominal value of the shares exchanged by the Group thereafter.

(c) PRC statutory reserve

The statutory reserve is non-distributable and the transfer to this reserve is determined by the board of directors in accordance with the relevant laws and regulations of the PRC. This reserve can be used to offset accumulated losses and increase capital upon approval from the relevant authorities.

This reserve could only be utilised on capital items for the collective benefits of the Group's employees such as the construction of dormitories, canteen and other staff welfare facilities. This fund was non-distributable other than in liquidation.

(d) Warrant reserve

Warrant reserve represents the excess of proceeds of the Senior Notes over the amount initially recognised as the Senior Notes and the embedded derivatives (see note 19).

18 BANK LOANS — SECURED

(a) At each balance sheet date, bank loans were repayable as follows:

	The Group		
	At 31 December		
	2007	2008	2009
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Within one year or on demand	125,000	104,720	267,937
After one year but within two years	61,770	191,066	90,000
After two year but within five years	—	—	73,000
	<u>61,770</u>	<u>191,066</u>	<u>163,000</u>
	<u>186,770</u>	<u>295,786</u>	<u>430,937</u>

(b) Included in secured bank loans were balances of RMB5,960,000, RMB Nil and RMB Nil which were secured by properties of certain related companies at 31 December 2007, 2008 and 2009 respectively. The pledges have been fully released prior to the listing of the Company's shares on the Stock Exchange.

Included in secured bank loans were balances of RMB88,300,000, RMB44,720,000 and RMB80,000,000 which were jointly secured by assets of certain related parties and the Group at 31 December 2007, 2008 and 2009 respectively.

At each balance sheet date, assets of the Group secured against bank loans are analysed as follows:

	The Group		
	At 31 December		
	2007	2008	2009
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Properties held for future development for sale	51,898	16,524	60,539
Properties under development for sale	192,479	693,777	1,200,716
Completed properties held for sale	21,251	57,765	40,376
	<u>265,628</u>	<u>768,066</u>	<u>1,301,631</u>

(c) The effective interest rates per annum at each balance sheet date ranged from:

	The Group		
	At 31 December		
	2007	2008	2009
	%	%	%
Bank loans	<u>6.34 – 7.72</u>	<u>7.43 – 8.32</u>	<u>5.67 – 6.48</u>

19 SENIOR NOTES/WARRANTS – THE GROUP AND THE COMPANY

Senior Notes/Warrants issued on 9 October 2007

On 9 October 2007, the Company issued US\$90,000,000 Senior Floating Rate Notes Due 2012 (the “Senior Notes”) and 98,901,100 warrants (the “Warrants”) for a principal amount totalling US\$90,000,000. The Senior Notes are interest-bearing at six-month LIBOR plus 7% per annum and payable semi-annually in arrears. The Senior Notes are secured by the entire equity interest in Tian Shan International, and the Company’s equity interest held by Neway.

Detachable from Senior Notes, each Warrant may be exercised from the date of issue up to 8 October 2012 at an initial exercise price of HK\$0.56 per share, assuming 1,000,000,000 shares are in issue, subject to anti-dilutive adjustment, to subscribe shares of the Company. As the Warrants are settled by exchange of the Warrants and fixed amount of cash for a fixed number of the Company’s shares other than changes subject to anti-dilutive effect, the Warrants are classified as equity financial instruments.

Conditioned in the Indenture in relation to the Senior Notes, the Company was granted a redemption option such that at any time on or after 8 October 2010, the Company may redeem the Senior Notes, in whole or in part, at a redemption price equal to the percentage ranging from 108% of the principal amount, plus accrued and unpaid interest, if any, up to and including the redemption date. The redemption call option is separately accounted for at fair value at each balance sheet date as derivative financial instrument and recorded under “Trade and other receivables”.

If the Company has not completed an initial public offering (“IPO”) by 8 October 2008, or delisting occurs at any time, the Company may be required to redeem all of the Senior Notes outstanding, at the discretion of the holders of Senior Notes, at a redemption price equal to 108% of the outstanding principal amount of the Senior Notes, plus accrued and unpaid interest. The redemption put options are separately accounted for at fair value at each balance sheet date as derivative financial instruments and recorded under “Trade and other payables”.

The Company cannot declare and pay any cash dividend until the full repayment of the Senior Notes or the completion of IPO, whichever the earlier. After the completion of IPO, if the Company has not repaid the Senior Notes, the Company cannot declare or pay cash dividend that exceed 35% of the net profit attributable to the shareholders of the Company without the prior consent of the trustees of the Senior Notes.

Changes of terms of Senior Notes/Warrants on 16 October 2008

The Company did not complete an IPO by 8 October 2008. In accordance with the original terms of Senior Notes, the holders of the Senior Notes have the rights to exercise the redemption put options at any time and the liability portion of the Senior Notes as at 31 December 2007 was classified to current liabilities accordingly. On 16 October 2008, the Group entered into a supplementary agreement with the holders of the Senior Notes, under which the Group repaid US\$9 million of the principal amount upon signing of the supplementary agreement. The remaining outstanding balance is to be settled in two instalments, US\$36 million of which is to be due on 8 October 2009 while the remaining US\$45 million, together with special redemption premium of US\$2.7 million, are to be due on 8 October 2010.

In addition, the exercise price of each Warrant is also changed as follows:

- (i) If the Warrants are exercised before the IPO of the Company, the exercise price of the Warrants would be HK\$560 per share, based on the 1,560,001 shares in issue of the Company.
- (ii) If the Warrants are exercised after the IPO and the IPO is completed before 9 October 2010, the holders of the Warrants can exercise the Warrants at a price of a 60% discount on the IPO price.
- (iii) If the Warrants are exercised after the IPO and the IPO is completed after 9 October 2010, the holders of the Warrants can exercise the Warrants at a price of a 75% discount on the IPO price.

The Warrants will be expired in 2014.

As the exercise price of the Warrants became variable subject to different conditions, the fair value of the Warrants as at 16 October 2008 with fair value of RMB20,705,000 was classified as derivative financial instrument under “Trade and other payables” and the remaining balance of the warrant reserve was transferred to retained profits.

Changes of terms of Senior Notes/Warrants on 16 November 2009

According to the terms of Senior Notes changed on 16 October 2008, the Group was required to repay US\$36 million principal amount on 8 October 2009. The Group only repaid US\$18 million on 8 October 2009.

On 16 November 2009, the Group entered into a second amendment agreement with the holders of the Senior Notes, under which US\$18 million, US\$27 million and US\$18 million are to be due on 31 December 2009, 8 October 2010 and 8 April 2011, with a redemption premium of US\$1.35 million which is to be due on 8 April 2011. The US\$18 million due on 31 December 2009 was repaid by the Group during the year ended 31 December 2009. Also, the Group has an option to early repay the principal of the Senior Notes. If the Group repays the whole principal amount of the Senior Notes on or before 8 October 2010, the Group is not required to pay the redemption premium of US\$1.35 million. If the Group is unable to settle the whole principal amount by 8 April 2011, the redemption premium would be increased to US\$2.7 million. The directors are of the opinion that the Group will and will be able to settle the full principal and accrued interest of the Senior Notes by 8 October 2010. In this regard, the Senior Notes are classified to current liabilities as at 31 December 2009.

In addition, the commencement date of exercise period of the Warrants changed from the date of issue, i.e. 9 October 2007, to 9 October 2010. If the Senior Notes are fully repaid by 8 October 2010, the Warrants will be lapsed immediately.

Changes of terms of Senior Notes/Warrants on 25 June 2010

On 25 June 2010, the Group entered into a third amendment agreement with the holders of the Senior Notes. In accordance with the third amendment agreement, if the IPO of the Company takes place on or before 15 July 2010, US\$11.25 million of the outstanding principal amount of the Senior Notes of US\$45 million will be compulsorily converted into shares of the Company at the IPO price. The remaining outstanding balance of US\$22.5 million and US\$11.25 million respectively will be due one month after the IPO date and on 8 October 2010 respectively. In addition, if the IPO takes place on or before 15 July 2010, the Warrants will be lapsed upon the IPO date.

If the IPO does not take place on or before 15 July 2010, the third amendment agreement will be lapsed and the Senior Note and Warrants will be governed by the second amendment agreement.

The movements of different components of the Senior Notes/Warrants are set out below:

	Liability component of the Senior Notes <i>RMB'000</i> (i)	Redemption call option <i>RMB'000</i> <i>(Note 13)</i> (ii)	Redemption put options <i>RMB'000</i> <i>(Note 20)</i> (iii)	Warrant reserve <i>RMB'000</i> (iv)	Warrants <i>RMB'000</i> <i>(Note 20)</i> (v)	Total <i>RMB'000</i>
Proceeds from issuance of the Senior Notes	591,337	(11)	7,031	78,731	–	677,088
Transaction costs	(29,143)	–	–	(3,834)	–	(32,977)
Net proceeds	562,194	(11)	7,031	74,897	–	644,111
Interest and transaction costs amortised	6,902	–	–	–	–	6,902
Exchange differences	(16,538)	1	(203)	–	–	(16,740)
At 31 December 2007	<u>552,558</u>	<u>(10)</u>	<u>6,828</u>	<u>74,897</u>	<u>–</u>	<u>634,273</u>
At 1 January 2008	552,558	(10)	6,828	74,897	–	634,273
Repayment	(62,100)	–	–	–	–	(62,100)
Interest and transaction costs amortised	59,092	–	–	–	–	59,092
Charged/(credited) to profit or loss	–	10	(6,828)	–	596	(6,222)
Transfer to retained profits	–	–	–	(74,897)	20,705	(54,192)
Exchange differences	(39,832)	–	–	–	–	(39,832)
At 31 December 2008	<u>509,718</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>21,301</u>	<u>531,019</u>
At 1 January 2009	509,718	–	–	–	21,301	531,019
Repayment	(245,880)	–	–	–	–	(245,880)
Interest and transaction costs amortised	45,500	–	–	–	–	45,500
Credited to profit or loss	–	–	–	–	(21,301)	(21,301)
Exchange differences	(536)	–	–	–	–	(536)
At 31 December 2009	<u>308,802</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>308,802</u>

- (i) Liability component of the Senior Notes represents the present value of the contractually determined stream of future cash flows discounted at the rate of interest determined by the market instruments of comparable credit status taken into account the business risk and financial risk of the Company. The effective interest rate of the liability component is 18.5%, 19.5% and 17.3% per annum for each of the years ended 31 December 2007 and 2008 and 2009 respectively.

At each balance sheet date, liability component of the Senior Notes was repayable as follows:

	The Group and the Company		
	At 31 December		
	2007	2008	2009
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Within one year or on demand	552,558	219,234	308,802
After one year but within two years	–	290,484	–
	<u>552,558</u>	<u>509,718</u>	<u>308,802</u>

- (ii) Redemption call option represents the fair value of the Company's option to early redeem all of the Senior Notes. As a result of the changes of terms of the redemption call option upon change of the terms of the Senior Notes/Warrants on 16 October 2008, the value of the redemption call option is minimal and the balance was charged to profit or loss during the year ended 31 December 2008.
- (iii) Redemption put options represent the fair value of the options of the holders of the Senior Notes to early redeem all or part of the Senior Notes. As a result of cancellation of the put options upon changes of the terms of the Senior Notes on 16 October 2008, the balance was recognised to profit or loss during the year ended 31 December 2008.
- (iv) Warrant reserve represents the excess of proceeds of the Senior Notes over the amount initially recognised as the Senior Notes and the fair value of the redemption call and put options. The warrant reserve was transferred to derivative financial instruments and retained profits respectively upon the changes of terms of the Warrants on 16 October 2008.
- (v) Warrants represent the fair value of Warrants after changes of terms on 16 October 2008 at each balance sheet date and are accounted for as derivative financial instruments under "Trade and other payables".

The fair value of redemption call option, redemption put options and Warrants at their initial recognition date and at each balance sheet date were measured using valuation techniques in which any significant input is not based on observable market data, which is categorised into Level 3 (lowest level) valuation under IFRS 7, *Financial Instruments: Disclosures*. The fair value of the redemption call option, redemption put options and Warrants were determined by an independent valuer, Asset Appraisal Limited.

The assumptions applied in determining the fair value of the Warrants at the grant date (16 October 2008) and as at 31 December 2008 in accordance with the Binomial Model are set out as follows:

	At 16 October 2008	At 31 December 2008
Fair value at measurement date (RMB'000)	20,705	21,301
Share price (HK\$)	239	235
Expected volatility	59%	71%
Expected dividends	–	–
Risk-free rate	3%	2%

The value of the warrants as at 31 December 2009 is estimated based on the assumption that the Group will and will be able to settle the full principal and accrued interest of the Senior Notes by 8 October 2010.

20 TRADE AND OTHER PAYABLES

	The Group At 31 December		
	2007 RMB'000	2008 RMB'000	2009 RMB'000
Trade payables (<i>note (a)</i>)	19,934	28,898	37,273
Receipts in advance	581,812	428,925	853,920
Other payables and accruals (<i>note (b)</i>)	205,112	427,394	373,187
Amounts due to related parties (<i>note (c)</i>)	14,281	17,051	19,003
Amounts due to directors (<i>note (d)</i>)	183	–	–
Derivative financial instruments (<i>note 19</i>)	6,828	21,301	–
	<u>828,150</u>	<u>923,569</u>	<u>1,283,383</u>

Included in other payables and accruals of the Group were retention payables which were expected to be settled after more than one year amounted to RMB9,911,000, RMB10,669,000 and RMB14,357,000 at 31 December 2007, 2008 and 2009 respectively.

- (a) Included in trade and other payables were trade payables with the following ageing analysis as at each balance sheet date:

	The Group At 31 December		
	2007 RMB'000	2008 RMB'000	2009 RMB'000
Due within 1 month or on demand	<u>19,934</u>	<u>28,898</u>	<u>37,273</u>

- (b) Included in other payables and accruals at 31 December 2007, 2008 and 2009 were accrued construction costs to Hebei Tian Shan Industrial Group Construction Engineering Company Limited (“Tian Shan Construction”), a company wholly owned by the Controlling Shareholders, amounted to RMB22,589,000, RMB63,436,000 and RMB20,994,000 respectively.
- (c) Amounts due to related parties are unsecured, interest free and have no fixed terms of repayment.
- (d) Amounts due to directors are unsecured, interest free and have no fixed terms of repayment. Set out below are details of the amounts due to directors at each balance sheet date:

	The Group		
	At 31 December		
	2007	2008	2009
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Mr Wu Zhen Shan	61	–	–
Mr Wu Zhen Ling	61	–	–
Mr Zhang Zhen Hai	61	–	–
	<hr/>	<hr/>	<hr/>
	183	–	–
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

21 FINANCIAL INSTRUMENTS

Exposure to interest rate, credit, liquidity and currency risks arises in the normal course of the Group's business. The risks are limited by the Group's financial management policies and practices described below.

(a) Interest rate risk

The interest rates and terms of repayment of bank loans and other borrowings and Senior Notes of the Group are disclosed in notes 18 and 19. The Group does not carry out any hedging activities to manage its interest rate exposure. A reasonably possible increase/decrease of 100 basis points interest rates would decrease/increase Group's profit by RMB7.0 million, RMB6.5 million and RMB7.3 million for each of the years ended 31 December 2007, 2008 and 2009 respectively.

(b) Credit risk

The Group's credit risk is primarily attributable to trade and other receivables. Management has a credit policy in place and the exposures to these credit risks are monitored monthly by the directors with assistance of staff in Sales and Credit Department.

In respect of trade receivables of normal sales, no credit terms are granted to the purchasers. The Group normally arranges bank financing for buyers of properties and provides guarantee to secure repayment obligations of such purchasers. If there are default payments by these purchasers, the Group is responsible to repay the outstanding mortgage loans together with any accrued interest and penalties owed by the defaulted purchasers to banks. The Group's guarantee period commences from the dates of grants of the relevant mortgage loans and ends after the purchasers obtain the individual property ownership certificates of the properties purchased. During the period under guarantee, as the Group has not applied for individual property ownership certificates for these purchasers, the Group can take over the ownership of the related properties and sell the properties to recover any amounts paid by the Group to the banks in the event that the purchasers default payments to the banks. In this regard, the directors consider that the credit risk of the Group is minimised.

In respect of trade receivables arising from instalment sales and other receivables, the Group assesses the financial abilities of the purchasers/debtors before granting the instalment sales/facilities to them. The Group chases the debtors to settle outstanding balances and monitors the settlement progress on an ongoing basis. The Group would not apply individual property ownership certificates for the property buyers until the outstanding balances are fully settled. Other than that, normally, the Group does not obtain collateral from debtors. The impairment losses on bad and doubtful accounts are within management's expectation.

(c) Liquidity risk

The Group's management reviews the liquidity position of the Group on an ongoing basis, including review of the expected cash inflows and outflows, sale/pre-sale results of respective property projects, maturity of loans and borrowings and the progress of the planned property development projects in order to monitor the Group's liquidity requirements in the short and longer terms.

The Group's ability to settle its liabilities depends on the cash inflow from sale of its properties in the PRC. The directors are of the opinion that the Group will be able to finance its working and financial requirements based on a cash flow forecast prepared by the Group's management for the twelve months ending 31 December 2010. The following table details the remaining contractual maturities at the balance sheet date of the Group's non-derivative financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computing using contractual rates or, if floating, based on current rates at the balance sheet date) and the earliest date the Group can be required to pay:

As at 31 December 2007	Carrying amount	Total contractual undiscounted cash flow	Within 1 year or less or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Senior Notes	552,558	755,244	755,244	–	–
Bank loans and other borrowings	186,770	198,631	133,591	65,040	–
Trade payables	19,934	19,934	19,934	–	–
Other payables and accruals	205,112	205,112	195,201	9,911	–
Amounts due to related parties	14,281	14,281	14,281	–	–
Amounts due to directors	183	183	183	–	–
Tax payable	41,500	41,500	41,500	–	–
	<u>1,020,338</u>	<u>1,234,885</u>	<u>1,159,934</u>	<u>74,951</u>	<u>–</u>
As at 31 December 2008					
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Senior Notes	509,718	641,892	293,216	348,676	–
Bank loans and other borrowings	295,786	339,960	126,100	213,860	–
Trade payables	28,898	28,898	28,898	–	–
Other payables and accruals	427,394	427,394	416,725	10,669	–
Amounts due to related parties	17,051	17,051	17,051	–	–
Tax payable	46,654	46,654	46,654	–	–
	<u>1,325,501</u>	<u>1,501,849</u>	<u>928,644</u>	<u>573,205</u>	<u>–</u>
As at 31 December 2009					
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Senior Notes	308,802	325,887	325,887	–	–
Bank loans and other borrowings	430,937	471,472	296,165	98,581	76,726
Trade payables	37,273	37,273	37,273	–	–
Other payables and accruals	373,187	373,187	358,830	14,357	–
Amounts due to related parties	19,003	19,003	19,003	–	–
Tax payable	66,198	66,198	66,198	–	–
	<u>1,235,400</u>	<u>1,293,020</u>	<u>1,103,356</u>	<u>112,938</u>	<u>76,726</u>

(d) Foreign exchange risk

The Group's businesses are principally conducted in RMB, other than the Senior Notes which are denominated in United States Dollars as at 31 December 2007, 2008 and 2009. The management expects that RMB will continue to appreciate against United States Dollars next year. Should RMB be appreciated against United States Dollars by 1%, the equity of the Group will increase by approximately RMB5 million and RMB5 million and RMB3 million for each of the years ended 31 December 2007 and 2008 and 2009 respectively while there is no significant change to the income statements during the relevant period.

On the other hand, RMB is not a freely convertible currency and the PRC government may at its discretion restricts access to foreign currencies for current account transactions in the future. Changes in the foreign exchange control system may prevent the Group from satisfying sufficient foreign currency demands and the Group may not be able to pay dividends in foreign currencies to its shareholders.

(e) Fair value

The fair values of cash and cash equivalents, trade and other receivables, trade and other payables and bank loans and other borrowings and Senior Notes are not materially different from their carrying amounts.

22 COMMITMENTS

- (a) Capital commitments outstanding at each balance sheet date not provided for in the Financial Information are set out as follows:

	The Group		
	At 31 December		
	2007	2008	2009
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Authorised but not contracted for	2,406,809	2,986,742	6,028,235
Contracted but not provided for	146,631	373,509	797,101
	<u>2,553,440</u>	<u>3,360,251</u>	<u>6,825,336</u>

Capital commitments mainly related to land and development costs for the Group's properties under development.

- (b) Significant leasing arrangements in respect of land and buildings and land held under operating leases are described in notes 11 and 12.

- (c) At each balance sheet date, the total future minimum lease payments under non-cancellable operating leases were payable as follows:

	The Group		
	At 31 December		
	2007	2008	2009
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Within 1 year	700	407	480
After 1 year but within 5 years	246	19	480
	<u>946</u>	<u>426</u>	<u>960</u>

23 CONTINGENT LIABILITIES

The Group provided guarantees in respect of mortgage facilities granted by certain banks in connection with the mortgage loans entered into by purchasers of the Group's properties. Pursuant to the terms of the guarantees, if there is default in the mortgage payments by these purchasers, the Group is responsible to repay the outstanding mortgage loans together with any accrued interest and penalty owed by the defaulted purchasers to banks. The Group's guarantee period commences from the dates of grants of the relevant mortgage loans and ends after the purchasers obtain the individual property ownership certificates of the properties purchased. The maximum amounts of guarantees given to banks for mortgage facilities granted to the purchasers of the Group's properties for each balance sheet date are set out as follows:

	The Group		
	At 31 December		
	2007	2008	2009
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Guarantees given to banks for mortgage facilities granted to purchasers of the Group's properties	<u>875,500</u>	<u>1,091,362</u>	<u>1,836,364</u>

The directors consider that it is not probable that the Group will sustain a loss under these guarantees as during the periods under guarantees, the Group can take over the ownerships of the related properties and sell the properties to recover any amounts paid by the Group to the banks. The Group has not recognised any deferred income in respect of these guarantees as its fair value is considered to be minimal by the directors. The directors also consider that the fair market value of the underlying properties is able to cover the outstanding mortgage loans guaranteed by the Group in the event the purchasers default payments to the banks.

24 MATERIAL RELATED PARTY TRANSACTIONS

Other than those disclosed in notes 9, 10, 13, 18 and 20 to the Financial Information, the Group had the following significant transactions and balances with related parties during the relevant period and at each balance sheet date:

Transactions and balances with the Group's affiliated companies and their directors

	The Group		
	Year ended 31 December		
	2007	2008	2009
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Construction cost (<i>note (i)</i>)	81,161	118,667	227,658
Rental expense (<i>note (ii)</i>)	386	386	386
	<u> </u>	<u> </u>	<u> </u>

Notes:

- (i) The Group received construction services rendered by Tian Shan Doors and Windows Installation Company Limited and Tian Shan Construction, both are companies wholly owned by the Controlling Shareholders of the Group. The directors consider that the terms of such work were carried out on normal commercial terms and in the ordinary course of the Group's business, except for the credit terms granted. During the relevant period, credit terms were not defined for the services provided by Tian Shan Doors and Windows Installation Company Limited and Tian Shan Construction. The directors confirmed that the above transactions will continue after the listing of the Company's shares on the Stock Exchange but the credit terms will be revised in order to be consistent with those with third parties and payments will be made promptly in accordance with the construction services certified and terms specified in the agreements.
- (ii) The Group occupied certain area of properties held by Tian Shan Construction for office and staff quarter with no consideration. Tian Shan Construction has charged market rental to the Group from 1 January 2007 and the transactions will continue after listing of the Company's shares on the Stock Exchange.
- (iii) The Group received property management services in relation to the unsold properties from Shijiazhuang Tian Shan Property Management Company Limited, a fellow subsidiary of the Group, with no consideration. The directors confirmed that the arrangement will continue after the listing of the Company's shares on the Stock Exchange.
- (iv) During the relevant period, the Group has entered into the Liangcun Development Agreement with Tian Shan Industrial Group for development of Liangcun Industrial Zone, an industrial property project for sale. Tian Shan Industrial Group had entered into a land purchase agreement with local land bureau for the acquisition of land use right of the project. Pursuant to the Liangcun Development Agreement, all land and development costs relating to the project are wholly borne by the Group and the Group entitles to all income generated from the project. In this regard, the directors considered that the Group is the beneficial owner of the project. The project had been sold during the year ended 31 December 2007. The directors confirm that similar transactions will not continue after the listing of the Company's shares on the Stock Exchange.

- (v) During the relevant period, the Group was granted a license to use the trademarks “Tian Shan” pursuant to the relevant trademark licence agreement entered into between Tian Shan Industrial Group as licensor and Hebei Tianshan Real Estate, a subsidiary of the Group as licensee at nil consideration. The directors confirm that the arrangement will continue after the listing of the Company’s share on the Stock Exchange.

Other than those set out in notes (i) and (iii), the directors consider that all related party transactions during the relevant period were conducted on normal commercial terms and in the ordinary and usual course of the Group’s business.

25 PARENT AND ULTIMATE HOLDING COMPANY

The directors consider the parent and ultimate holding company of the Group to be Neway Enterprise Limited, which is incorporated in the British Virgin Islands. This entity does not produce financial statements available for public use.

26 ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Key sources of estimation uncertainty are as follows:

- (a) Provision for completed properties held for sale, properties held for future development and properties under development for sale

The Group’s completed properties held for sale and properties held for future development and properties under development for sale are stated at the lower of cost and net realisable value. Based on the Group’s recent experience and the nature of the subject properties, the Group makes estimates of the selling prices, the costs of completion in case for properties under development for sale, and the costs to be incurred in selling the properties based on prevailing market conditions.

If there is an increase in costs to completion or a decrease in net sales value, provision for completed properties held for sale, properties held for future development and under development for sale may be resulted. Such provision requires the use of judgement and estimates. Where the expectation is different from the original estimate, the carrying value and provision for properties in the periods in which such estimate is changed will be adjusted accordingly.

In addition, given the volatility of the PRC property market and the unique nature of individual properties, the actual outcomes in terms of costs and revenue may be higher or lower than estimated at the balance sheet date. Any increase or decrease in the provision would affect profit or loss in future years.

(b) Impairment for trade and other receivables

The Group estimates impairment losses for trade and other receivables resulting from the inability of the customers to make the required payments. The Group bases the estimates on the aging of the trade and loan receivable balance, customer credit-worthiness, and historical write-off experience. If the financial condition of the customers were to deteriorate, actual write-offs would be higher than estimated.

(c) PRC Corporate Income Tax and PRC Land Appreciation Tax

As explained in note 5, the Group is subject to PRC Corporate Income Tax and PRC Land Appreciation Tax under either authorised tax valuation method or actual taxation method in different jurisdictions. Significant judgement is required in determining the level of provision, as the calculations of which depend on the ultimate tax determination and are subject to uncertainty. The adoption of different methods may also affect the level of provision. When the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax provision in the period in which such determination is made.

(d) Recognition and allocation of construction cost on properties under development

Development costs of properties are recorded as properties under development during the construction stage and will be transferred to profit or loss upon the recognition of sale of the properties. Before the final settlement of the development costs and other costs relating to the sale of the properties, these costs are accrued by the Group based on management's best estimate.

When developing properties, the Group typically divides the development projects into phases. Specific costs directly related to the development of a phase are recorded as the cost of such phase. Costs that are common to phases are allocated to individual phases based on the estimated market value of each phase as a percentage of the total estimated market value of the entire project, or if the above is not practicable, the common costs are allocated to individual phases based on saleable area.

Where the final settlement of costs and the related cost allocation is different from the initial estimates, any increase or decrease in the development costs and other costs would affect the profit or loss in future years.

(e) Estimations of fair value of derivative financial instruments

Detachable warrants are classified as derivative financial instruments and are stated at fair value at each balance sheet date. The fair value of warrants is measured using valuation techniques in which any significant input is not based on observable market data. The assumptions of the valuation are set out in note 19.

Any change in assumptions of the valuation would affect the value of the derivative financial instruments significantly, and the profit or loss in future years.

27 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2009

Up to the date of issue of this report, the IASB has issued a number of amendments, new standards and interpretations which are not yet effective for the year ended 31 December 2009 and which have not been adopted in the Financial Information:

	Effective for accounting periods beginning on or after
IFRS 3 (Revised), <i>Business combinations</i>	1 July 2009
Amendments to IAS 27, <i>Consolidated and separate financial statements</i>	1 July 2009
Amendments to IAS 39, <i>Financial instruments: Recognition and measurement - Eligible hedged items</i>	1 July 2009
IFRIC 17, <i>Distributions of non-cash assets to owners</i>	1 July 2009
Improvements to IFRSs 2009	1 July 2009 or 1 January 2010

The Group is in the process of making an assessment of what the impact of these amendments, new standards and new interpretations is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the Group's result of operations and financial position.

28 COMPANY BALANCE SHEETS

	Note	At 31 December		
		2007 RMB'000	2008 RMB'000	2009 RMB'000
ASSETS				
Non-current asset				
Interest in subsidiaries	(a)	606,457	470,834	152,725
Current assets				
Other receivables	(b)	312	365	4,163
Cash and cash equivalents	(c)	12,094	2,659	9,072
		12,406	3,024	13,235
TOTAL ASSETS		618,863	473,858	165,960
EQUITY				
Share capital	16	160	160	160
Reserves	(d)	40,196	(69,884)	(145,983)
TOTAL EQUITY		40,356	(69,724)	(145,823)
LIABILITIES				
Non-current liability				
Senior Notes	19	–	290,484	–
		–	290,484	–
Current liabilities				
Senior Notes	19	552,558	219,234	308,802
Other payables	(e)	25,949	33,864	2,981
		578,507	253,098	311,783
TOTAL LIABILITIES		578,507	543,582	311,783
TOTAL EQUITY AND LIABILITIES		618,863	473,858	165,960
NET CURRENT LIABILITIES		(566,101)	(250,074)	(298,548)
TOTAL ASSETS LESS CURRENT LIABILITIES		40,356	220,760	(145,823)

(a) Interest in subsidiaries

	At 31 December		
	2007 RMB'000	2008 RMB'000	2009 RMB'000
Unlisted shares, at cost	160	160	160
Amount due from a subsidiary	606,297	470,674	152,565
	<u>606,457</u>	<u>470,834</u>	<u>152,725</u>

Details of subsidiaries are set out in Section A of the Financial Information.

The statutory financial statements of the companies now comprising the Group, which were subject to audit during the relevant period, were either prepared in accordance with Hong Kong Financial Reporting Standards issued by the HKICPA or the relevant requirements of the Accounting Standards for Business Enterprises and the Accounting Regulations for Business Enterprises ("PRC GAAP") issued by the Ministry of Finance of the PRC. The respective statutory auditors of these financial statements are indicated below:

Name of subsidiary	Financial period	Audited by
Hebei Tian Shan Real Estate Development Company Limited* 河北天山房地產開發有限公司	Year ended 31 December 2007	Hebei Tianrun Certified Public Accountants Office Co., Ltd. 河北天潤會計師事務所 有限責任公司
	Year ended 31 December 2008	Hebei Jinnuoda Certified Public Accountants Co., Ltd. 河北金諾達會計師事務所 有限公司
	Year ended 31 December 2009	Hebei Jinnuoda Certified Public Accountants Co., Ltd. 河北金諾達會計師事務所 有限公司
Tianjin Tian Shan Real Estate Development Company Limited* 天津市天山房地產開發有限公司	Year ended 31 December 2008	Hebei Jinnuoda Certified Public Accountants Co., Ltd. 河北金諾達會計師事務所 有限公司
	Year ended 31 December 2009	Hebei Jinnuoda Certified Public Accountants Co., Ltd. 河北金諾達會計師事務所 有限公司

Name of subsidiary	Financial period	Audited by
Sanhe Hengji Real Estate Development Company Limited* 三河市恆基房地產有限公司	Year ended 31 December 2007	Hebei Tianrun Certified Public Accountants Office Co., Ltd. 河北天潤會計師事務所 有限責任公司
	Year ended 31 December 2008	Hebei Jinnuoda Certified Public Accountants Co., Ltd. 河北金諾達會計師事務所 有限公司
	Year ended 31 December 2009	Hebei Jinnuoda Certified Public Accountants Co., Ltd. 河北金諾達會計師事務所 有限公司
Shijiazhuang Development Zone Tian Shan Commerce and Trading Company Limited* 石家莊開發區天山商貿有限公司	Year ended 31 December 2007	Hebei Deyong Certified Public Accountants Co., Ltd. 河北德永會計師事務所有限公司
	Year ended 31 December 2008	Hebei Jinnuoda Certified Public Accountants Co., Ltd. 河北金諾達會計師事務所有限公司
Dragon China Engineering Limited 龍華工程有限公司	Year ended 31 December 2009	KPMG
Weihai Tian Shan Real Estate Development Company Limited* 威海天山房地產開發有限公司	Year ended 31 December 2009	Hebei Jinnuoda Certified Public Accountants Co., Ltd. 河北金諾達會計師事務所 有限公司

*Note**: The English translation of the names is for reference only. The official names of these entities are in Chinese.

(b) Other receivables

	At 31 December		
	2007 RMB'000	2008 RMB'000	2009 RMB'000
Deposits, prepayments and other receivables	302	365	4,163
Derivative financial instruments (<i>note 19</i>)	10	—	—
	<u>312</u>	<u>365</u>	<u>4,163</u>

(c) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand and balances with banks.

(d) Reserves

Movements of reserves of the Company during the relevant period are set out below:

	<i>Note</i>	Exchange reserve RMB'000 (Note 17(a))	Warrant reserve RMB'000 (Note 17(d), 19(iv))	Accumulated loss RMB'000	Total RMB'000
At 1 January 2007		–	–	(1,737)	(1,737)
Warrants issued	19	–	74,897	–	74,897
Profit for the year		–	–	169,218	169,218
Dividend declared	6	–	–	(200,000)	(200,000)
Exchange difference on translation of financial statements		(2,182)	–	–	(2,182)
At 31 December 2007		<u>(2,182)</u>	<u>74,897</u>	<u>(32,519)</u>	<u>40,196</u>
At 1 January 2008		(2,182)	74,897	(32,519)	40,196
Loss for the year		–	–	(92,066)	(92,066)
Exchange difference on translation of financial statements		2,691	–	–	2,691
Transfer upon changes of terms of warrants	19	–	(74,897)	54,192	(20,705)
At 31 December 2008		<u>509</u>	<u>–</u>	<u>(70,393)</u>	<u>(69,884)</u>
At 1 January 2009		509	–	(70,393)	(69,884)
Loss for the year		–	–	(76,201)	(76,201)
Exchange difference on translation of financial statements		102	–	–	102
At 31 December 2009		<u>611</u>	<u>–</u>	<u>(146,594)</u>	<u>(145,983)</u>

(e) Other payables

	At 31 December		
	2007	2008	2009
	RMB'000	RMB'000	RMB'000
Other payables and accruals	19,027	12,410	2,618
Amounts due to related parties	94	153	363
Derivative financial instruments (<i>Note 19</i>)	6,828	21,301	–
	<u>25,949</u>	<u>33,864</u>	<u>2,981</u>

Amounts due to related parties are unsecured, interest free and have no fixed terms of repayment.

D SUBSEQUENT EVENTS

Pursuant to a shareholder resolution passed on 16 June 2010, the Company has conditionally adopted the Pre-IPO Share Option Scheme. The summary of terms of the Pre-IPO Share Option Scheme is set out in Appendix VII to the Prospectus.

E SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company or any of the companies comprising the Group in respect of any period subsequent to 31 December 2009.

Yours faithfully

KPMG
Certified Public Accountants
 Hong Kong

APPENDIX II UNAUDITED PRO-FORMA FINANCIAL INFORMATION

For illustrative purpose only, the unaudited pro forma financial information prepared in accordance with Rule 4.29 of the Listing Rules is set forth below to provide the prospective investors with further information on how the proposed listing might have affected the financial position of the Group after the completion of the Share Offer.

The unaudited pro forma financial information is derived according to a number of adjustments. Although reasonable care has been exercised in preparing such information, prospective investors who read the information should bear in mind that these figures are inherently subject to adjustments and may not give a complete picture of the actual financial performance and condition of the Group during the Track Record Period or any further date.

The information set forth in this appendix does not form part of the accountants' report prepared by KPMG, Certified Public Accountants, Hong Kong, the reporting accountants of the Company, as set forth in Appendix I to this prospectus, and is included herein for illustrative purposes only.

The unaudited pro forma financial information should be read in conjunction with the section headed "Financial Information" in this prospectus and the accountants' report set forth in Appendix I to this prospectus.

A. UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

The following statement of unaudited pro forma adjusted net tangible assets of our Group (the "**Unaudited Pro Forma NTA**") prepared in accordance with Rule 4.29 of the Listing Rules is for illustrative purposes only, and is set out below to illustrate the effect of the Global Offering on the consolidated net tangible assets attributable to the equity holders of our Company as of 31 December 2009 as if the Global Offering had taken place on 31 December 2009.

APPENDIX II UNAUDITED PRO-FORMA FINANCIAL INFORMATION

	Consolidated net tangible assets attributable to equity holders of the Company as of 31 December 2009 RMB'000 ⁽¹⁾	Estimated net proceeds from the Global Offering RMB'000 ⁽²⁾	Increase in consolidated net tangible assets upon Compulsory Conversion RMB'000 ⁽³⁾	Unaudited pro forma adjusted net tangible assets RMB'000	Unaudited Pro forma adjusted net tangible assets per Share RMB ⁽⁴⁾	HK\$ ⁽⁵⁾
Based on an Offer Price of HK\$1.4 per Share	568,029	289,256	77,220	934,505	0.93	1.06
Based on an Offer Price of HK\$1.8 per Share	568,029	374,616	77,220	1,019,865	1.02	1.16

Notes:—

1. The consolidated net tangible assets attributable to equity holders of the Company as of 31 December 2009 are extracted from the consolidated financial statements of the Group included in the accountants' report set forth in Appendix I to this prospectus.
2. The estimated net proceeds from the Global Offering are based on indicative Offer Prices of HK\$1.4 and HK\$1.8 per Share, respectively, after deduction of the underwriting fees and other related expenses payable by us and takes no account of any Shares which may be issued upon the exercise of the Over-allotment Option or any Shares which may be allotted and issued upon the exercise of the options granted under the Pre-IPO Share Option Scheme and any options that may be granted under the Share Option Scheme.
3. This represents increase in consolidated net tangible assets attributable to equity holders of the Company upon the compulsory conversion of US\$11.25 million Senior Notes to the Company's Shares upon the IPO ("the Compulsory Conversion").
4. The unaudited pro forma adjusted net tangible assets per Share is arrived at after adjustments referred to in the preceding paragraphs and on the basis that 1,000,000,000 Shares (including the Shares in issue as of 31 December 2009, and Shares that may be issued under the Capitalisation Issue and the Global Offering and the Compulsory Conversion are in issue but takes no account of any Shares which may be issued upon the exercise of the Over-allotment Option, the options granted under the pre-IPO Share Option Scheme and any option which may be granted under the Share Option Scheme.
5. The unaudited pro forma adjusted net tangible assets per Share amounts in RMB are converted to HK\$ with the exchange rate at RMB0.88 to HK\$1.0.
6. Our property interests as of 31 March 2010 have been valued by Jones Lang LaSalle Sallmanns Limited, an independent property valuer. The details of such valuation are set out in Appendix III to this prospectus. We will not incorporate the revaluation surplus in our financial statements. It is our Group's accounting policy to state our land and buildings held for own use at cost less accumulated depreciation and any impairment loss in accordance with IFRS, rather than at revalued amounts. With reference to the valuation of our property interests as set forth in Appendix III to this prospectus, if such revaluation surplus was incorporated in our financial statements, an additional depreciation charge of approximately RMB0.6 million per annum would have been incurred.

B. COMFORT LETTER ON UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the text of a report, prepared for the purpose of incorporation in this prospectus, received from the independent reporting accountants of the Company, KPMG, Certified Public Accountants, Hong Kong in respect of the unaudited pro-forma financial information of the Group.



8th Floor, Prince's Building
10 Chater Road
Central
Hong Kong

30 June 2010

The Board of Directors
Tian Shan Development (Holding) Limited

Dear Sirs

We report on the unaudited pro forma financial information (“the unaudited Pro Forma Financial Information”) of the Company and its subsidiaries (“the Group”) set out on pages II-1 and II-2 of Appendix II of the prospectus dated 30 June 2010 (“the Prospectus”), which has been prepared by the directors of the Company solely for illustrative purposes to provide information about how the proposed listing of the Company’s shares might have affected the financial information of the Group presented. The basis of preparation of the unaudited Pro Forma Financial Information is set out on pages II-1 and II-2 of Appendix II to the Prospectus.

RESPONSIBILITIES

It is the responsibility solely of the directors of the Company to prepare the unaudited Pro Forma Financial Information in accordance with Paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) and with reference to Accounting Guideline 7 “Preparation of Pro Forma Financial Information for inclusion in Investment Circulars” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

It is our responsibility to form an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

BASIS OF OPINION

We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements (“HKSIR”) 300 “Accountants’ Reports on Pro Forma Financial Information in Investment Circulars” issued by the HKICPA. Our work consisted primarily of comparing the unadjusted financial information with source documents, considering the evidence supporting the adjustments and discussing the unaudited Pro Forma Financial Information with the directors of the Company. The engagement did not involve independent examination of any of the underlying financial information.

Our work did not constitute an audit or review made in accordance with Hong Kong Standards on Auditing or Hong Kong Standards on Review Engagements issued by the HKICPA, and accordingly, we do not express any such audit or review assurance on the unaudited Pro Forma Financial Information.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated, that such basis is consistent with the accounting policies of the Group and that the adjustments are appropriate for the purposes of the unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

The unaudited Pro Forma Financial Information is for illustrative purposes only, based on the judgements and assumptions of the directors of the Company, and because of its hypothetical nature, it does not provide any assurance or indication that any event will take place in the future and may not be indicative of the financial position of the Group as at 31 December 2009 or any future date.

We make no comments regarding the reasonableness of the amount of net proceeds from the issuance of the Company’s shares, the application of those net proceeds, or whether such use will actually take place as described in the section headed “Future Plans and Use of Proceeds” set out in the Prospectus.

OPINION

In our opinion:

- a) the unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated;
- b) such basis is consistent with the accounting policies of the Group; and
- c) the adjustments are appropriate for the purposes of the unaudited Pro Forma Financial Information as disclosed pursuant to Paragraph 4.29(1) of the Listing Rules.

Yours faithfully

KPMG

Certified Public Accountants

Hong Kong

The following is the text of a letter, summary of values and valuation certificates, prepared for the purpose of incorporation in this prospectus received from Jones Lang LaSalle Sallmanns Limited, an independent valuer, in connection with its valuation as at 31 March 2010 of the property interests of the Group.



Jones Lang LaSalle Sallmanns Limited
17/F Dorset House Taikoo Place
979 King's Road Quarry Bay Hong Kong
tel +852 2169 6000 fax +852 2169 6001
Licence No: C-030171

30 June 2010

The Board of Directors
Tian Shan Development (Holding) Limited
Room 703, 7th Floor, Fairmont House
8 Cotton Tree Drive
Central
Hong Kong

Dear Sirs,

In accordance with your instructions to value the properties in which Tian Shan Development (Holding) Limited (the “Company”) and its subsidiaries (hereinafter together referred to as the “Group”) have interests in the People’s Republic of China (the “PRC”) and Hong Kong, we confirm that we have carried out inspections, made relevant enquiries and searches and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the capital values of the property interests as at 31 March 2010 (the “date of valuation”).

Our valuation of the property interests represents the 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”.

We have valued the property interest in Group I (which are owned and occupied by the Group in Hong Kong), the currently vacant portions of Group II (which are held and occupied by the Group in the PRC), Group III (which are held by the Group for sale) and Group V (which are held by the Group for future development) by direct comparison approach assuming sale of the property interests in their existing state with the benefit of immediate vacant possession and by making reference to comparable sales transactions as available in the relevant market.

For the purpose of our valuation, real estate developments for sale (Group III) are those for which the Construction Work Completion and Inspection Certificates/Tables or Building Ownership Certificates/Real Title Certificates thereof have been issued by the relevant local authority. These also include those property interests which have been contracted to be sold, but the formal assignment procedures of which have not yet been completed. Real estate developments for future development (Group V) are those for which the Construction Work Commencement Permits have not yet been issued or have been issued without any actual commencement of construction work while the State-owned Land Use Rights Certificates/Real Title Certificates have been obtained.

We have valued the property interests of the remaining portions of Group II by the income approach by taking into account the net rental income of the properties derived from the existing leases and/or achievable in the existing market with due allowance for the reversionary income potential of the leases, which have then been capitalized at an appropriate capitalization rate to determine the market value. Where appropriate, reference has also been made to comparable sales transactions as available in the relevant market.

In valuing the property interests in Group IV which are currently under development, we have assumed that they will be developed and completed in accordance with the latest development proposal provided to us by the Group. In arriving at our opinion of value, we have adopted the direct comparison approach by making reference to comparable sales evidence as available in the relevant market and have also taken into account the accrued construction cost and professional fees relevant to the stage of construction as at the date of valuation and the remainder of the cost and fees expected to be incurred for completing the development.

For the purpose of our valuation, real estate developments under development (Group IV) are those for which the Construction Work Commencement Permits have been issued or actual construction work has commenced while the Construction Work Completion and Inspection Certificates/Tables of the buildings thereof have not been issued.

For the property interest in Group VI which is contracted to be acquired by the Group, the Group has entered into agreement with the relevant government authority. Since the Group has not yet obtained the State-owned Land Use Rights Certificate and the payment of the land premium has not yet been fully settled up to the date of valuation, we have attributed no commercial value to the property interest.

We have attributed no commercial value to the property interests in Group VII and Group VIII, which are leased by the Group, due either to the short-term nature of the lease or the prohibition against assignment or sub-letting or otherwise due to the lack of substantial profit rent.

For property interests in Group IX which the Group has considered to acquire, the Group has entered into various preliminary framework agreements with the relevant government authorities for development of the properties. Since the Group has not yet entered into Land Use Rights Grant Contracts and obtained the State-owned Land Use Rights Certificates, we have attributed no commercial value to these property interests.

Our valuation has been made on the assumption that the seller sells the property interests in the market without the benefit of a deferred term contract, leaseback, joint venture, management agreement or any similar arrangement, which could serve to affect the values of the property interests.

No allowance has been made in our report for any charge, mortgage or amount owing on any of the property interests valued nor for any expense 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 all requirements contained in Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited; the RICS Valuation Standards published by the Royal Institution of Chartered Surveyors; the Hong Kong Institute of Surveyors (“HKIS”) Valuation Standards on Properties published by the HKIS; and the International Valuation Standards published by the International Valuation Standards Council.

We have relied to a very considerable extent on the information given by the Group and have accepted advice given to us on such matters as tenure, planning approvals, statutory notices, easements, particulars of occupancy, lettings, and all other relevant matters.

We have not been provided with copies of title documents relating to the property interests in Hong Kong but have caused searches to be made at the Hong Kong Land Registries. However, we have not searched the original documents to verify the ownership or to ascertain any amendment.

We have been shown copies of various title documents including State-owned Land Use Rights Certificates, Building Ownership Certificates, Real Estate Title Certificates and official plans relating to the property interests in the PRC and have made relevant enquires. Where possible, we have examined the original documents to verify the existing title to the property interests in the PRC and any material encumbrance that might be attached to the property interests or any tenancy amendments. We have relied considerably on the advice given by the Company’s PRC legal advisers, Commerce & Finance Law Offices, concerning the validity of the property interests in the PRC.

We have not carried out detailed measurements to verify the correctness of the areas in respect of the properties but have assumed that the areas shown on the title documents and official site plans handed to us are correct. All documents and contracts have been used as reference only and all dimensions, measurements and areas are approximations. No on-site measurement has been taken.

We have inspected the exterior and, where possible, the interior of the properties unless we have been otherwise instructed. However, we have not carried out investigation to determine the suitability of the ground conditions and services for any development thereon. Our valuation has been prepared on the assumption that these aspects are satisfactory and that no unexpected cost and delay will be incurred during construction. Moreover, no structural survey has been made, but in the course of our inspection, we did not note any serious defect. We are not, however, able to report whether the properties are free of rot, infestation or any other structural defect. No tests were carried out on any of the services.

We have had no reason to doubt the truth and accuracy of the information provided to us by the Group. We have also sought confirmation from the Group that no material factors have been omitted from the information supplied. We consider that we have been provided with sufficient information to reach an informed view, and we have no reason to suspect that any material information has been withheld.

Unless otherwise stated, all monetary figures stated in this report are in Renminbi (RMB). The exchange rate adopted in our valuation is approximately HK\$1 = RMB0.8792 which was approximately the prevailing exchange rate as at the date of valuation.

Our valuation is summarized below and the valuation certificates are attached.

Yours faithfully,
for and on behalf of
Jones Lang LaSalle Sallmanns Limited
Paul L. Brown
B.Sc. FRICS FHKIS
Director

Note: Paul L. Brown is a Chartered Surveyor who has 27 years' experience in the valuation of properties in the PRC and 30 years of property valuation experience in Hong Kong and the United Kingdom as well as relevant valuation experience in the Asia-Pacific region.

SUMMARY OF VALUES

Group I – Property interest owned and occupied by the Group in Hong Kong

No. Property	Capital value in existing state as at 31 March 2010 RMB
1. Flat A, 5th Floor Newman House Nos. 35 to 45 Johnston Road Hong Kong	3,350,000
Sub-total:	<u>3,350,000</u>

Group II – Property interests held and occupied by the Group in the PRC

No. Property	Capital value in existing state as at 31 March 2010 RMB
2. A kindergarten building and a basement of a building in Shijiazhuang Tian Shan Garden No. 49 Zhujiang Avenue Shijiazhuang Hi-Tech Industry Development Zone Shijiazhuang City Hebei Province The PRC	4,990,000
3. A clubhouse, a kindergarten building and 25 underground car parking spaces in Tian Shan Waterside View Phases I to IV No. 218 Zhufeng Avenue Shijiazhuang Hi-Tech Industry Development Zone Shijiazhuang City Hebei Province The PRC	19,700,000

No. Property	Capital value in existing state as at 31 March 2010 RMB
4. A kindergarten building, 7 units of a composite building and 2 underground car parking spaces in Tian Shan Guanlan Haoting No. 220 Yuhua West Road Qiaoxi District Shijiazhuang City Hebei Province The PRC	1,290,000
Sub-total:	<u>25,980,000</u>

Group III – Property interests held for sale by the Group in the PRC

No. Property	Capital value in existing state as at 31 March 2010 RMB
5. 13 residential units, 3 townhouses, 42 retail units and 29 underground car parking spaces in Tian Shan Waterside View Phases I to IV No. 218 Zhufeng Avenue Shijiazhuang Hi-Tech Industry Development Zone Shijiazhuang City Hebei Province The PRC	110,010,000

No. Property	Capital value in existing state as at 31 March 2010 RMB
6. 3 residential units and a retail unit in Luancheng Tian Shan Wonderful Waters View No. 8 Yutai Road Luancheng County Shijiazhuang City Hebei Province The PRC	2,170,000
7. 2 residential units and 2 retail units in Tian Shan Guanlan Haoting No. 220 Yuhua West Road Qiaoxi District Shijiazhuang City Hebei Province The PRC	3,960,000
8. Unsold portions of various industrial buildings and 9 residential buildings in Tian Shan Science and Technology Industrial Park No. 319 Xiangjiang Avenue Shijiazhuang Hi-Tech Industry Development Zone Shijiazhuang City Hebei Province The PRC	30,580,000
9. 115 residential units and 4 retail units in Ningjin Tian Shan Wonderful View Phase I (excluding building no. 18) located at the western side of Xinxing Road and the eastern side of Wangyanggou Ningjin County Xingtai City Hebei Province The PRC	24,810,000
Sub-total:	<u>171,530,000</u>

Group IV – Property interests held under development by the Group in the PRC

No.	Property	Capital value in existing state as at 31 March 2010 RMB
10.	Tianjin Tian Shan Wonderful Waterside View Phase I-2D located at the junction of Gewan Road and Hongqi Road Xiaozhan Town Jinnan District Tianjin The PRC	512,520,000
11.	Chengde Tian Shan Wonderful Waters View No. 20 Cuiqiao Road Shuangqiao District Chengde City Hebei Province The PRC	694,350,000
12.	Contemporary Noble Territory No. 203 Zhonghua North Avenue Xinhua District Shijiazhuang City Hebei Province The PRC	566,020,000

No.	Property	Capital value in existing state as at 31 March 2010 <i>RMB</i>
13.	Sanhe Tian Shan International Enterprise Base located at Yanjiao Economic and Technological Development Area Sanhe City Hebei Province The PRC	113,170,000
14.	New Great Earldom Phases I and II No. 45 Huiyuan Road Luancheng County Shijiazhuang City Hebei Province The PRC	112,310,000
15.	Tian Shan Long Hu Wan Phases I and II located at the south coast of Panlong Lake Yuanshi County Shijiazhuang City Hebei Province The PRC	36,350,000
16.	Building no. 18 under construction of Ningjin Tian Shan Wonderful Waterside View Phase I located at the western side of Xinxing Road and the eastern side of Wangyanggou Ningjin County Xingtai City Hebei Province The PRC	29,610,000
Sub-total:		<u>2,064,330,000</u>

Group V – Property interests held for future development by the Group in the PRC

No.	Property	Capital value in existing state as at 31 March 2010 RMB
17.	2 parcels of land (Tianjin Tian Shan Wonderful Waterside View Phase I-2A & 2C) located at the junction of the Gewan Road and Hongqi Road Xiaozhan Town Jinnan District Tianjin The PRC	414,590,000
18.	The reserved land of Tian Shan Science and Technology Industrial Park No. 319 Xiangjiang Avenue Shijiazhuang Hi-Tech Industry Development Zone Shijiazhuang City Hebei Province The PRC	34,500,000
19.	The reserved land of Sanhe Tian Shan International Enterprise Base located at Yanjiao Economic and Technological Development Area Sanhe City Hebei Province The PRC	18,050,000
20.	A parcel of land (New Great Earldom Phase III) No. 45 Huiyuan Road Luancheng County Shijiazhuang City Hebei Province The PRC	6,270,000
21.	A parcel of land (Tian Shan Long Hu Wan Phase III) located at the south coast of Panlong Lake Yuanshi County Shijiazhuang City Hebei Province The PRC	25,870,000

No.	Property	Capital value in existing state as at 31 March 2010 RMB
22.	A parcel of land (Ningjin Tian Shan Wonderful Waterside View Phase II) located at the western side of Xinxing Road and the eastern side of Wangyanggou Ningjin County Xingtai City Hebei Province The PRC	1,820,000
23.	A parcel of land (Xin Nan Jue) No. 233 Zhufeng Avenue Shijiazhuang Hi-Tech Industry Development Zone Shijiazhuang City Hebei Province The PRC	227,970,000
24.	A parcel of land (Xin Zi Jue) located at the western side of Chengshang Village Yehe Town Luancheng County Shijiazhuang City Hebei Province The PRC	36,470,000
25.	A parcel of land (Weihai Tian Shan Waterside View Phase I) located at the northern side of Wenshan East Road and the eastern side of Laodaohu Road Wendeng City Weihai City Shandong Province The PRC	61,810,000

No. Property	Capital value in existing state as at 31 March 2010 RMB
26. A parcel of land (Weihai Tian Shan Contemporary Noble Territory Phase I) located at the northern side of Guangzhou Road and western side of Jinshan Road Economic Development Zone Wendeng City Weihai City Shandong Province The PRC	44,800,000
Sub-total:	<u><u>872,150,000</u></u>

Group VI – Property interest contracted to be acquired by the Group in the PRC

No. Property	Capital value in existing state as at 31 March 2010 RMB
27. 5 parcels of land (Tianjin Tian Shan Wonderful Waterside View Phase II) located at Xiaozhan Town Jinnan District Tianjin The PRC	No commercial value
Sub-total:	<u><u>Nil</u></u>

Group VII – Property interest leased and occupied by the Group in Hong Kong

No. Property	Capital value in existing state as at 31 March 2010 RMB
28. Room 703, 7th Floor, Fairmont House 8 Cotton Tree Drive Central Hong Kong	No commercial value
Sub-total:	<u><u>Nil</u></u>

Group VIII – Property interests leased and occupied by the Group in the PRC

No. Property	Capital value in existing state as at 31 March 2010 RMB
29. A portion of an office building No. 109 Tianshan Avenue Shijiazhuang Hi-Tech Industry Development Zone Shijiazhuang City Hebei Province The PRC	No commercial value
30. 9 rooms on Level 11 Detai Hotel Building No. 1 Kunlun Road Wendeng City Weihai City Shandong Province The PRC	No commercial value
Sub-total:	<u>Nil</u>

Group IX – Property interests possible to be acquired by the Group in the PRC

No. Property	Capital value in existing state as at 31 March 2010 RMB
31. A parcel of land (Tianjin Tian Shan Wonderful Waterside View Phase III) located at Xiaozhan Town Jinnan District Tianjin The PRC	No commercial value
32. A parcel of land (Weihai Tian Shan International Enterprise Base) located at Economic Development Zone Wendeng City Weihai City Shandong Province The PRC	No commercial value

No.	Property	Capital value in existing state as at 31 March 2010 <i>RMB</i>
33.	A parcel of land (Weihai Tian Shan Waterside View Phase II) located at Economic Development Zone Wendeng City Weihai City Shandong Province The PRC	No commercial value
34.	2 parcels of land (Weihai Tian Shan Contemporary Noble Territory Phase II) located at Economic Development Zone Wendeng City Weihai City Shandong Province The PRC	No commercial value
35.	A parcel of land (Heng Shan Ling Project) located at the southern side of Hengshan Lake Lingshou County Hebei Province The PRC	No commercial value
36.	A parcel of land (Tian Shan Shijiazhuang Mechanical Industry Park) located at the eastern side of Hongqi Street Southern Industrial Area Yuanshi County Shijiazhuang City Hebei Province The PRC	No commercial value
Sub-total:		Nil
Grand total:		3,137,340,000

Note:

The Group has leased 2 properties after the date of valuation which are disclosed on pages III-95 and III-96.

VALUATION CERTIFICATE

Group I – Property interest owned and occupied by the Group in Hong Kong

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 March 2010 RMB
1.	Flat A, 5th Floor Newman House Nos. 35 to 45 Johnston Road Hong Kong	The property comprises a unit on the 5th floor of a 22-storey residential building completed in about 1979.	The property is currently occupied by the Group for residential purpose.	3,350,000
	1/137 part or share in Section E of IL Lot No. 2830, the remaining portion of IL Lot No. 5077, the remaining portion of IL Lot No. 5078, the remaining portion of IL Lot No. 5079 and the remaining portion of IL Lot No. 5080	The property has a gross floor area of approximately 576 sq.ft. (53.51 sq.m.) The property is held under 5 Government Leases for a common term of 99 years and renewable for 99 years commencing from 25 May 1929 and 26 March 1929 respectively.		

Notes:

1. Dragon China Engineering Limited (“Dragon China”) is an indirectly wholly owned subsidiary of the Company.
2. The registered owner of the property is Dragon China vide Memorial No. 09060502240100 dated 14 May 2009 for a consideration of HK\$2,480,000.
3. The property is subject to a Deed of Mutual Covenant vide Memorial No. UB1798437 dated 24 September 1979.

VALUATION CERTIFICATE

Group II – Property interests held and occupied by the Group in the PRC

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 March 2010 RMB
2.	A kindergarten building and a basement of a building in Shijiazhuang Tian Shan Garden No. 49 Zhujiang Avenue Shijiazhuang Hi-Tech Industry Development Zone Shijiazhuang City Hebei Province The PRC	<p>The property comprises a 4-storey kindergarten building with a gross floor area of approximately 2,117 sq.m. and a basement with a gross floor area of approximately 1,446.37 sq.m., which forms part of a residential building (refer to note 4), in Shijiazhuang Tian Shan Garden which is a residential development completed in 2003.</p> <p>The land use rights of the property have been granted for a term expiring on 5 September 2070 for residential use.</p>	The property is currently vacant except for the kindergarten building and a unit of the basement which are respectively leased and entrusted to two independent third parties (refer to notes 5 and 6).	4,990,000

Notes:

1. Hebei Tian Shan Real Estate Development Limited (“Tian Shan Real Estate”) is an indirectly wholly owned subsidiary of the Company.
2. Pursuant to a State-owned Land Use Rights Certificate – Shi Kai (Dong) Guo Yong (2002) Zi Di No. 129, the land use rights of a parcel of land, on which Shijiazhuang Tian Shan Garden is erected, with a site area of approximately 53,408.8 sq.m. have been granted to Hebei Tian Shan Industrial Group Real Estate Development Company Limited (河北天山實業集團房地產開發有限公司, “Tian Shan Industrial”, the predecessor of Tian Shan Real Estate) for a term expiring on 5 September 2070 for residential use.
3. Pursuant to 2 Building Ownership Certificates – Shi Fang Quan Zheng Kai Zi Di Nos. 780000016 and 790000021, various buildings of Shijiazhuang Tian Shan Garden with a total gross floor area of approximately 130,341.34 sq.m. are owned by Tian Shan Industrial.
4. As advised by the Group, the property is included in the Building Ownership Certificates mentioned in note 3. Other than this property, the buildings registered on the above Building Ownership Certificates have been sold to independent third parties and are excluded from our valuation.
5. Pursuant to a Tenancy Agreement, a unit of the basement of the property with a lettable area of approximately 300 sq.m. is leased to an independent third party for a term of 3 years expiring on 24 October 2011 for commercial use. The annual rent is RMB28,000 for the first year, RMB40,000 for the second year and RMB50,000 for the third year, exclusive of water and electricity charges.
6. Pursuant to a Management Contract, the kindergarten building of the property with a gross floor area of approximately 2,117 sq.m. is entrusted to an independent third party for a term of 5 years expiring on 4 August 2013 at nil rent, exclusive of maintenance charges.
7. We have been provided with a legal opinion regarding the property interest by the Company’s PRC legal advisers, which contains, *inter alia*, the following:
 - a. The Group has legally obtained the Building Ownership Certificates of the property and owns the building ownership rights and the relevant land use rights to the property. The Group can legally occupy, use, transfer, lease, mortgage or otherwise dispose of the property without paying any additional land premium;
 - b. The property is not subject to mortgage, seizure, lawsuit, arbitration or other third party interests;
 - c. The Tenancy Agreement and Management Contract are legal, valid and binding on both signing parties; and
 - d. The Tenancy Agreement has been registered with the local authorities.
8. A summary of major certificates/approvals is shown as follows:

a. State-owned Land Use Rights Certificate	Yes
b. Building Ownership Certificate	Yes

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 March 2010 RMB
3.	A clubhouse, a kindergarten building and 25 underground car parking spaces in Tian Shan Waterside View Phases I to IV No. 218 Zhufeng Avenue Shijiazhuang Hi-Tech Industry Development Zone Shijiazhuang City Hebei Province The PRC	<p>The property comprises a 2-storey clubhouse with a gross floor area of approximately 4,905 sq.m. and a 3-storey kindergarten building with a gross floor area of approximately 2,521 sq.m. in Tian Shan Waterside View Phases I to III which is a residential development completed between 2003 and 2005.</p> <p>The property also includes 25 underground car parking spaces in civil defence shelter (refer to note 9) in Tian Shan Waterside View Phase IV which is a residential development completed in 2009.</p> <p>The land use rights of the property have been granted for a term expiring on 26 October 2070 for residential use.</p>	The kindergarten building and a portion of the clubhouse are leased to various independent third parties (refer to notes 6 to 8). The remaining portions of the property are currently vacant.	19,700,000

Notes:

1. Hebei Tian Shan Real Estate Development Limited (“Tian Shan Real Estate”) is an indirectly wholly owned subsidiary of the Company.
2. Pursuant to a State-owned Land Use Rights Certificate – Shi Kai (Dong) Guo Yong (2002) Zi Di No. 101, the land use rights of Tian Shan Waterside View Phases I to IV (refer to this property and property no. 5) with a site area of approximately 230,132.82 sq.m. have been granted to Tian Shan Real Estate for a term expiring on 26 October 2070 for residential use.
3. Pursuant to a State-owned Land Use Rights Certificate – Shi Kai (Dong) Guo Yong (2002) Di No. 110, the land use rights of Tian Shan Waterside View Phase IV with a site area of approximately 48,366.154 sq.m. have been granted to Tian Shan Real Estate for a term expiring on 26 October 2070 for residential use. As advised by the Group, the land use rights under the aforesaid Land Use Rights Certificate have been already included in the Land Use Rights Certificate mentioned in note 2.
4. Pursuant to 2 Building Ownership Certificates – Shi Fang Quan Zheng Kai Zi Di Nos. 790000068 and 750000017, the clubhouse and kindergarten building of the property with a total gross floor area of approximately 7,426 sq.m. are owned by Tian Shan Real Estate.
5. Pursuant to 4 Construction Work Completion and Inspection Certificates – Shi Gao Xin Bei Zi 08-43 to 08-45 and 09-41 in favour of Tian Shan Real Estate, various underground car parking spaces of Tian Shan Waterside View Phase IV with a total gross floor area of approximately 6,705 sq.m. have been completed and passed the acceptance inspection.
6. Pursuant to a Tenancy Agreement, the kindergarten building of the property with a lettable area of approximately 2,500 sq.m. is leased to an independent third party for a term expiring on 1 June 2016. The rent-free period is the first year and the annual rent is RMB150,000 for the second year. From the third year and thereafter, the rent is RMB200,000, exclusive of management fees, water, electricity and other charges.
7. Pursuant to 4 Tenancy Agreements, 4 units of the clubhouse with a total gross floor area of approximately 1,171.66 sq.m. are leased to various independent third parties for various terms with the expiry dates between 31 March 2010 and 31 March 2012 at a total annual rent of RMB145,004 for commercial use, exclusive of management fees, water, electricity and other charges.
8. Pursuant to a Tenancy Agreement, a unit of the clubhouse with a gross floor area of approximately 208.95 sq.m. is leased to an independent third party for a term expiring on 31 July 2010. The annual rent is RMB25,000 for the first year, RMB30,000 the second year and RMB40,000 for the third year, including water, electricity and heating fees in all the three years.
9. In the valuation of this property, we have attributed no commercial value to the car parking spaces in civil defence shelter of the property which have not obtained any proper title certificate.

10. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, *inter alia*, the following:
- a. The Group has legally obtained the Building Ownership Certificates of the clubhouse and kindergarten building and owns the building ownership rights and the relevant land use rights to them. The Group can legally occupy, use, transfer, lease, mortgage or otherwise dispose of the clubhouse and kindergarten building without paying any additional land premium;
 - b. The clubhouse and kindergarten building are not subject to mortgage, seizure, lawsuit, arbitration or other third party interests;
 - c. The Group has the rights to transfer the use rights of the car parking spaces in civil defence shelter and receive the transfer income; however, it should not affect the function of the civil defence;
 - d. The Tenancy Agreements are legal, valid and binding on both signing parties; and
 - e. The Tenancy Agreements have been registered with the local authorities.
11. A summary of major certificates/approvals is shown as follows:
- | | |
|--|-----|
| a. State-owned Land Use Rights Certificate | Yes |
| b. Building Ownership Certificate | Yes |
| c. Construction Work Completion and Inspection Certificate | Yes |

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 March 2010 <i>RMB</i>
4.	A kindergarten building, 7 units of a composite building and 2 underground car parking spaces in Tian Shan Guanlan Haoting No. 220 Yuhua West Road Qiaoxi District Shijiazhuang City Hebei Province The PRC	The property comprises a 2-storey kindergarten building with a gross floor area of approximately 884 sq.m., 7 units of a 2-storey composite building with a total gross floor area of approximately 208.90 sq.m. and 2 underground car parking spaces in civil defence shelter (refer to note 6) in Tian Shan Guanlan Haoting which is a residential development completed in 2006. The land use rights of the property have been granted for a term expiring on 2 June 2075 for residential use.	The property is currently vacant except for the kindergarten building which is leased to an independent third party (refer to note 7).	1,290,000

Notes:

1. Hebei Tian Shan Real Estate Development Limited (“Tian Shan Real Estate”) is an indirectly wholly owned subsidiary of the Company.
2. Pursuant to a State-owned Land Use Rights Grant Contract dated 3 June 2005 and entered into between the State-owned Land and Resource Bureau of Shijiazhuang City and Tian Shan Real Estate, the land use rights of a parcel of land, on which Tian Shan Guanlan Haoting (refer to the property and property no. 7) is erected, with a site area of approximately 36,673.307 sq.m. were contracted to be granted to Tian Shan Real Estate for a term of 70 years commencing from 3 June 2005 for residential use. The land premium was RMB109,000,000. As advised by the Group, the Group had paid the land premium in full on 6 July 2005.
3. Pursuant to a State-owned Land Use Rights Certificate – Qiao Xi Guo Yong (2005) Di No. 048, the land use rights of a parcel of land, on which Tian Shan Guanlan Haoting (refer to the property and property no. 7) is erected, with a site area of approximately 36,673.307 sq.m. have been granted to Tian Shan Real Estate for a term expiring on 2 June 2075 for residential use.
4. Pursuant to a Building Ownership Certificate – Shi Fang Quan Zheng Xi Zi Di No. 490000368, various buildings of Tian Shan Guanlan Haoting with a total gross floor area of approximately 1,916.26 sq.m. are owned by Tian Shan Real Estate.
5. As advised by the Group, a composite building is included in the Building Ownership Certificate mentioned in note 4. Other than 7 units of the composite building and property no. 7, the buildings registered on the above Building Ownership Certificate have been sold to independent third parties excluded from our valuation.
6. In the valuation of this property, we have attributed no commercial value to the kindergarten building and 2 underground car parking spaces in civil defence shelter of the property which have not obtained any proper title certificate. However, for reference purpose, we are of the opinion that the capital value of the kindergarten building as at the date of valuation would be RMB3,100,000 assuming all relevant title certificates had been obtained and it could be freely transferred.
7. Pursuant to a Tenancy Agreement, the kindergarten building of the property is leased to an independent third party for a term expiring on 1 February 2018 at an annual rent of RMB140,000 for kindergarten use, exclusive of management fees, water, electricity and other charges. The annual rent of the kindergarten building is RMB140,000 respectively in 2008 and 2009. As advised by the Group, the Group is in process of applying for the title certificates.

8. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, *inter alia*, the following:
- a. The Group has legally obtained the Building Ownership Certificate of 7 units of the composite building and owns the building ownership rights and the relevant land use rights to them. The Group can legally occupy, use, transfer, lease, mortgage or otherwise dispose of the portion of the composite building without paying any additional land premium;
 - b. The property is not subject to mortgage, seizure, lawsuit, arbitration or other third party interests;
 - c. The ownership rights of the kindergarten building of the property is owned by the Group without any dispute and there will be no legal impediment for the Group to obtain the relevant building ownership certificate of the kindergarten building;
 - d. The Group has the rights to transfer the use rights of the car parking spaces in civil defence shelter and receive the transfer income; however, it should not affect the function of civil defence;
 - e. The Tenancy Agreement is legal, valid and binding on both signing parties; and
 - f. The Tenancy Agreement has been registered with the local authorities.
9. A summary of major certificates/approvals is shown as follows:
- | | | |
|----|--|---------|
| a. | State-owned Land Use Rights Grant Contract | Yes |
| b. | State-owned Land Use Rights Certificate | Yes |
| c. | Building Ownership Certificate | Portion |

VALUATION CERTIFICATE

Group III - Property interests held for sale by the Group in the PRC

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 March 2010 RMB
5.	13 residential units, 3 townhouses, 42 retail units and 29 underground car parking spaces in Tian Shan Waterside View Phases I to IV No. 218 Zhufeng Avenue Shijiazhuang Hi-Tech Industry Development Zone Shijiazhuang City Hebei Province The PRC	<p>The property comprises the following 2 parts:</p> <p>Part A: 2 residential units, 3 townhouses, 13 retail units and 29 underground car parking spaces in Tian Shan Waterside View Phases I to III completed between 2003 and 2005.</p> <p>Part B: 11 residential units and 29 retail units in Tian Shan Waterside View Phase IV completed in 2009.</p>	The property is currently vacant except for 14 retail units which are currently leased to various independent third parties (refer to note 11).	110,010,000

The details of the property are set out as follows:

Usage	Part A (sq.m.)	Part B (sq.m.)
Residential	440.32	1,513.06
Townhouse	1,136.71	N/A
Retail	1,949.73	10,777.26
Underground car parking spaces	(29 lots)	N/A
Total:	<u>3,526.76</u>	<u>12,290.32</u>

The land use rights of the property have been granted for a term expiring on 26 October 2070 for residential use.

Notes:

1. Hebei Tian Shan Real Estate Development Limited (“Tian Shan Real Estate”) is an indirectly wholly owned subsidiary of the Company.
2. Pursuant to a State-owned Land Use Rights Certificate – Shi Kai (Dong) Guo Yong (2002) Zi Di No. 101, the land use rights of Tian Shan Waterside View Phases I to IV (refer to this property and property no. 3) with a site area of approximately 230,132.82 sq.m. have been granted to Tian Shan Real Estate for a term expiring on 26 October 2070 for residential use.
3. Pursuant to a State-owned Land Use Rights Certificate – Shi Kai (Dong) Guo Yong (2002) Di No. 110, the land use rights of Tian Shan Waterside View Phase IV with a site area of approximately 48,366.154 sq.m. have been granted to Tian Shan Real Estate for a term expiring on 26 October 2070 for residential use. As advised by the Group, the land use rights under the aforesaid Land Use Rights Certificate have been already included in the Land Use Rights Certificate mentioned in note 2.
4. Pursuant to 31 Building Ownership Certificates – Shi Fang Quan Zheng Kai Zi Di Nos. 790000043 to 790000045, 790000054, 790000056 to 790000067, 790000084, 790000104 to 790000108 and 790000110 to 790000118, various buildings of Tian Shan Waterside View Phases I to III and a portion of Phase IV with a total gross floor area of approximately 396,799.60 sq.m. are owned by Tian Shan Real Estate.
5. Pursuant to 3 Construction Work Planning Permits - Shi Jian Guan Zi (2006) No. 221 and Shi Jian Guan Zi (2007) Di Nos. 036 and 203 in favour of Tian Shan Real Estate, 11 buildings and various underground car parking spaces of Tian Shan Waterside View Phase IV with a total planned gross floor area of 201,029.73 sq.m. has been approved for construction.
6. Pursuant to 9 Construction Work Commencement Permits – Nos. 130108X060250101, 130108X060250601, 130108X0602520701, 130108X0602521901, 130108X060252001, 130108X060252101, 130108X060252201, 130108X060252001 and 130108X060253701 in favour of Tian Shan Real Estate, permission by the relevant local authority was given to commence the construction of 11 buildings and various underground car parking spaces of Tian Shan Waterside View Phase IV with a total planned gross floor area of approximately 201,025.42 sq.m.
7. Pursuant to 5 Pre-Sales Permits - Nos. 2007017, 2007048, 2007053, 2008017 and 2008025 in favour of Tian Shan Real Estate, Tian Shan Real Estate is entitled to sell the buildings of Tian Shan Waterside View Phase IV with a total gross floor area of approximately 189,375.15 sq.m. to purchasers.
8. Pursuant to 11 Construction Work Completion and Inspection Certificates – Shi Gao Xin Bei Zi Nos. 08-35 to 08-42, and 09-38 to 09-40, the construction of 11 buildings of Tian Shan Waterside View Phase IV with a total gross floor area of approximately 189,376.29 sq.m. has passed the completion and acceptance inspection. As advised by the Group, Part B of the property is included in the Construction Work Completion and Inspection Certificates.
9. As advised by the Group, Part A and a portion of Part B of the property are included in the Building Ownership Certificates mentioned in note 4. Except for those, the buildings registered on the above Building Ownership Certificates have been sold to independent third parties and are excluded from our valuation.

10. As confirmed by the Group, 3 residential units, 2 townhouses and 6 retail units with a total gross floor area of approximately 2,207.12 sq.m. and 2 underground car parking spaces had been contracted to be sold at a total consideration of RMB11,653,567, but had not yet been handed over to purchasers as at the date of valuation. In arriving at our opinion of the capital value of the property, we have taken into account the contracted prices of such portions of the property.
11. Pursuant to 14 Tenancy Agreements, 14 retail units of the property with a total gross floor area of approximately 7,909.18 sq.m. are leased to various independent third parties for various terms with the expiry dates between 31 August 2010 and 31 May 2019 at a total annual rent of RMB2,366,252 for commercial use, exclusive of management fees, water, electricity and other charges.
12. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, *inter alia*, the following:
 - a. The Group has legally obtained the Building Ownership Certificates of the portion of the property mentioned in note 4 and owns the building ownership rights and the relevant land use rights to them. The Group can legally occupy, use, transfer, lease, mortgage or otherwise dispose of them without paying any additional land premium;
 - b. The Group has legally obtained the State-owned Land Use Rights Certificate of Part B of the property and owns the land use rights to them. The Group can legally occupy, use, develop, transfer, lease, mortgage or otherwise dispose of the land use rights of Part B of the property in accordance with the valid term and usage stipulated by the relevant land use rights certificate without paying any additional land premium;
 - c. The portion of the property mentioned in note 4 is not subject to mortgage, seizure, lawsuit, arbitration or other third party interests;
 - d. The Group has obtained requisite construction permits relating to Tian Shan Waterside View Phase IV and is entitled to construct Tian Shan Waterside View Phase IV, and there will be no legal impediment to obtain the relevant Building Ownership Certificates after the construction of the remaining portion has passed the completion and acceptance inspection;
 - e. The Group is entitled to sell Part B of the property under the Pre-Sales Permits;
 - f. Pursuant to a Loan Contract entered into between Tian Shan Real Estate and Shijiazhuang Jianshe Sub-branch of Industrial and Commercial Bank of China (the "Bank"), Tian Shan Real Estate borrowed RMB50,000,000 from the Bank for a term commencing from 19 August 2009 and expiring on 10 August 2012. Various buildings under 4 Building Ownership Certificates - Shi Fang Quan Zheng Kai Zi Di Nos. 790000106, 790000112, 790000115 and 790000116 and the relevant land use rights of a parcel of land with a site area of approximately 2,553.0851 sq.m. under the State-owned Land User Rights Certificate - Shi Kai (Dong) Guo Yong (2007) Di No. 110 (the "Guaranty") are mortgage to the Bank. During the mortgage term, the Group could not transfer the Guaranty without obtaining the consent from the Bank. The Guaranty is not subject to other mortgage, seizure, lawsuit, arbitration or other third party interests;
 - g. The Tenancy Agreements are legal, valid and binding on both signing parties; and
 - h. The Tenancy Agreements have been registered with the local authorities except for 3 Tenancy Agreements, which are currently in process of registration and there will be no material legal impediment for the application.

13. A summary of major certificates/approvals is shown as follows:

- | | | |
|----|--|---------|
| a. | State-owned Land Use Rights Certificate | Yes |
| b. | Construction Work Planning Permit of Tian Shan Waterside View Phase IV | Yes |
| c. | Construction Work Commencement Permit of Tian Shan Waterside View Phase IV | Yes |
| d. | Pre-Sales Permit of Tian Shan Waterside View Phase IV | Yes |
| e. | Construction Work Completion and Inspection Certificate of Tian Shan Waterside View Phase IV | Yes |
| f. | Building Ownership Certificate of Tian Shan Waterside View Phases I to IV | Portion |

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 March 2010 <i>RMB</i>
6.	3 residential units and a retail unit in Luancheng Tian Shan Wonderful Waters View No. 8 Yutai Road Luancheng County Shijiazhuang City Hebei Province The PRC	<p>The property comprises 3 residential units with a total gross floor area of approximately 422.76 sq.m. and a retail unit with a gross floor area of approximately 242.20 sq.m. in Luancheng Tian Shan Wonderful Waters View which is a residential development completed in 2007.</p> <p>The land use rights of the property have been granted for a term expiring on 31 August 2074 for residential use.</p>	The property is currently vacant.	2,170,000

Notes:

1. Hebei Tian Shan Real Estate Development Limited (“Tian Shan Real Estate”) is an indirectly wholly owned subsidiary of the Company.
2. Pursuant to a State-owned Land Use Rights Certificate – Luan Guo Yong (2005) Zi Di No. 84, the land use rights of a parcel of land, on which Luancheng Tian Shan Wonderful Waters View is erected, with a site area of approximately 56,576.74 sq.m. have been granted to Tian Shan Real Estate for a term expiring on 31 August 2074 for residential use.
3. Pursuant to 3 Building Ownership Certificates – Fang Quan Zheng Luan Fang Zi Di Nos. 0170001702, 0140001979 and Luan Fang Quan Zheng Zi Di No. 0170002031, various buildings of Luancheng Tian Shan Wonderful Waters View with a total gross floor area of approximately 100,784.75 sq.m. are owned by Tian Shan Real Estate.
4. As advised by the Group, the property is included in the Building Ownership Certificates mentioned in note 3. Other than the property, the buildings registered on the above Building Ownership Certificates have been sold to independent third parties and are excluded from our valuations.
5. As confirmed by the Group, 3 residential units of the property with a total gross floor area of approximately 422.76 sq.m. had been contracted to be sold at a total consideration of RMB902,186.19, but had not yet been handed over to purchasers as at the date of valuation. In arriving at our opinion of the capital value of the property, we have taken into account the contracted prices of the 3 units.
6. We have been provided with a legal opinion regarding the property interest by the Company’s PRC legal advisers, which contains, *inter alia*, the following:
 - a. The Group has legally obtained the Building Ownership Certificates of the property and owns the building ownership rights and the relevant land use rights to the property. The Group can legally occupy, use, transfer, lease, mortgage or otherwise dispose of the property without paying any additional land premium; and
 - b. The property is not subject to mortgage, seizure, lawsuit, arbitration or other third party interests.
7. A summary of major certificates/approvals is shown as follows:

a.	State-owned Land Use Rights Certificate	Yes
b.	Building Ownership Certificate	Yes

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 March 2010 <i>RMB</i>
7.	2 residential units and 2 retail units in Tian Shan Guanlan Haoting No. 220 Yuhua West Road Qiaoxi District Shijiazhuang City Hebei Province The PRC	The property comprises 2 residential units with a total gross floor area of approximately 239.57 sq.m. and 2 retail units with a total gross floor area of approximately 311.18 sq.m. in Tian Shan Guanlan Haoting which is a residential development completed in 2006. The land use rights of the property have been granted for a term expiring on 2 June 2075 for residential use.	The property is currently vacant.	3,960,000

Notes:

1. Hebei Tian Shan Real Estate Development Limited (“Tian Shan Real Estate”) is an indirectly wholly owned subsidiary of the Company.
2. Pursuant to a State-owned Land Use Rights Grant Contract dated 3 June 2005 and entered into between the State-owned Land and Resource Bureau of Shijiazhuang City and Tian Shan Real Estate, the land use rights of a parcel of land, on which Tian Shan Guanlan Haoting (refer to the property and property no. 4) is erected, with a site area of approximately 36,673.307 sq.m. were contracted to be granted to Tian Shan Real Estate for a term of 70 years commencing from 3 June 2005 for residential use. The land premium was RMB109,000,000. As advised by the Group, the Group had paid the land premium in full on 6 July 2005.
3. Pursuant to a State-owned Land Use Rights Certificate – Qiao Xi Guo Yong (2005) Di No. 048, the land use rights of a parcel of land, on which Tian Shan Guanlan Haoting (refer to the property and property no. 4) is erected, with a site area of approximately 36,673.307 sq.m. have been granted to Tian Shan Real Estate for a term expiring on 2 June 2075 for residential use.
4. Pursuant to 3 Building Ownership Certificates – Shi Fang Quan Zheng Xi Zi Di Nos. 490000345, 490000346 and 490000368, various buildings of Tian Shan Guanlan Haoting with a total gross floor area of approximately 106,766.34 sq.m. are owned by Tian Shan Real Estate.
5. As advised by the Group, the property is included in the Building Ownership Certificates mentioned in note 4. Other than this property and 7 units of the composite building of property no. 4, the buildings registered on the above Building Ownership Certificates have been sold to independent third parties and are excluded from our valuation.
6. We have been provided with a legal opinion regarding the property interest by the Company’s PRC legal advisers, which contains, *inter alia*, the following:
 - a. The Group has legally obtained the Building Ownership Certificates of the property and owns the building ownership rights and the relevant land use rights to the property. The Group can legally occupy, use, transfer, lease, mortgage or otherwise dispose of the property without paying any additional land premium; and
 - b. The property is not subject to mortgage, seizure, lawsuit, arbitration or other third party interests.
7. A summary of major certificates/approvals is shown as follows:

a.	State-owned Land Use Rights Grant Contract	Yes
b.	State-owned Land Use Rights Certificate	Yes
c.	Building Ownership Certificate	Yes

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 March 2010 <i>RMB</i>
8.	<p>Unsold portions of various industrial buildings and 9 residential buildings in Tian Shan Science and Technology Industrial Park No. 319 Xiangjiang Avenue Shijiazhuang Hi-Tech Industry Development Zone Shijiazhuang City Hebei Province The PRC</p>	<p>Tian Shan Science and Technology Industrial Park is an industrial development erected on 4 parcels of land with a total site area of approximately 201,087.469 sq.m. including the land of this property and property no. 18 (the "Land").</p> <p>The property comprises the unsold portions of various industrial buildings with a total gross floor area of approximately 12,206.89 sq.m. and 9 residential buildings with a total gross floor area of approximately 53,144.97 sq.m., which were completed in various stages between 2004 and 2008.</p> <p>The land use rights of the property have been granted for terms with the expiry dates on 6 February 2052, 2 April 2052, 21 May 2052 and 8 March 2059 respectively.</p>	<p>The property is currently vacant.</p>	<p>30,580,000</p>

Notes:

1. Hebei Tian Shan Real Estate Development Limited (“Tian Shan Real Estate”) is an indirectly wholly owned subsidiary of the Company.
2. Pursuant to 3 State-owned Land Use Rights Grant Contracts dated 30 June 2002 entered into between the State-owned Land and Resource Bureau of Shijiazhuang City and Hebei Tian Shan Industrial Group Real Estate Development Company Limited (河北天山實業集團房地產開發有限公司, “Tian Shan Industrial”, the predecessor of Tian Shan Real Estate), the land use rights of 3 parcels of land with a total site area of approximately 190,552 sq.m. were contracted to be granted to Tian Shan Industrial for terms of 50 years for industrial use. The total land premium was RMB37,869,180. As advised by the Group, the Group obtained an approval on 15 November 2002 and need not to pay the land premium.
3. Pursuant to a State-owned Land Use Rights Grant Contract dated 9 March 2009 entered into between the State-owned Land and Resource Bureau of Shijiazhuang City and Tian Shan Real Estate, the land use rights of a parcel of land with a site area of approximately 10,535.469 sq.m. were contracted to be granted to Tian Shan Real Estate for a term of 50 years for industrial use. The land premium was RMB1,710,243. As advised by the Group, the Group had paid the land premium in full.
4. Pursuant to 3 State-owned Land Use Rights Certificates – Shi Kai (Dong) Guo Yong (2002) Zi Di Nos. 119, 120 and 121, the land use rights of 3 parcels of land with a total site area of approximately 190,552 sq.m. have been granted to Tian Shan Industrial for terms with the expiry dates on 6 February 2052, 2 April 2052 and 21 May 2052 respectively for industrial use.
5. Pursuant to a State-owned Land Use Rights Certificate – Shi Kai (Dong) Guo Yong (2009) Zi Di No. 107, the land use rights of a parcel of land with a site area of approximately 10,535.469 sq.m. have been granted to Tian Shan Real Estate for a term expiring on 8 March 2059 for industrial use.
6. Pursuant to 13 Building Ownership Certificates – Shi Fang Quan Zheng Kai Zi Di Nos. 790000069 to 790000080 and 790000055, various industrial buildings of Tian Shan Science and Technology Industrial Park with a total gross floor area of approximately 117,793.82 sq.m. including the industrial portions of the property and 9 residential buildings of the property with a total gross floor area of approximately 53,144.97 sq.m. are owned by Tian Shan Real Estate.
7. As advised by the Group, the property is included in the Building Ownership Certificates mentioned in note 6. Other than the property, the buildings registered on the above Building Ownership Certificates have been sold to independent third parties and are excluded from our valuations.
8. In the valuation of this property, we have attributed no commercial value to the 9 residential buildings of the property which could not be freely transferred. However, for reference purpose, we are of the opinion that the capital value of the 9 residential buildings as at the date of valuation would be RMB122,230,000 assuming they could be freely transferred as residential commodity properties without additionally paying any land premium.

9. As confirmed by the Group, portions of the industrial buildings of the property with a total gross floor area of approximately 8,385.74 sq.m. had been contracted to be sold at a total consideration of RMB20,300,299.60, but had not yet been handed over to purchasers as at the date of valuation. In arriving at our opinion of the capital value of the property, we have taken into account the contracted prices of the such portions of the property.
10. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, *inter alia*, the following:
- a. The Group has legally obtained the State-owned Land Use Rights Certificates of the property and owns the land use rights to the property. The Group can legally occupy, use, develop, transfer, lease, mortgage or otherwise dispose of the land use rights of the property in accordance with the valid term and usage stipulated by the relevant land use rights certificate without paying any additional land premium;
 - b. The Group had legally obtained the Building Ownership Certificates of the property and owns the building ownership rights and the relevant land use rights to the property. The Group can legally occupy, use, transfer, mortgage or otherwise dispose of the property;
 - c. The residential buildings of the property can only be sold as ancillary facilities of these industrial buildings and cannot be sold separately as residential properties;
 - d. Pursuant to 3 Mortgage Contracts entered into between Tian Shan Real Estate and Hebei Province Branch of China Construction Bank (the "Bank"), the land use rights of 3 parcels of land under the State-owned Land Use Rights Certificates - Shi Kai (Dong) Guo Yong (2002) Zi Di Nos. 119 to 121 (the "Guaranty") are subject to 3 mortgages in favour of the Bank. The mortgage terms under the aforesaid Mortgage are commencing from 23 October 2009 and expiring on 22 October 2011. The Mortgage Contracts have been registered and during the mortgage term the Group could not transfer the Guaranty without obtaining the consent from the Bank. The Guaranty is not subject to other mortgage, seizure, lawsuit, arbitration or other third party interests; and
 - e. Pursuant to a Mortgage Contract entered into between Tian Shan Real Estate and Shijiazhuang Jianshe Sub-branch of Industrial and Commercial Bank of China (the "Bank"), various buildings under the Building Ownership Certificates - Shi Fang Quan Zheng Kai Zi Di Nos. 780000172 to 780000180 and the land use rights of 2 parcels of land under the State-owned Land Use Rights Certificates - Shi Kai (Dong) Guo Yong (2002) Zi Di Nos. 107 and 119 (the "Guaranty") are subject to a mortgage in favour of the Bank. The mortgage term under the aforesaid Mortgage is commencing from 10 April 2012 and expiring on 17 February 2012. The Mortgage Contract has been registered and during the mortgage term the Group could not transfer the Guaranty without obtaining the consent from the Bank. The Guaranty is not subject to other mortgage, seizure, lawsuit, arbitration or other third party interests.
11. A summary of major certificates/approvals is shown as follows:
- | | | |
|----|--|-----|
| a. | State-owned Land Use Rights Grant Contract | Yes |
| b. | State-owned Land Use Rights Certificate | Yes |
| c. | Building Ownership Certificate | Yes |

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 March 2010 <i>RMB</i>
9.	115 residential units and 4 retail units in Ningjin Tian Shan Wonderful Waterside View Phase I (excluding building no. 18) located at the western side of Xinxing Road and the eastern side of Wangyanggou Ningjin County Xingtai City Hebei Province The PRC	<p>The property comprises 115 residential units with a total gross floor area of approximately 10,309.90 sq.m. and 4 retail units with a total gross floor area of approximately 1,197.21 sq.m. in Ningjin Tian Shan Wonderful Waterside View Phase I which is a residential development completed in 2008 and 2009.</p> <p>Ningjin Tian Shan Wonderful Waterside View Phase I occupies a parcel of land with a site area of approximately 53,241.40 sq.m. for a term expiring on 23 August 2076 for residential use and a parcel of land with a site area of approximately 37,686.67 sq.m., on which a park is currently erected, for a term expiring on 23 August 2046 for commercial use.</p>	The property is currently vacant except for a retail unit which is leased to an independent third party (refer to note 9).	24,810,000

Notes:

1. Hebei Tian Shan Real Estate Development Limited. (“Tian Shan Real Estate”) is an indirectly wholly owned subsidiary of the Company.
2. Pursuant to 2 State-owned Land Use Rights Grant Contracts dated 22 August 2006 entered into between the State-owned Land and Resource Bureau of Ningjin County, Xingtai County, Hebei Province and Tian Shan Real Estate, the land use rights of 2 parcels of land, on which Ningjin Tian Shan Wonderful Waterside View Phase I (refer to the property and property no. 16) is erected, with a total site area of approximately 90,931.1 sq.m. were contracted to be granted to Tian Shan Real Estate for terms of 70 years for residential use and 40 years for commercial use. The total land premium was RMB15,004,296. As advised by the Group, the Group had paid the land premium in full on 21 September 2006.
3. Pursuant to a State-owned Land Use Rights Certificate - Ning Guo Yong (2006) Di No. 288, the land use rights of a parcel of land with a site area of approximately 53,241.40 sq.m. have been granted to Tian Shan Real Estate for a term expiring on 23 August 2076 for residential use.
4. Pursuant to a State-owned Land Use Rights Certificate - Ning Guo Yong (2006) Di No. 289, the land use rights of a parcel of land with a site area of approximately 37,686.67 sq.m. have been granted to Tian Shan Real Estate for a term expiring on 23 August 2046 for commercial use.
5. Pursuant to a Construction Work Planning Permit - No. 200710 in favour of Tian Shan Real Estate, 16 buildings (nos. 3 to 18) with a total planned gross floor area of approximately 214,022 sq.m. have been approved for construction.
6. Pursuant to 9 Construction Work Commencement Permits - Nos. 130528x0701901, 130528x0702601, 130528x0702701, 130528x0701101, 130528x0701001, 130528x0700801, 130528x0700901, 130528x0800301 and 130528x0801001 in favour of Tian Shan Real Estate, permission by the relevant local authority was given to commence the construction of 15 buildings (nos. 3 to 17) with a total planned gross floor area of approximately 151,891.08 sq.m.
7. Pursuant to 8 Pre-Sales Permits - (2007) Fang Yu Shou Zheng Di Nos. 022 to 025, 027, 029, 030 and (Ning Jian) Fang Yu Shou Zheng Di No. 2008002 in favour of Tian Shan Real Estate, Tian Shan Real Estate is entitled to sell 15 buildings (nos. 3 to 17) of with a total gross floor area approximately 150,662.28 sq.m. to purchasers.
8. Pursuant to 5 Construction Work Completion and Inspection Certificates - Nos. 2007005, 08004, 09002, 08005 and 200901, the 15 buildings (nos. 3 to 17) of the property with a total gross floor area of approximately 151,890.28 sq.m. have passed the completion and acceptance inspection.
9. Pursuant to a Tenancy Agreement, a retail unit of the property with a lettable area of approximately 221.8 sq.m. is leased to an independent third party for a term expiring on 27 March 2011 at an annual rent of RMB16,000 for commercial use, exclusive of management fees, water, electricity and other charges.

10. As confirmed by the Group, 61 residential units with a total gross floor area of approximately 5,390.77 sq.m. had been contracted to be sold at a total consideration of RMB10,296,624, but have not been handed over to purchasers as at the date of valuation. In arriving at our opinion of the capital value of the property, we have taken into account the contracted prices of the portion of the property.
11. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, *inter alia*, the following:
- a. The Group had paid the land premium in respect of the property in full. The Group has legally obtained the State-owned Land Use Rights Certificate of the property and owns the land use rights to the property. The Group can legally occupy, use, develop, transfer, lease, mortgage or otherwise dispose of the land use rights of the property in accordance with the valid term and usage stipulated by the relevant land use rights certificate without paying any additional land premium;
 - b. The Group has obtained requisite construction permits relating to the property and is entitled to construct the property. There is no legal impediment to obtain the relevant building ownership certificates after the construction of the property has passed the completion and acceptance inspection;
 - c. The Group is entitled to sell the buildings under the Pre-Sales Permits;
 - d. The land mentioned in note 4 can only be used for park construction; and
 - e. The Tenancy Agreements are legal, valid and binding on both signing parties.
12. A summary of major certificates/approvals is shown as follows:
- | | | |
|----|---|-----|
| a. | State-owned Land Use Rights Grant Contract | Yes |
| b. | State-owned Land Use Rights Certificate | Yes |
| c. | Construction Work Planning Permit | Yes |
| d. | Construction Work Commencement Permit | Yes |
| e. | Pre-Sales Permit | Yes |
| f. | Construction Work Completion and Inspection Certificate | Yes |

VALUATION CERTIFICATE

Group IV – Property interests held under development by the Group in the PRC

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 March 2010 RMB
10.	Tianjin Tian Shan Wonderful Waterside View Phase I-2D located at the junction of Gewan Road and Hongqi Road Xiaozhan Town Jinnan District Tianjin The PRC	Tianjin Tian Shan Wonderful Waterside View Phase I is a residential and commercial development, as a part of which Phase I-2D is currently being constructed on a parcel of land with a site area of approximately 114,470.8 sq.m. and is scheduled to be fully completed in 2014 as advised by the Group.	Part A is currently under construction, Part B is vacant for sale and Part C is to be constructed.	512,520,000
		Tianjin Tian Shan Waterside View Phase I-2D (excluding the units in 7 completed buildings which are sold to independent third parties) constitutes the property.		
		As instructed, the property comprises the following 3 parts:		
		Part A: 24 buildings (nos. 1 to 5 and 13 to 31) which are currently under construction and are scheduled to be completed in 2014.		
		Part B: 3 units of 7 completed buildings (nos. 6 to 12) completed in 2010.		
		Part C: A vacant site on which 8 buildings (nos. 32 to 39) are scheduled to be constructed.		

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 March 2010 RMB
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The details of Parts A, B and C are set out as follows:

Usage	Planned Gross Floor Area (sq.m.)
Part A:	
Apartment	47,307.30
Retail	6,996.33
Townhouse	<u>13,479.66</u>
Part B:	
Apartment	<u>511.46</u>
Part C:	
Apartment	30,069.80
Retail	<u>21,000.00</u>
Total:	<u><u>119,364.55</u></u>

As advised by the Group, the total construction cost of Tianjin Tian Shan Waterside View Phase I-2D is estimated to be approximately RMB317,285,070, of which RMB142,199,923 had been paid up to the date of valuation.

The land use rights of the property have been granted for terms of 40 years expiring on 8 October 2048 for commercial use and 70 years expiring on 8 October 2078 for residential use.

Notes:

1. Tianjin Tian Shan Real Estate Development Limited (“Tian Shan Tianjin Real Estate”) is an indirectly wholly owned subsidiary of the Company.
2. Pursuant to a State-owned Land Use Rights Grant Contract – Jin Nan (Gua) No. 2008-02 dated 8 April 2008 and entered into between Tianjin Housing and Land Resource Administration Bureau Jinnan Sub-bureau and Tian Shan Tianjin Real Estate, the land use rights of Tianjin Tian Shan Wonderful Waterside View Phase I (refer to the land of this property and property no. 17) with a site area of approximately 243,714.33 sq.m. were contracted to be granted to Tian Shan Tianjin Real Estate for terms of 40 and 70 years respectively for commercial and residential uses. The land premium was RMB319,000,000. As advised by the Group, the Group had paid the land premium in full on 9 October 2008.
3. Pursuant to a Real Estate Title Certificate – Fang Di Zheng Jin Zi Di No. 112050800005, the land use rights of the property with a site area of approximately 114,470.8 sq.m. have been granted to Tian Shan Tianjin Real Estate for terms of 40 years expiring on 8 October 2048 for commercial use and 70 years expiring on 8 October 2078 for residential use.
4. Pursuant to 4 Construction Work Planning Permits – 2009 Jin Nan Jian Zheng Nos. 0061, 0062, 0083 and 0084 in favour of Tian Shan Tianjin Real Estate, 31 buildings of Tianjin Tian Shan Wonderful Waterside View Phase I-2D with a total planned gross floor area of approximately 90,571.20 sq.m. have been approved for construction.
5. Pursuant to 2 Construction Work Commencement Permits – Nos. 1211221200808001 and 12112021200812028 in favour of Tian Shan Tianjin Real Estate, permission by the relevant local authority was given to commence the construction of the buildings mentioned in note 4.
6. Pursuant to 23 Pre-Sales Permits – Jin Guo Tu Fang Shou Xu Zi [2009] Di Nos. 324-001, 324-002, 348-001, 348-002, 213-001, Jin Guo Tu Fang Shou Xu Zi [2008] Di Nos. 434-001 to 434-013, 448-001 to 448-003, 494-001 and 494-002 in favour of Tian Shan Tianjin Real Estate, Tian Shan Tianjin Real Estate is entitled to sell 23 buildings (nos. 1 to 21 and 25 to 26) with a total gross floor area approximately 77,142.40 sq.m. to purchasers.
7. Pursuant to 18 Construction Work Completion and Inspection Notification in favour of Tian Shan Tianjin Real Estate, 18 residential buildings (nos. 6 to 21 and 25 to 26) with a total gross floor area of approximately 49,524.40 sq.m. have been completed and passed the acceptance inspection.
8. As confirmed by the Group, 384 residential units with a total gross floor area of approximately 45,990.30 sq.m. and 82 retail units with a total gross floor area of approximately 5,729.04 sq.m. (refer to Parts A and B) had been contracted to be sold at a total consideration of RMB259,020,712, but had not yet been handed over to purchasers as at the date of valuation. In arriving at our opinion of the capital value of the property, we have taken into account the contracted prices of such units of the property. The details of the sold units are set out as follows:

Status	Units	Gross Floor Area <i>(sq.m.)</i>	Consideration <i>(RMB)</i>
Under construction	464	51,403.94	257,586,797.00
Completed	2	315.40	1,433,915.00
Total:	466	51,719.34	259,020,712.00

9. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, *inter alia*, the following:
- a. The Group had paid the land premium in respect of the property in full. The Group has legally obtained the Real Estate Title Certificate of the property and owns the land use rights to the property. The Group can legally occupy, use, develop, transfer, lease, mortgage or otherwise dispose of the land use rights of the property in accordance with the valid term and usage stipulated by the relevant real estate title certificate without paying any additional land premium;
 - b. The Group has obtained requisite construction permits relating to the property and is entitled to construct the property; and there will be no legal impediment to obtain the relevant building ownership certificates after the construction of the property has passed the completion and acceptance inspection;
 - c. Pursuant to 2 Mortgage Contracts entered into between Tian Shan Tianjin Real Estate and Hebei Province Branch of China Construction Bank (the "Bank"), the land use rights of 2 parcels of land under the Real Estate Title Certificates - Fang Di Zheng Jin Di Nos. 112050800003 and 1120500800004 (the "Guaranty") are subject to 2 mortgages in favour of the Bank. The mortgage terms under the aforesaid Mortgage are commencing from 23 October 2009 and expiring on 22 October 2011. The Mortgage Contracts have been registered and during the mortgage term the Group could not transfer the Guaranty without obtaining the consent from the Bank. The Guaranty is not subject to other mortgage, seizure, lawsuit, arbitration or other third party interests; and
 - d. The Group is entitled to sell the buildings under the Pre-Sales Permits.
10. A summary of major certificates/approvals is shown as follows:
- | | | |
|----|--|---------|
| a. | State-owned Land Use Rights Grant Contract | Yes |
| b. | Real Estate Title Certificate | Yes |
| c. | Construction Work Planning Permit | Yes |
| d. | Construction Work Commencement Permit | Yes |
| e. | Pre-Sales Permit | Portion |
| f. | Construction Work Completion and Inspection Notification | Portion |

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 March 2010 RMB
11.	Chengde Tian Shan Wonderful Waters View No. 20 Cuiqiao Road Shuangqiao District Chengde City Hebei Province The PRC	Chengde Tian Shan Wonderful Waters View is a residential and commercial development which is currently being constructed on a parcel of land with a site area of approximately 80,845.4 sq.m. and is scheduled to be fully completed in 2011 as advised by the Group.	Part A is currently under construction, Part B is vacant for sale and Part C is to be constructed.	694,350,000
		Chengde Tian Shan Wonderful Waters View (excluding the units in 7 completed buildings which are sold to independent third parties) constitutes the property.		
		As instructed, the property comprises the following 3 parts:		
		Part A: 10 buildings (nos. 9 to 18) which are currently under construction and are scheduled to be completed in 2011.		
		Part B: 8 units of 7 completed buildings (nos. 2 to 8) completed in 2009.		
		Part C: A vacant site on which 14 buildings (nos. 19 to 32) and a composite building are scheduled to be constructed.		

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 March 2010 RMB
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The details of Parts A, B and C are set out as follows:

Usage	Planned Gross Floor Area (sq.m.)
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Part A:

Residential	69,460.77
Car parking spaces	<u>(452 lots)</u>

Part B:

Residential	<u>1,618.43</u>
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Part C:

Residential	2,889.26
Villa	21,715.00
Apartment	12,657.00
Retail (underground)	19,943.00
Retail (above ground)	8,416.11
Basement	4,679.89
	<u>(45 lots)</u>

Total:	<u><u>141,379.46</u></u>
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As advised by the Group, the total construction cost of Chengde Tian Shan Wonderful Waters View is estimated to be approximately RMB269,166,500, of which RMB117,701,215 had been paid up to the date of valuation.

The land use rights of the property have been granted for terms expiring on 30 October 2047 for commercial use and 30 October 2077 for residential use.

Notes:

1. Hebei Tian Shan Real Estate Development Limited (“Tian Shan Real Estate”) is an indirectly wholly owned subsidiary of the Company.
2. Pursuant to a State-owned Land Use Rights Grant Contract – Cheng Shi Zheng Fa Chu Zi (2007) No. 88 dated 30 October 2007 entered into between the State-owned Land and Resource Bureau of Chengde City and Tian Shan Real Estate, the land use rights of Chengde Tian Shan Wonderful Waters View with a site area of approximately 80,845.4 sq.m. were contracted to be granted to Tian Shan Real Estate for terms of 40 years for commercial use and 70 years for residential use. The land premium was RMB456,000,000. As advised by the Group, the Group had paid the land premium in full on 9 October 2007.
3. Pursuant to a State-owned Land Use Rights Certificate – Cheng Shi Guo Yong (2007) Di No. 272, the land use rights of Chengde Tian Shan Wonderful Waters View with a site area of approximately 80,845.40 sq.m. have been granted to Tian Shan Real Estate for terms expiring on 30 October 2047 for commercial use and 30 October 2077 for residential use.
4. Pursuant to 6 Construction Work Planning Permits – Jian Zi Di Nos. 130800200800015, 130800200800018, 130800200800038, 130800200800045, 1308002900010 and 13080020100006 in favour of Tian Shan Real Estate or Hebei Tian Shan Real Estate Development Company Limited Chengde Branch Company (“Tian Shan Real Estate Chengde Branch”, a branch of Tian Shan Real Estate) 31 residential buildings (nos. 2 to 32) and various car parking spaces of Chengde Tian Shan Wonderful Waters View with a total planned gross floor area of approximately 126,023.83 sq.m. have been approved for construction.
5. Pursuant to 5 Construction Work Commencement Permits – Nos. 130801S080320101, 130801S080330201, 130801S080340301, 130801S080600101 and 130801S090300101 in favour of Tian Shan Real Estate, permission by the relevant local authority was given to commence the construction of 17 residential buildings (nos. 2 to 18) and various car parking spaces of Chengde Tian Shan Wonderful Waters View with a total planned gross floor area of approximately 102,285.68 sq.m.
6. Pursuant to 5 Pre-Sales Permits – (Cheng) Fang Yu Shou Zheng Di Nos. 2008018, 2008026, 2008029, 2008041 and 2010012 in favour of Tian Shan Real Estate, Tian Shan Real Estate is entitled to sell 17 residential buildings (nos. 2 to 18) of Chengde Tian Shan Wonderful Waters View with a total gross floor area approximately 87,453.16 sq.m. to purchasers.
7. Pursuant to 7 Construction Work Completion and Inspection Certificates – Nos. 09110 to 09116 in favour of Tian Shan Tianjian Real Estate, 7 residential buildings (nos. 2 to 8) of Chengde Tian Shan Wonderful Waters View with a total gross floor area of approximately 19,005 sq.m. have been completed and passed the acceptance inspection.
8. As confirmed by the Group, 242 residential units with a total gross floor area of approximately 26,440.88 sq.m. and 118 car parking spaces (refer to Parts A and B) had been contracted to be sold at a total consideration of RMB156,972,344, but had not yet been handed over to purchasers as at the date of valuation. In arriving at our opinion on the capital value of the property, we have taken into account the contracted prices of such portions of the property. The details of the sold residential units are set out as follows:

Status	Units	Gross Floor Area (sq.m.)	Consideration (RMB)
Under construction	239	25,863.47	141,009,373.00
Completed	3	577.41	3,074,971.00
Total:	242	26,440.88	144,084,344.00

9. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, *inter alia*, the following:
- a. The Group had paid the land premium in respect of the property in full. The Group has legally obtained the State-owned Land Use Rights Certificate of the property and owns the land use rights to the property. The Group can legally occupy, use, develop, transfer, lease, mortgage or otherwise dispose of the land use rights of the property in accordance with the valid term and usage stipulated by the relevant land use rights certificate without paying any additional land premium;
 - b. The Group has obtained requisite construction permits relating to the property and is entitled to construct the property; and there will be no legal impediment to obtain the relevant building ownership certificates after the construction of the property has passed the completion and acceptance inspection;
 - c. The Group is entitled to sell the buildings under the Pre-Sales Permits;
 - d. The Group can obtain the ownership certificates and relevant ownership rights for the underground car parking spaces of the property after the relevant construction has passed the completion and acceptance inspection; and
 - e. Pursuant to 2 Mortgage Contracts entered into between Tian Shan Real Estate and Shijiazhuang Jianshe Sub-branch of Industrial and Commercial Bank of China (the "Bank"), the land use rights of a parcel of land under the State-owned Land Use Rights Certificate – Cheng Shi Guo Yong (2007) No. 272 are subject to 2 mortgages in favour of the Bank for a term commencing from 4 July 2007 and expiring on 31 December 2010. The Mortgage Contract has been registered and during the mortgage term the Group should not transfer the land without obtaining the consent from the Bank. The Guaranty is not subject to other mortgage, seizure, lawsuit, arbitration or other third party interests.
10. A summary of major certificates/approvals is shown as follows:
- | | | |
|----|---|---------|
| a. | State-owned Land Use Rights Grant Contract | Yes |
| b. | State-owned Land Use Rights Certificate | Yes |
| c. | Construction Work Planning Permit | Portion |
| d. | Construction Work Commencement Permit | Portion |
| e. | Pre-Sales Permit | Portion |
| f. | Construction Work Completion and Inspection Certificate | Portion |

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 March 2010 RMB
		Usage	Planned Gross Floor Area (sq.m.)	
		Part B:		
		Kindergarten	467.61	
		Total:	<u>104,460.08</u>	

As advised by the Group, the total construction cost of Contemporary Noble Territory is estimated to be approximately RMB235,974,900, of which RMB102,108,563 had been paid up to the date of valuation.

The land use rights of the property have been granted for terms of 40 years expiring on 13 December 2047 for commercial use and 70 years expiring on 13 December 2077 for residential use.

Notes:

1. Hebei Tian Shan Real Estate Development Limited (“Tian Shan Real Estate”) is an indirectly wholly owned subsidiary of the Company.
2. Pursuant to a State-owned Land Use Rights Grant Contract dated 14 December 2007 entered into between the State-owned Land and Resource Bureau of Shijiazhuang City and Tian Shan Real Estate, the land use rights of the property, with a site area of approximately 36,481.20 sq.m. were contracted to be granted to Tian Shan Real Estate for terms of 40 and 70 years for commercial and residential use respectively. The land premium was RMB321,000,000. As advised by the Group, the Group had paid the land premium in full on 20 December 2007.
3. Pursuant to 2 State-owned Land Use Rights Certificates – Xin Hua Guo Yong (2008) Di Nos. 0014 and 0015, the land use rights of 2 parcels of land with a total site area of approximately 36,481.20 sq.m. have been granted to Tian Shan Real Estate for terms expiring on 13 December 2047 for commercial use and 13 December 2077 for residential use.
4. Pursuant to 2 Construction Work Planning Permits – Jian Zi Di Jian Guan Nos. 130100200800116 and 130100200900013 in favour of Tian Shan Real Estate, 14 buildings (including a kindergarten building and an ancillary building) and various underground car parking spaces of the property with a total planned gross floor area of approximately 110,155.09 sq.m. have been approved for construction.

5. Pursuant to 2 Construction Work Commencement Permits – Nos. 130101S080500101 and 130101S090060101 in favour of Tian Shan Real Estate, permission by the relevant local authority was given to commence the construction of 13 buildings (including an ancillary building) and various underground car parking spaces of the property with a total planned gross floor area of approximately 109,686 sq.m.
6. Pursuant to 3 Pre-Sales Permits – Nos. 2008053, 2009024 and 2010038 in favour of Tian Shan Real Estate, Tian Shan Real Estate is entitled to sell 10 residential buildings of the property with a total gross floor area approximately 72,142.83 sq.m. to purchasers.
7. Pursuant to 2 Construction Work Completion and Inspection Certificates - Nos. FW2010030 and FW2010031 in favour of Tian Shan Real Estate, 9 residential buildings (nos. 4 to 12) of the property have been completed and passed the acceptance inspection.
8. As confirmed by the Group, 260 residential units of Part A with a total gross floor area of approximately 51,010.09 sq.m had been contracted to be sold at a total consideration of RMB346,657,390, but had not yet been handed over to purchasers as at the date of valuation. In arriving at our opinion on the capital value of the property, we have taken into account the contracted prices of such units of the property.
9. We have been provided with a legal opinion regarding the property interest by the Company’s PRC legal advisers, which contains, *inter alia*, the following:
 - a. The Group had paid the land premium in respect of the property in full. The Group has legally obtained the State-owned Land Use Rights Certificate of the property and owns the land use rights to the property. The Group can legally occupy, use, develop, transfer, lease, mortgage or otherwise dispose of the land use rights of the property in accordance with the valid term and usage stipulated by the relevant land use rights certificate without paying any additional land premium;
 - b. The Group has obtained requisite construction permits relating to the property and is entitled to construct the property; and there will be no legal impediment to obtain the relevant building ownership certificates after the construction of the property has passed the completion and acceptance inspection;
 - c. Pursuant to a Mortgage Contract entered into between Tian Shan Real Estate and Shijiazhuang Jianshe Sub-branch of Industrial and Commercial Bank of China (the “Bank”), the land use rights of a parcel of land under the State-owned Land User Rights Certificate - Xin Hua Guo Yong (2008) Di No. 0015 (the “Guaranty”) are subject to a mortgage in favor of the Bank. The mortgage term is commencing from 19 August 2009 and expiring on 10 August 2012. During the mortgage term, the Group could not transfer the Guaranty without obtaining the consent from the Bank. The Guaranty is not subject to other mortgage, seizure, lawsuit, arbitration or other third party interests;
 - d. The Group is entitled to sell the buildings under the Pre-Sales Permits; and
 - e. The Group can obtain the ownership certificates and relevant ownership rights for the underground car parking spaces of the property after the relevant construction has passed the completion and acceptance inspection.
10. A summary of major certificates/approvals is shown as follows:

a. State-owned Land Use Rights Grant Contract	Yes
b. State-owned Land Use Rights Certificate	Yes
c. Construction Work Planning Permit	Yes
d. Construction Work Commencement Permit	Portion
e. Pre-Sales Permit	Portion
f. Construction Work Completion and Inspection Certificate	Portion

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 March 2010 <i>RMB</i>
13.	Sanhe Tian Shan International Enterprise Base located at Yanjiao Economic and Technological Development Area Sanhe City Hebei Province The PRC	<p>Sanhe Tian Shan International Enterprise Base is an industrial development which is currently being constructed on 2 parcels of land with a total site area of approximately 181,197.60 sq.m. and is scheduled to be fully completed in 2010 as advised by the Group.</p> <p>Sanhe Tian Shan International Enterprise Base (excluding the 7 completed buildings which are sold to independent third parties) constitutes the property.</p> <p>As instructed, the property comprises 26 buildings (nos. 8, 12, 15 to 24, 27 to 31, 33, 35-37, 41, 52-55) with a total planned gross floor area of approximately 62,531.97 sq.m. which are currently under construction and are scheduled to be completed in 2010.</p> <p>As advised by the Group, the total construction cost of the property is estimated to be approximately RMB57,318,147, of which RMB21,273,410 had been paid up to the date of valuation.</p> <p>The land use rights of the property have been granted for a term of 50 years expiring on 26 December 2056 for industrial use.</p>	The property is currently under construction.	113,170,000

Notes:

1. Sanhe Hengji Real Estate Development Company Limited (“Tian Shan Hengji Real Estate”), formerly known as Sanhe Tian Shan Machinery Manufacturing Company Limited (“Tian Shan Machinery”), is an indirectly wholly owned subsidiary of the Company.
2. Pursuant to a State-owned Land Use Rights Grant Contract dated 12 December 2006 and entered into between the State-owned Land and Resource Bureau of Sanhe City and Tian Shan Machinery, the land use rights of a parcel of land with a site area of approximately 249,553 sq.m. were contracted to be granted to Tian Shan Machinery for a term of 50 years for industrial use. The land premium was RMB27,592,020. As advised by the Group, the Group had paid the land premium in full on 1 January 2007.
3. Pursuant to 2 State-owned Land Use Rights Certificates – San Guo Yong (Yan Kai) Di Nos. 2010-020 and 2010-021, the land use rights of 2 parcels of land, on which Sanhe Tian Shan International Enterprise Base (refer to the property and property no. 19) is erected, with a total site area of approximately 181,197.6 sq.m. have been granted to Tian Shan Hengji Real Estate for a term of 50 years expiring on 26 December 2056 for industrial use.
4. Pursuant to 7 Construction Work Planning Permits – Jian Zi Di Nos. 1310822008SH273, 1310822008SH280, 1310822009SH120, 1310822009SH141, 1310822010SH067, 1310822010SH043 and 131822009SH162 in favour of Tian Shan Machinery, 30 buildings and various ancillary buildings of Sanhe Tian Shan International Enterprise Base with a total planned gross floor area of approximately 81,255.92 sq.m. have been approved for construction.
5. Pursuant to 5 Construction Work Commencement Permits – Nos. 131082X080200101, 131082X080350101(b), 131082X080230101(b), 131082X100140101 and 131082X10140201(B) in favour of Tian Shan Machinery, permission by the relevant local authority was given to commence the construction of 17 buildings of Sanhe Tian Shan International Enterprise Base with a total planned gross floor area of approximately 59,767.03 sq.m.
6. As confirmed by the Group, various industrial buildings of the property with a total gross floor area of approximately 46,975.60 sq.m. had been contracted to be sold at a total consideration of RMB128,633,359.27, but had not yet been handed over to purchasers as at the date of valuation. In arriving at our opinion on the capital value of the property, we have taken into account the contracted prices of such buildings.

7. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, *inter alia*, the following:
- a. The Group had paid the land premium in respect of the property in full. The Group has legally obtained the State-owned Land Use Rights Certificate of the property and owns the land use rights to the property. The Group can legally occupy, use, develop, transfer, lease or otherwise dispose of the land use rights of the property in accordance with the valid term and usage stipulated by the relevant land use rights certificate without paying any additional land premium;
 - b. The Group has obtained the requisite construction permits relating to the property and is entitled to construct the property; and there will be no legal impediment to obtain the relevant building ownership certificates after the construction of the property has passed the completion and acceptance inspection;
 - c. The property as an industrial development cannot be pre-sold as commodity properties but could be sold entirely or sold separately after relevant approvals are obtained by the Group; and
 - d. Pursuant to a Mortgage Contract entered into between Tian Shan Hengji Real Estate and Changjiang Sub-branch of Hebei Bank Co., Ltd. (the "Bank"), the land use rights of a parcel of land under the State-owned Land Use Rights Certificate - San Guo Yong (Yan Kai) Di No. 2010-020 (the "Guaranty") are subject to a mortgage in favour of the Bank. The mortgage term is commencing from 14 March 2010 and expiring on 22 October 2011. During the mortgage term, the Group could not transfer the Guaranty without obtaining the consent from the Bank. The Guaranty is not subject to other mortgage, seizure, lawsuit, arbitration or other third party interests.
8. A summary of major certificates/approvals is shown as follows:
- | | | |
|----|--|---------|
| a. | State-owned Land Use Rights Grant Contract | Yes |
| b. | State-owned Land Use Rights Certificate | Yes |
| c. | Construction Work Planning Permit | Portion |
| d. | Construction Commencement Permit | Portion |
| e. | Pre-Sales Permit | N/A |

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 March 2010 <i>RMB</i>										
14.	New Great Earldom Phases I and II No. 45 Huiyuan Road Luancheng County Shijiazhuang City Hebei Province The PRC	<p>New Great Earldom Phases I to III is a residential development which is currently being constructed on a parcel of land with a site area of approximately 37,966.53 sq.m. and is scheduled to be fully completed in 2010 as advised by the Group.</p> <p>New Great Earldom Phases I to II constitutes the property.</p> <p>As instructed, the property comprises 11 residential buildings (nos. 1 to 11) and 6 townhouses (nos. 12 to 17) together having a total gross floor area of approximately 37,977.23 sq.m. and the details are set out as follows:</p> <table border="1" style="margin-left: 40px;"> <thead> <tr> <th style="text-align: left;">Usage</th> <th style="text-align: right;">Planned Gross Floor Area (sq.m.)</th> </tr> </thead> <tbody> <tr> <td>Residential</td> <td style="text-align: right;">29,880.11</td> </tr> <tr> <td>Retail</td> <td style="text-align: right;">2,772.08</td> </tr> <tr> <td>Townhouse</td> <td style="text-align: right;">5,325.04</td> </tr> <tr> <td>Total:</td> <td style="text-align: right;"><u>37,977.23</u></td> </tr> </tbody> </table>	Usage	Planned Gross Floor Area (sq.m.)	Residential	29,880.11	Retail	2,772.08	Townhouse	5,325.04	Total:	<u>37,977.23</u>	The property is currently under construction.	112,310,000
Usage	Planned Gross Floor Area (sq.m.)													
Residential	29,880.11													
Retail	2,772.08													
Townhouse	5,325.04													
Total:	<u>37,977.23</u>													

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 March 2010 RMB
		As advised by the Group, the total construction cost of the property is estimated to be approximately RMB64,648,400, of which RMB32,273,663 had been paid up to the date of valuation.		
		The land use rights of the property have been granted for a term of 70 years expiring on 23 February 2079 for residential use.		

Notes:

1. Hebei Tian Shan Real Estate Development Limited (“Tian Shan Real Estate”) is an indirectly wholly owned subsidiary of the Company.
2. Pursuant to a State-owned Land Use Rights Grant Contract dated 21 January 2008 and entered into between the State-owned Land and Resource Bureau of Luancheng County and Tian Shan Real Estate, the land use rights of a parcel of land, on which New Great Earldom Phases I to III (refer to the property and property no. 20) is erected, with a site area of approximately 37,965.14 sq.m. were contracted to be granted to Tian Shan Real Estate for a term of 70 years for residential use. The land premium was RMB21,300,000. As advised by the Group, the Group had paid the land premium in full on 4 August 2008.
3. Pursuant to a State-owned Land Use Rights Certificate – Luan Guo Yong (2009) No. 16, the land use rights of a parcel of land, on which New Great Earldom Phases I to III (refer to the property and property no. 20) is erected, with a site area of approximately 37,966.53 sq.m. have been granted to Tian Shan Real Estate expiring on 23 February 2079 for residential use.
4. Pursuant to 2 Construction Work Planning Permits – Nos. 130124200900032 and 130124200900046 in favour of Tian Shan Real Estate, 17 buildings (nos. 1 to 17) with a total planned gross floor area of approximately 38,588.68 sq.m. have been approved for construction.
5. Pursuant to 2 Construction Work Commencement Permits – Nos. 130124X090130101 and 130124X090150101 in favour of Tian Shan Real Estate, permission by the relevant local authority was given to commence the construction of 17 buildings (nos. 1 to 17) with a total planned gross floor area of approximately 38,587.85 sq.m.

6. Pursuant to 3 Pre-Sales Permits – Luan Fang Yu Zi Di Nos. 2009-003 to 2009-005 in favour of Tian Shan Real Estate, Tian Shan Real Estate is entitled to sell 17 buildings (nos. 1 to 17) with a total gross floor area of approximately 37,977.25 sq.m. to purchasers.
7. As confirmed by the Group, 145 residential units with a total gross floor area of approximately 15,472.59 sq.m., a retail unit with a gross floor area of approximately 83.61 sq.m. and a townhouse with a gross floor area of approximately 381.08 sq.m. had been contracted to be sold at a total consideration of RMB60,268,436, but had not yet been handed over to purchasers as at the date of valuation. In arriving at our opinion on the capital value of the property, we have taken into account the contracted prices of such buildings.
8. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, *inter alia*, the following:
 - a. The Group had paid the land premium in respect of the property in full. The Group has legally obtained the State-owned Land Use Rights Certificate of the property and own the land use rights to the property. The Group can legally occupy, use, develop, transfer, lease, mortgage or otherwise dispose of the land use rights of the property in accordance with the valid term and usage stipulated by the relevant land use rights certificate without paying any additional land premium;
 - b. The Group has obtained requisite construction permits relating to the property and is entitled to construct the property; and there will be no legal impediment to obtain the relevant building ownership certificates after the construction of the property has passed the completion and acceptance inspection; and
 - c. The Group is entitled to sell the buildings under the Pre-Sales Permits.
9. A summary of major certificates/approvals is shown as follows:

a. State-owned Land Use Rights Grant Contract	Yes
b. State-owned Land Use Rights Certificate	Yes
c. Construction Work Planning Permit	Yes
d. Construction Work Commencement Permit	Yes
e. Pre-Sales Permit	Yes

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 March 2010 RMB
15.	Tian Shan Long Hu Wan Phases I and II located at the south coast of Panlong Lake Yuanshi County Shijiazhuang City Hebei Province The PRC	Tian Shan Long Hu Wan Phases I and II is a residential development which are currently being constructed on 2 parcels of land with a total site area of approximately 91,248.83 sq.m. and is scheduled to be fully completed in 2014 as advised by the Group.	The property is currently under construction.	36,350,000
		The details of the property are set out as follows:		
		Phase I: 12 villas with a total planned gross floor area of approximately 2,469.72 sq.m. completed in early 2010 and the vacant land with a site area of approximately 31,266.82 sq.m.		
		Phase II: 3 villas under construction with a total planned gross floor area of approximately 1,832.01 sq.m., 3 townhouses under construction with a total planned gross floor area of approximately 1,643.01 sq.m. and the vacant land with a site area of approximately 49,313.33 sq.m.		
		As advised by the Group, 3 villas and 3 townhouses of Phase II are scheduled to be completed in 2011.		

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 March 2010 <i>RMB</i>
		<p>As advised by the Group, the total construction cost of 12 villas of Phase I and 3 villas, 3 townhouses of Phase II is estimated to be approximately RMB11,858,887, of which RMB3,268,115 had been paid up to the date of valuation.</p>		
		<p>The land use rights of the property have been granted for terms expiring on 21 April 2075 and 22 April 2076 respectively for residential use.</p>		

Notes:

1. Hebei Tian Shan Real Estate Development Limited (“Tian Shan Real Estate”) is an indirectly wholly owned subsidiary of the Company.
2. Pursuant to a State-owned Land Use Rights Grant Contract dated 9 December 2004 entered into between the State-owned Land and Resource Bureau of Yuanshi County and Tian Shan Real Estate, the land use rights of a parcel of land, on which Tian Shan Long Hu Wan Phase I is erected, with a site area of approximately 41,935.5 sq.m. were contracted to be granted to Tian Shan Real Estate for terms of 70 years for residential use. As advised by the Group, the Group had paid the land premium in full on 3 December 2004.
3. Pursuant to an Agreement dated 7 August 2007 entered into between Tian Shan Real Estate and Shijiazhuang Youhe Textile Clothes Company Limited (石家莊市友和紡織服裝有限公司), the land use rights of the property, on which Tian Shan Long Hu Wan Phase II is erected, with a site area of approximately 49,313.33 sq.m. were contracted to be transferred to Tian Shan Real Estate at a consideration of RMB11,500,000. As advised by the Group, the Group had paid the transfer fee in full on 31 August 2007.
4. Pursuant to 2 State-owned Land Use Rights Certificates – Yuan Guo Yong (2005) Di No. 12 and Yuan Guo Yong (2006) Di No. 0007, the land use rights of 2 parcels of land with a total site area of approximately 91,248.83 sq.m. have been granted to Tian Shan Real Estate for terms expiring on 21 April 2075 and 22 April 2076 respectively for residential use.
5. Pursuant to 2 Construction Work Planning Permits – No. 200603018 and Jian Zi Di No. 200901117 in favour of Tian Shan Real Estate, the property with a total planned gross floor area of approximately 20,014.80 sq.m. has been approved for construction.
6. Pursuant to 2 Construction Work Commencement Permits – Nos. 130132X060060101 and 130132X090120101 in favour of Tian Shan Real Estate, permission by the relevant local authority was given to commence the construction of 15 villas and 3 townhouses with a total planned gross floor area of approximately 5,890.02 sq.m.
7. Pursuant to 2 Pre-Sales Permits – Di Nos. 201002 and 201003 in favour of Tian Shan Real Estate, Tian Shan Real Estate is entitled to sell the 15 villas and 3 townhouses with a total gross floor area approximately 5,944.74 sq.m. to purchasers.

8. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, *inter alia*, the following:
- a. The Group had paid the land premium in respect of the property in full. The Group has legally obtained the State-owned Land Use Rights Certificate of the property and owns the land use rights to the property. The Group can legally occupy, use, develop, transfer, lease, mortgage or otherwise dispose of the land use rights of the property in accordance with the valid term and usage stipulated by the relevant land use rights certificate without paying any additional land premium;
 - b. The Group has obtained requisite construction permits relating to the property and is entitled to construct the property; and there will be no legal impediment to obtain the relevant building ownership certificates after the construction of the property has passed the completion and acceptance inspection;
 - c. The Group is entitled to sell the buildings under the Pre-Sales Permit; and
 - d. The property is not subject to mortgage, seizure, lawsuit, arbitration or other third party interest.
9. A summary of major certificates/approvals is shown as follows:
- | | | |
|----|--|---------|
| a. | State-owned Land Use Rights Grant Contract | Yes |
| b. | State-owned Land Use Rights Certificate | Yes |
| c. | Construction Work Planning Permit | Portion |
| d. | Construction Work Commencement Permit | Portion |
| e. | Pre-Sales Permit | Portion |

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 March 2010 <i>RMB</i>								
16.	Building no. 18 under construction of Ningjin Tian Shan Wonderful Waterside View Phase I located at the western side of Xinxing Road and the eastern side of Wangyanggou Ningjin County Xingtai City Hebei Province The PRC	<p>Ningjin Tian Shan Wonderful Waterside View Phase I is erected on 2 parcels of land with a total site area of approximately 90,928.07 sq.m. including the land of this property and property no. 9 (the "Land").</p> <p>Building no. 18 under construction of Ningjin Tian Shan Wonderful Waterside View Phase I constitutes the property which is scheduled to be completed in December 2010.</p> <p>Upon completion, the property will have a total gross floor area of approximately 55,778.72 sq.m. and the details are set out as follows:</p> <table border="1" style="margin-left: 40px;"> <thead> <tr> <th style="text-align: left;">Usage</th> <th style="text-align: right;">Planned Gross Floor Area (sq.m.)</th> </tr> </thead> <tbody> <tr> <td>Residential</td> <td style="text-align: right;">52,964.97</td> </tr> <tr> <td>Retail</td> <td style="text-align: right;">2,813.75</td> </tr> <tr> <td>Total:</td> <td style="text-align: right;"><u>55,778.72</u></td> </tr> </tbody> </table> <p>The total construction cost of building no.18 is estimated to be approximately RMB85,013,800, of which RMB10,802,811 had been paid up to the date of valuation.</p> <p>The land use rights of the property have been granted for terms with the expiry dates on 23 August 2076 for residential use.</p>	Usage	Planned Gross Floor Area (sq.m.)	Residential	52,964.97	Retail	2,813.75	Total:	<u>55,778.72</u>	The property is currently under construction.	29,610,000
Usage	Planned Gross Floor Area (sq.m.)											
Residential	52,964.97											
Retail	2,813.75											
Total:	<u>55,778.72</u>											

Notes:

1. Hebei Tian Shan Real Estate Development Limited (“Tian Shan Real Estate”) is an indirectly wholly owned subsidiary of the Company.
2. Pursuant to a State-owned Land Use Rights Grant Contract dated 22 August 2006 entered into between the State-owned Land and Resource Bureau of Ningjin County and Tian Shan Real Estate, the land use rights of a parcel of land with a site area of approximately 53,241.4 sq.m. were contracted to be granted to Tian Shan Real Estate for terms of 70 years for residential use. The land premium was RMB8,785,220. As advised by the Group, the Group had paid the land premium in full on 21 September 2006.
3. Pursuant to a State-owned Land Use Rights Certificate – Ning Guo Yong (2006) Di No. 288, the land use rights of a parcel of land, on which the property is erected, with a site area of approximately 53,241.40 sq.m. have been granted to Tian Shan Real Estate for a term expiring on 23 August 2076 for residential use.
4. Pursuant to a Construction Work Planning Permit – No. 200710 in favour of Tian Shan Real Estate, 16 buildings (nos. 3 to 18) with a total planned gross floor area of approximately 214,022 sq.m. have been approved for construction.
5. Pursuant to a Construction Work Commencement Permit – No. 130528x0902301 in favour of Tian Shan Real Estate, permission by the relevant local authority was given to commence the construction of building no. 18 with a planned gross floor area of approximately 56,407 sq.m.
6. Pursuant to a Pre-Sales Permit – (Ning) Fang Yu Shou Zheng Di No. 2010006 in favor of Tian Shan Real Estate, Tian Shan Real Estate is entitled to sell a building (no. 18) with a gross floor area of approximately 56,407.98 sq.m. to purchasers.
7. We have been provided with a legal opinion regarding the property interest by the Company’s PRC legal advisers, which contains, *inter alia*, the following:
 - a. The Group had paid the land premium in respect of the property in full. The Group has legally obtained the State-owned Land Use Rights Certificate of the property and owns the land use rights to the property. The Group can legally occupy, use, develop, transfer, lease, mortgage or otherwise dispose of the land use rights of the property in accordance with the valid term and usage stipulated by the relevant land use rights certificate without paying any additional land premium;
 - b. The Group has obtained requisite construction permits relating to the property and is entitled to construct the property; and there is no legal impediment to obtain the relevant building ownership certificates after the construction of the property has passed the completion and acceptance inspection; and
 - c. The Group is entitled to sell the buildings under the Pre-Sales Permit.
8. A summary of major certificates/approvals is shown as follows:

a.	State-owned Land Use Rights Grant Contract	Yes
b.	State-owned Land Use Rights Certificate	Yes
c.	Construction Work Planning Permit	Yes
d.	Construction Work Commencement Permit	Yes
e.	Pre-Sales Permit	Yes

VALUATION CERTIFICATE

Group V – Property interests held for future development by the Group in the PRC

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 March 2010 RMB
17.	2 parcels of land (Tianjin Tian Shan Wonderful Waterside View Phase I-2A & 2C) located at the junction of the Gewan Road and Hongqi Road Xiaozhan Town Jinnan District Tianjin The PRC	<p>The property comprises 2 parcels of land with a total site area of approximately 129,243.50 sq.m. which will be developed into a residential and commercial development forming a part of Tianjin Tian Shan Wonderful Waterside View Phase I.</p> <p>The land use rights of the property have been granted for terms of 40 years expiring on 8 October 2048 for commercial use and 70 years expiring on 8 October 2078 for residential use respectively.</p> <p>After the date of valuation, the construction of various buildings of Phase I-2C has started on the land of the property.</p>	The property was a vacant site as at the date of valuation.	414,590,000

Notes:

1. Tianjin Tian Shan Real Estate Development Limited (“Tian Shan Tianjin Real Estate”) is an indirectly wholly owned subsidiary of the Company.
2. Pursuant to a State-owned Land Use Rights Grant Contract – Jin Nan (Gua) No. 2008-02 dated 8 April 2008 and entered into between Tianjin Housing and Land Resource Administration Bureau and Tian Shan Tianjin Real Estate, the land use rights of Tianjin Tian Shan Wonderful Waterside View Phase I (refer to this property and the land of property no. 10) with a site area of approximately 243,714.33 sq.m. were contracted to be granted to Tian Shan Tianjin Real Estate for terms of 40 and 70 years for commercial and residential uses. The land premium was RMB319,000,000. As advised by the Group, the Group had paid the land premium in full on 9 October 2008.
3. Pursuant to 2 Real Estate Title Certificates – Fang Di Zheng Jin Zi Di Nos. 112050800003 and 112050800004, the land use rights of the property with a total site area of approximately 129,243.50 sq.m. have been granted to Tian Shan Tianjin Real Estate for terms of 40 years expiring on 8 October 2048 for commercial use and 70 years expiring on 8 October 2078 for residential use.
4. Pursuant to 5 Construction Work Planning Permits – 2010 Jin Nan Jian Zheng Nos. 00143 to 0015, 0064 and 0068 in favour of Tian Shan Tianjin Real Estate, various buildings of Tianjin Tian Shan Wonderful Waterside View Phase I-2C with a total planned gross floor area of approximately 62,485 sq.m. (exclude the basement and underground car parking spaces with a total floor area of approximately 16,442 sq.m.) have been approved for construction.
5. Pursuant to 2 Construction Work Commencement Permits - Nos. 1211221201004002 and 1211221201004003 in favour of Tian Shan Tianjin Real Estate, permission by the relevant local authority was given to commence the construction of various buildings with a total planned gross floor area of approximately 77,412.54 sq.m.
6. Pursuant to 3 Pre-Sales Permits – Jin Guo Tu Fang Shou Xu Zi [2010] Di Nos. 161-001 to 161-003 in favour of Tian Shan Real Estate, Tian Shan Tianjin Real Estate is entitled to sell 3 buildings (nos. 43, 46 and 47) with a total gross floor area of approximately 11,352.5 sq.m. to purchasers.
7. We have been provided with a legal opinion regarding the property interest by the Company’s PRC legal advisers, which contains, *inter alia*, the following:
 - a. The Group had paid the land premium in respect of the property in full. The Group has legally obtained the Real Estate Title Certificates of the property and own the land use rights to the property. The Group can legally occupy, use, develop, transfer, lease, mortgage or otherwise dispose of the land use rights of the property in accordance with the valid term and usage stipulated by the relevant real estate title certificate without paying any additional land premium; and
 - b. Pursuant to 2 Mortgage Contracts entered into between Tian Shan Tianjin Real Estate and Hebei Province Sub-branch of China Construction Bank (the “Bank”), the land use rights of 2 parcels of land under the Real Estate Title Certificates - Fang Di Zheng Jin Di Nos. 112050800003 and 1120500800004 (the “Guaranty”) are subject 2 mortgages in favour of the Bank. The mortgage terms under the aforesaid Mortgage are commencing from 23 October 2009 and expiring on 22 October 2011. The Mortgage Contracts have been registered and during the mortgage term the Group could not transfer the Guaranty without obtaining the consent from the Bank. The Guaranty is not subject to other mortgage, seizure, lawsuit, arbitration or other third party interests.

8. A summary of major certificates/approvals is shown as follows:
- | | | |
|----|--|---------|
| a. | State-owned Land Use Rights Grant Contract | Yes |
| b. | Real Estate Title Certificate | Yes |
| c. | Construction Work Planning Permit | Portion |
| d. | Construction Work Commencement Permit | Portion |
| e. | Pre-Sales Permit | Portion |

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 March 2010 RMB
18.	The reserved land of Tian Shan Science and Technology Industrial Park No. 319 Xiangjiang Avenue Shijiazhuang Hi-Tech Industry Development Zone Shijiazhuang City Hebei Province The PRC	<p>Tian Shan Science and Technology Industrial Park is an industrial development situated on 4 parcels of land with a total site area of approximately 201,087.469 sq.m. including this property and the land of property no. 8 (the "Land").</p> <p>The property comprises the reserved portion of the Land with a site area of approximately 68,994 sq.m. which will be developed with industrial and ancillary office buildings.</p> <p>The land use rights of the property have been granted for terms expiring on 6 February 2052, 2 April 2052 and 21 May 2052 respectively for industrial use.</p>	The property is currently erected with various buildings which are planned to be demolished.	34,500,000

Notes:

1. Hebei Tian Shan Real Estate Development Limited (“Tian Shan Real Estate”) is an indirectly wholly owned subsidiary of the Company.
2. Pursuant to 3 State-owned Land Use Rights Grant Contracts dated 30 June 2002 entered into between the State-owned Land and Resource Bureau of Shijiazhuang City and Hebei Tian Shan Industrial Group Real Estate Development Company Limited (河北天山實業集團房地產開發有限公司, “Tian Shan Industrial”, the predecessor of Tian Shan Real Estate), the land use rights of 3 parcels of land with a total site area of approximately 190,552 sq.m. were contracted to be granted to Tian Shan Industrial for terms of 50 years for industrial use. The total land premium was RMB37,869,180. As advised by the Group, the Group obtained an approval for deduction of land premium on 15 November 2002 and need not to pay additional land premium.
3. Pursuant to 3 State-owned Land Use Rights Certificates – Shi Kai (Dong) Guo Yong (2002) Zi Di Nos. 119, 120 and 121, the land use rights of 3 parcels of land (including the property) with a total site area of approximately 190,552 sq.m. have been granted to Tian Shan Industrial for terms expiring on 6 February 2052, 2 April 2052 and 21 May 2052 respectively for industrial use.
4. We have been provided with a legal opinion regarding the property interest by the Company’s PRC legal advisers, which contains, *inter alia*, the following:
 - a. The Group has legally obtained the State-owned Land Use Rights Certificate of the property and own the land use rights to the property. The Group can legally occupy, use, develop, transfer, lease, mortgage or otherwise dispose of the land use rights of the property in accordance with the valid term and usage stipulated by the relevant land use rights certificate without paying any additional land premium;
 - b. The reserved land would not be recognized as idle land according to relevant PRC laws and there will be no risk for the land to be recalled or levied any idle land fee; and
 - c. Pursuant to 3 Mortgage Contracts entered into between Tian Shan Real Estate and Hebei Province Branch of China Construction Bank (the “Bank”), the land use rights of 3 parcels of land under the State-owned Land Use Rights Certificates - Shi Kai (Dong) Guo Yong (2002) Zi Di Nos. 119 to 121 (the “Guaranty”) are subject to 3 mortgages in favour of the Bank. The mortgage terms under the aforesaid Mortgage are commencing from 23 October 2009 and expiring on 22 October 2011. The Mortgage Contracts have been registered and during the mortgage term the Group could not transfer the Guaranty without obtaining the consent from the Bank. The Guaranty is not subject to other mortgage, seizure, lawsuit, arbitration or other third party interests.
5. A summary of major certificates/approvals is shown as follows:

a.	State-owned Land Use Rights Grant Contract	Yes
b.	State-owned Land Use Rights Certificate	Yes

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 March 2010 RMB
19.	The reserved land of Sanhe Tian Shan International Enterprise Base located at Yanjiao Economic and Technological Development Area Sanhe City Hebei Province The PRC	<p data-bbox="552 534 884 853">Sanhe Tian Shan International Enterprise Base is an industrial development situated on 2 parcels of land with a total site area of approximately 181,197.60 sq.m. including the land of this property and property no. 13 (the "Land").</p> <p data-bbox="552 889 884 1144">The property comprises the reserved portion of the Land with a site area of approximately 69,413.18 sq.m. which is planned to be developed with industrial and ancillary residential buildings.</p> <p data-bbox="552 1181 884 1334">The land use rights of the property have been granted for a term of 50 years expiring on 26 December 2056 for industrial use.</p>	The property is currently a vacant site.	18,050,000

Notes:

1. Sanhe Hengji Real Estate Development Company Limited (“Tian Shan Hengji Real Estate”), formerly known as Sanhe Tian Shan Machinery Manufacturing Company Limited (“Tian Shan Machinery”), is an indirectly wholly owned subsidiary of the Company.
2. Pursuant to a State-owned Land Use Rights Grant Contract dated 12 December 2006 entered into between the State-owned Land and Resource Bureau of Sanhe City and Tian Shan Machinery, the land use rights of a parcel of land with a site area of approximately 249,553 sq.m. were contracted to be granted to Tian Shan Machinery for a term of 50 years for industrial use. The land premium was RMB27,592,020. As advised by the Group, the Group had paid the land premium in full on 1 January 2006.
3. Pursuant to 2 State-owned Land Use Rights Certificates – San Guo Yong (Yan Kai) Di Nos. 2010-020 and 2010-021, the land use rights of 2 parcels of land on which Sanhe Tian Shan International Enterprise Base (refer to the property and the land of property no. 13) is erected, with a total site area of approximately 181,197.6 sq.m. have been granted to Tian Shan Hengji Real Estate for a term of 50 years expiring on 26 December 2056 for industrial use.
4. We have been provided with a legal opinion regarding the property interest by the Company’s PRC legal advisers, which contains, *inter alia*, the following:
 - a. The Group had paid the land premium in respect of the property in full. The Group has legally obtained the State-owned Land Use Rights Certificate of the property and own the land use rights to the property. The Group can legally occupy, use, develop, transfer, lease, mortgage or otherwise dispose of the land use rights of the property in accordance with the valid term and usage stipulated by the relevant land use rights certificate without paying any additional land premium; and
 - b. Pursuant to a Mortgage Contract entered into between Tian Shan Hengji Real Estate and Changjiang Sub-branch of Hebei Bank Co., Ltd. (the “Bank”), the land use rights of a parcel of land under the State-owned Land Use Rights Certificate - San Guo Yong (Yan Kai) Di No. 2010-020 (the “Guaranty”) are subject to a mortgage in favour of the Bank. The mortgage term is commencing from 14 May 2010 and expiring on 22 October 2011. During the mortgage term, the Group could not transfer the Guaranty without obtaining the consent from the Bank. The Guaranty is not subject to other mortgage, seizure, lawsuit, arbitration or other third party interests.
5. A summary of major certificates/approvals is shown as follows:

a.	State-owned Land Use Rights Grant Contract	Yes
b.	State-owned Land Use Rights Certificate	Yes

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 March 2010 RMB
20.	A parcel of land (New Great Earldom Phase III) No. 45 Huiyuan Road Luancheng County Shijiazhuang City Hebei Province The PRC	<p data-bbox="552 506 855 666">New Great Earldom occupies a parcel of land with a site area of approximately 37,966.53 sq.m. (the "Land").</p> <p data-bbox="552 697 879 953">The property comprises the reserved portion of the Land with a site area of approximately 5,120 sq.m. which is planned to be developed with 2 buildings known as New Great Earldom Phase III.</p> <p data-bbox="552 985 879 1144">The land use rights of the property have been granted for a term of 70 years expiring on 23 February 2079 for residential use.</p> <p data-bbox="552 1176 879 1270">After the date of valuation, the foundation works of Phase III have started.</p>	The property was a vacant site as at the date of valuation.	6,270,000

Notes:

1. Hebei Tian Shan Real Estate Development Limited (“Tian Shan Real Estate”) is an indirectly wholly owned subsidiary of the Company.
2. Pursuant to a State-owned Land Use Rights Grant Contract dated 21 January 2008 and entered into between State-owned Land and Resource Bureau of Luancheng County and Tian Shan Real Estate, the land use rights of a parcel of land, on which New Great Earldom (refer to the property and property no. 14) is erected, with a site area of approximately 37,965.14 sq.m. were contracted to be granted to Tian Shan Real Estate for a term of 70 years for residential use. The land premium was RMB21,300,000. As advised by the Group, the Group had paid the land premium in full on 4 August 2008.
3. Pursuant to a State-owned Land Use Rights Certificate – Luan Guo Yong (2009) No. 16, the land use rights of a parcel of land (refer to the property and property no. 14) with a site area of approximately 37,966.53 sq.m. have been granted to Tian Shan Real Estate expiring on 23 February 2079 for residential use.
4. Pursuant to a Construction Work Planning Permit – Jian Zi Di No. 130124201000014 in favour of Tian Shan Real Estate, 2 buildings of New Great Earldom Phase III with a total planned gross floor area of approximately 23,738.85 sq.m. have been approved for construction.
5. Pursuant to a Construction Work Commencement Permit – No. 130124X100080101 in favour of Tian Shan Real Estate, permission by the relevant local authority was given to commence the construction of the building mentioned in note 4.
6. Pursuant to a Pre-Sales Permit – Luan Fang Yu Zi Di No. 2010-002 in favour of Tian Shan Real Estate, Tian Shan Real Estate is entitled to sell 2 buildings (nos. 18 and 19) with a total gross floor area of approximately 23,798.46 sq.m. to purchasers.
7. We have been provided with a legal opinion regarding the property interest by the Company’s PRC legal advisers, which contains, *inter alia*, the following:
 - a. The Group had paid the land premium in respect of the property in full. The Group has legally obtained the State-owned Land Use Rights Certificate of the property and owns the land use rights to the property. The Group can legally occupy, use, develop, transfer, lease, mortgage or otherwise dispose of the land use rights of the property in accordance with the valid term and usage stipulated by the relevant land use rights certificate without paying any additional land premium; and
 - b. The property is not subject to mortgage, seizure, lawsuit, arbitration or other third party interests.
8. A summary of major certificates/approvals is shown as follows:

a.	State-owned Land Use Rights Grant Contract	Yes
b.	State-owned Land Use Rights Certificate	Yes
c.	Construction Work Planning Permit	Yes
d.	Construction Work Commencement Permit	Yes
e.	Pre-Sales Permit	Yes

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 March 2010 <i>RMB</i>
21.	A parcel of land (Tian Shan Long Hu Wan Phase III) located at the south coast of Panlong Lake Yuanshi County Shijiazhuang City Hebei Province The PRC	The property comprises a parcel of land with a site area of approximately 65,333.33 sq.m. As advised by the Group, the property is planned to be developed into a residential development known as Tian Shan Long Hu Wan Phase III.	The property is currently a vacant site.	25,870,000
		The land use rights of the property have been granted for a term expiring on 28 August 2077 for residential use.		

Notes:

1. Hebei Tian Shan Real Estate Development Limited (“Tian Shan Real Estate”) is an indirectly wholly owned subsidiary of the Company.
2. Pursuant to a State-owned Land Use Rights Grant Contract dated 16 October 2007 entered into between the State-owned Land and Resource Bureau of Yuanshi County and Tian Shan Real Estate, the land use rights of the property with a site area of approximately 65,333.33 sq.m. were contracted to be granted to Tian Shan Real Estate for terms of 70 years for residential use. The total land premium was RMB13,622,000. As advised by the Group, the Group had paid the land premium in full on 29 December 2008.
3. Pursuant to a State-owned Land Use Rights Certificate – Yuan Guo Yong (2006) Di No. 0092, the land use rights of the property with a site area of approximately 65,333.33 sq.m. have been granted to Tian Shan Real Estate for a term expiring on 28 August 2077 for residential use.
4. Pursuant to a Construction Work Planning Permit – Jian Zi Di No. 2009012010 in favour of Tian Shan Real Estate, a building (no. 1) of Tian Shan Long Hu Wan Phase III with a planned gross floor area of approximately 1,861.17 sq.m. have been approved for construction.
5. Pursuant to a Construction Work Commencement Permit – No. 130132X090130101 in favour of Tian Shan Real Estate, permission by the relevant local authority was given to commence the construction of various residential buildings of Tian Shan Long Hu Wan Phase III with a planned gross floor area of approximately 1,861.17 sq.m.
6. We have been provided with a legal opinion regarding the property interest by the Company’s PRC legal advisers, which contains, *inter alia*, the following:
 - a. The Group had paid the land premium in respect of the property in full. The Group has legally obtained the State-owned Land Use Rights Certificate of the property and own the land use rights to the property. The Group can legally occupy, use, develop, transfer, lease, mortgage or otherwise dispose of the land use rights of the property in accordance with the valid term and usage stipulated by the relevant land use rights certificate without paying any additional land premium; and
 - b. The property is not subject to mortgage, seizure, lawsuit, arbitration or other third party interests.
7. A summary of major certificates/approvals is shown as follows:

a.	State-owned Land Use Rights Grant Contract	Yes
b.	State-owned Land Use Rights Certificate	Yes
c.	Construction Work Planning Permit	Portion
d.	Construction Work Commencement Permit	Portion

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 March 2010 RMB
22.	A parcel of land (Ningjin Tian Shan Wonderful Waterside View Phase II) located at the western side of Xinxing Road and the eastern side of Wangyanggou Ningjin County Xingtai City Hebei Province The PRC	<p>The property comprises a parcel of land with a site area of approximately 2,400 sq.m.</p> <p>As advised by the Group, the property is planned to be developed with a commercial building known as Ningjin Tian Shan Wonderful Waterside View Phase II.</p> <p>The land use rights of the property have been granted for a term of 40 years expiring on 27 August 2046 for commercial use.</p>	The property is currently erected with a building which is planned to be demolished.	1,820,000

Notes:

1. Hebei Tian Shan Real Estate Development Limited (“Tian Shan Real Estate”) is an indirectly wholly owned subsidiary of the Company.
2. Pursuant to a State-owned Land Use Rights Grant Contract dated 22 August 2006 entered into between the State-owned Land and Resource Bureau of Ningjin County and Tian Shan Real Estate, the land use rights of the property with a site area of approximately 2,398.1 sq.m. were contracted to be granted to Tian Shan Real Estate for a term of 40 years for commercial use. The total land premium was RMB395,704. As advised by the Group, the Group had paid the land premium in full on 21 September 2006.
3. Pursuant to a State-owned Land Use Rights Certificate – Ning Guo Yong (2006) No. 290, the land use rights of the property with a site area of approximately 2,400 sq.m. have been granted to Tian Shan Real Estate for a term expiring on 27 August 2046 for commercial use.
4. We have been provided with a legal opinion regarding the property interest by the Company’s PRC legal advisers, which states that, the Group had paid the land premium in respect of the property in full; the Group has legally obtained the State-owned Land Use Rights Certificate of the property and owns the land use rights to the property; the Group can legally occupy, use, develop, transfer, lease, mortgage or otherwise dispose of the land use rights of the property in accordance with the valid term and usage stipulated by the relevant land use rights certificate without paying any additional land premium.
5. A summary of major certificates/approvals is shown as follows:
 - a. State-owned Land Use Rights Grant Contract Yes
 - b. State-owned Land Use Rights Certificate Yes

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 March 2010 <i>RMB</i>
23.	A parcel of land (Xin Nan Jue) No. 233 Zhufeng Avenue Shijiazhung Hi-Tech Industry Development Zone Shijiazhuang City Hebei Province The PRC	The property comprises a parcel of land with a site area of approximately 84,336 sq.m. As advised by the Group, the property is planned to be developed into a residential and commercial development known as Xin Nan Jue.	The property is currently a vacant site.	227,970,000
		The land use rights of the property have been granted for a term of 40 years expiring on 21 December 2038 for commercial use.		

Notes:

1. Hebei Tian Shan Real Estate Development Limited (“Tian Shan Real Estate”) is an indirectly wholly owned subsidiary of the Company.
2. Pursuant to a State-owned Land Use Rights Certificate – Shi Kai (Dong) Guo Yong (2007) No. 123, the land use rights of the property with a site area of approximately 84,336 sq.m. have been granted to Tian Shan Real Estate for a term expiring on 21 December 2038 for commercial use.
3. We have been provided with a legal opinion regarding the property interest by the Company’s PRC legal advisers, which contains, *inter alia*, the following:
 - a. The Group had paid the land premium in respect of the property in full. The Group has legally obtained the State-owned Land Use Rights Certificate of the property and owns the land use rights to the property. The Group can legally occupy, use, develop, transfer, lease, mortgage or otherwise dispose of the land use rights of the property in accordance with the valid term and usage stipulated by the relevant land use rights certificate without paying any additional land premium;
 - b. The Group is applying for change of the use of a portion of the property from commercial use to residential use; and
 - c. The land use rights would not be recalled or levied any idle land fee.
4. As advised by the Group, it is applying for change of the use of a portion of the property with a site area of approximately 64,505.058 sq.m. from commercial use to residential use. The remainder of the property with a site area of approximately 19,830.942 sq.m. will still be for commercial use.
5. We are of the opinion that the use of the property as projected in note 4 would reflect the highest and best use of the property. Thus we give the capital value of the property by assuming that the use change application could be approved without any additional payment of land premium and other cost for a term expiring on 21 December 2038.
6. A summary of major certificates/approvals is shown as follows:
 - a. State-owned Land Use Rights Certificate Yes

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 March 2010 RMB
24.	A parcel of land (Xin Zi Jue) located at the western side of Chengshang Village Yehe Town Luancheng County Shijiazhuang City Hebei Province The PRC	<p>The property comprises a parcel of land with a site area of approximately 26,526.60 sq.m.</p> <p>As advised by the Group, the property is planned to be development into a commercial development known as Xin Zi Jue.</p> <p>The land use rights of the property have been granted for a term expiring on 29 November 2043 for commercial use.</p>	The property is currently a vacant site.	36,470,000

Notes:

1. Hebei Tian Shan Real Estate Development Limited (“Tian Shan Real Estate”) is an indirectly wholly owned subsidiary of the Company.
2. Pursuant to a State-owned Land Use Rights Transfer Contract dated 28 December 2007 entered into between Shijiazhuang City Yuhua District Attenuation Material Machining Factory (石家莊裕華區保溫材料加工廠) and Tian Shan Real Estate, the land use rights of the property with a site area of approximately 26,548.55 sq.m. were contracted to be transferred to Tian Shan Real Estate at a consideration of RMB7,115,000. As advised by the Group, the Group had paid the land premium in full on 8 March 2008.
3. Pursuant to a State-owned Land Use Rights Certificate – Luan Guo Yong (2008) Di No. 12, the land use rights of the property with a site area of approximately 26,526.60 sq.m. have been granted to Tian Shan Real Estate for a term expiring on 29 November 2043 for commercial use.
4. We have been provided with a legal opinion regarding the property interest by the Company’s PRC legal advisers, which contains, *inter alia*, the following:
 - a. The Group had paid the land premium in respect of the property in full. The Group has legally obtained the State-owned Land Use Rights Certificate of the property and own the land use rights to the property. The Group can legally occupy, use, develop, transfer, lease, mortgage or otherwise dispose of the land use rights of the property in accordance with the valid term and usage stipulated by the relevant land use rights certificate without paying any additional land premium; and
 - b. The land use rights would not be recalled or levied any idle land fee.
5. A summary of major certificates/approvals is shown as follows:
 - a. State-owned Land Use Rights Certificate Yes

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 March 2010 RMB
25.	A parcel of land (Weihai Tian Shan Waterside View Phase I) located at the northern side of Wenshan East Road and the eastern side of Laodaohu Road Wendeng City Weihai City Shandong Province The PRC	<p>The property comprises a parcel of land with a site area of approximately 79,860 sq.m.</p> <p>As advised by the Group, the property is planned to be developed into a residential and commercial development known as Weihai Tian Shan Waterside View Phase I.</p> <p>The land use rights of the property have been granted for terms of 70 years expiring on 28 March 2079 for residential use and 40 years expiring on 28 March 2049 for commercial use.</p>	The property is erected with some buildings which are planned to be demolished.	61,810,000

Notes:

1. Hebei Tian Shan Real Estate Development Limited (“Tian Shan Real Estate”) is an indirectly wholly owned subsidiary of the Company. Weihai Tian Shan Real Estate Development Company Limited (“Tian Shan Weihai Real Estate”) is a wholly owned subsidiary of Tian Shan Real Estate.
2. Pursuant to a State-owned Land Use Rights Grant Contract dated 29 December 2008 entered into between the State-owned Land and Resource Bureau of Wendeng City and Tian Shan Real Estate, the land use rights of the property with a site area of approximately 79,860 sq.m. (which is proposed to be developed as Weihai Tian Shan Waterside View Phase I as advised by the Group) were contracted to granted to Tian Shan Real Estate for residential and commercial uses. The total land premium was RMB59,895,000. As advised by the Group, the Group had paid the land premium in full on 31 March 2010.
3. Pursuant to a State-owned Land Use Rights Certificate – Wen Guo Yong (2009) Di No. YD-04027, the land use rights of the property with a site area of approximately 79,860 sq.m. have been granted to Tian Shan Weihai Real Estate for terms of 70 years expiring on 28 March 2079 for residential use and 40 years expiring on 28 March 2049 for commercial use.
4. Pursuant to a Construction Work Planning Permit – Jian Zi Di No. 3710812010A004-1 in favour of Tian Shan Weihai Real Estate, 13 buildings (nos. 1 to 13) with a total planned gross floor area of approximately 47,200 sq.m. had been approved for construction.
5. Pursuant to a Construction Work Commencement Permit – No. 2010033 in favour of Tian Shan Weihai Real Estate, permission by the relevant local authority was given to commence the construction of 13 buildings (nos. 1 to 13) with a total gross floor area of approximately 47,200 sq.m.
6. We have been provided with a legal opinion regarding the property interest by the Company’s PRC legal advisers, which contains, *inter alia*, the following:
 - a. The Group had paid the land premium in respect of the property in full. The Group has legally obtained the State-owned Land Use Rights Certificate of the property and own the land use rights to the property. The Group can legally occupy, use, develop, transfer, lease, mortgage or otherwise dispose of the land use rights of the property in accordance with the valid term and usage stipulated by the relevant land use rights certificate without paying any additional land premium; and
 - b. The land use rights would not be recalled or levied any idle land fee.
7. A summary of major certificates/approvals is shown as follows:

a.	State-owned Land Use Rights Grant Contract	Yes
b.	State-owned Land Use Rights Certificate	Yes
c.	Construction Work Planning Permit	Yes
d.	Construction Work Commencement Permit	Yes

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 March 2010 RMB
26.	A parcel of land (Weihai Tian Shan Contemporary Noble Territory Phase I) located at northern side of Guangzhou Road and western side of Jinshan Road Economic Development Zone Wendeng City Weihai City Shandong Province The PRC	<p>The property comprises a parcel of land with a site area of approximately 53,333 sq.m.</p> <p>As advised by the Group, the property is planned to be developed into a residential and commercial development.</p> <p>The land use rights of the property have been granted for terms of 70 years expiring on 11 May 2080 for residential use and 40 years expiring on 11 May 2050 for commercial use.</p>	The property is currently a vacant site.	44,800,000

Notes:

1. Weihai Tian Shan Real Estate Development Limited (“Tian Shan Weihai Real Estate”) is an indirectly wholly owned subsidiary of the Company.
2. Pursuant to a State-owned Land Use Rights Grant Contract – No. Wen Deng-01-2010-0134 dated 13 May 2010 entered into between the State-owned Land and Resource Bureau of Wendeng City and Tian Shan Weihai Real Estate, the land use rights of a parcel of land with a site area of approximately 53,333 sq.m. (which is proposed to be developed as Weihai Tian Shan Contemporary Noble Territory Phase I as advised by the Group) were contracted to be granted to Tian Shan Weihai Real Estate for terms of 40 and 70 years respectively for commercial and residential uses. The land premium was RMB25,280,000. As advised by the Group, the Group had paid the land premium in full on 17 June 2010.
3. Pursuant to a State-owned Land Use Rights Certificate – Wen Guo Yong (2010) Di No. YD4006, the land use rights of the property with a site of approximately 53,333 sq.m. have been granted to Tian Shan Weihai Real Estate for terms of 70 years expiring on 11 May 2080 for residential use and 40 years expiring on 11 May 2050 for commercial use.
4. We have been provided with a legal opinion regarding the property interest by the Company’s PRC legal advisers, which contains, *inter alia*, the following:
 - a. The Group had paid the land premium in respect of the property in full. The Group has legally obtained to the property. The Group can legally occupy, use, develop, transfer, lease, mortgage or otherwise dispose of the land use rights of the property in accordance with the valid term and usage stipulated by the relevant land use rights certificate without paying any additional land premium; and
 - b. The land use rights would not be recalled or levied any idle land fee.
5. A summary of major certificates/approvals is shown as follows:

a.	State-owned Land Use Rights Grant Contract	Yes
b.	State-owned Land Use Rights Certificate	Yes

VALUATION CERTIFICATE

Group VI – Property interest contracted to be acquired by the Group in the PRC

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 March 2010 <i>RMB</i>
27.	5 parcels of land (Tianjin Tian Shan Wonderful Waterside View Phase II) located at Xiaozhan Town Jinnan District Tianjin The PRC	The property comprises 5 parcels of land with a total site area of approximately 589,475.80 sq.m. As advised by the Group, the property is planned to be developed into a residential and commercial development known as Tianjin Tian Shan Wonderful Waterside View Phase II.	The property is currently a vacant site.	No commercial value

Notes:

1. Tianjin Tian Shan Real Estate Development Limited (“Tian Shan Tianjin Real Estate”) is an indirectly wholly owned subsidiary of the Company.
2. Pursuant to 5 State-owned Land Use Rights Grant Contracts - Nos. 11152010011 to 11152010015 all dated 10 May 2010 entered into between Tianjin Housing and Land Resource Administration Bureau Jinnan Sub-bureau and Tian Shan Tianjin Real Estate, the land use rights of 5 parcels of land with a total site area of approximately 589,475.80 sq.m. (which are proposed to be developed as Tianjin Tian Shan Wonderful Waterside View Phase II as advised by the Group) were contracted to be granted to Tian Shan Tianjin Real Estate for terms of 40 and 70 years respectively for commercial and residential uses. The land premium was RMB590,500,000.
3. In the valuation of this property, we have attributed no commercial value of the property which have not obtained any proper title certificate. However, for reference purpose, we are of the opinion than the capital value of the property in its existing state as at the date of valuation would be RMB774,570,000 assuming all the land premium had been fully paid and it could be freely transferred.
4. We have been provided with a legal opinion regarding the property interest by the Company’s PRC legal advisers, which contains, *inter alia*, the following:
 - a. The State-owned Land Use Rights Grant Contracts are legal, valid and binding on both signing parties; and
 - b. There will be no legal impediment for the Group to obtain the relevant land use rights certificates after the land premium has been paid in full.
5. A summary of major certificates/approvals is shown as follows:
 - a. State-owned Land Use Rights Grant Contract Yes

VALUATION CERTIFICATE

Group VII – Property interest leased and occupied by the Group in Hong Kong

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 March 2010 <i>RMB</i>
28.	Room 703 7th Floor Fairmont House 8 Cotton Tree Drive Central Hong Kong	<p>The property comprises a unit on the 7th floor of a 28-storey commercial building completed in about 1982.</p> <p>The unit has a gross floor area of approximately 1,900 sq.ft. (176.51 sq.m.)</p> <p>Pursuant to a Tenancy Agreement entered into between Tian Shan Development (Holding) Limited (the “Company”) as tenant and Paryocean Properties Company Limited as landlord, an independent third party, the property is leased to the Company for a term of 2 years commencing from 1 January 2010 and expiring on 31 December 2011 at a rental of HK\$40,000 per month exclusive of rates, management fees and air conditioning charges.</p>	The property is currently occupied by the Group for office purpose.	No commercial value

Note:

The registered owner of the property is Paryocean Properties Company Limited vide Memorial No. UB7155260 dated 21 April 1997.

VALUATION CERTIFICATE

Group VIII – Property interests leased and occupied by the Group in the PRC

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 March 2010 <i>RMB</i>
29.	A portion of an office building No.109 Tianshan Avenue Shijiazhuang Hi-Tech Industry Development Zone Shijiazhuang City Hebei Province The PRC	<p>The property comprises a portion of a 6-storey office building with a total lettable area of approximately 920 sq.m. completed in 2004.</p> <p>The property was leased to Hebei Tian Shan Real Estate Development Limited from Hebei Tianshan Industrial Group Construction Engineering Company Limited, a connected party of the Company, for a term of 3 years expiring on 31 December 2012, at an annual rent of RMB386,400 exclusive of water, electricity, phone, sanitation and security charges.</p>	The property is currently occupied by the Group for office purpose.	No commercial value

Notes:

1. Hebei Tian Shan Real Estate Development Limited (“Tian Shan Real Estate”) is an indirectly wholly owned subsidiary of the Company. Hebei Tian Shan Industrial Group Construction Engineering Company Limited (“Tian Shan Construction”) is a connected party of the Company.
2. Pursuant to a Tenancy Agreement entered into between Tian Shan Real Estate and Tianshan Construction (the “Lessor”), the property with a lettable area of approximately 920 sq.m. was leased to Tian Shan Real Estate for a term of 3 years expiring on 31 December 2012 at an annual rent of RMB386,400, exclusive of water, electricity, phone, sanitation and security charges.
3. We have been provided with a legal opinion on the legality of the Tenancy Agreement to the property issued by the Company’s PRC legal advisers, which contains, *inter alia*, the following:
 - a. The Tenancy Agreement is legal and valid and binding on both signing parties;
 - b. The Lessor has the rights to lease the property to the Group;
 - c. The Group has the rights to occupy the property in accordance with the Tenancy Agreement; and
 - d. The Tenancy Agreement has been registered with the local authorities.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 March 2010 RMB
30.	9 rooms on Level 11 Detai Hotel Building No. 1 Kunlun Road Wendeng City Weihai City Shandong Province The PRC	<p>The property comprises 9 rooms on Level 11 of a 14-storey hotel building completed in about 2006.</p> <p>The property has a total lettable area of approximately 270 sq.m.</p> <p>The property was leased to Hebei Tian Shan Real Estate Development Limited from an independent third party, for a term expiring on 17 June 2011 at a daily rent of RMB100 per room inclusive of equipment, water, electricity, parking, security and lift charges.</p>	The property is currently occupied by the Group for office purpose (refer to note 2).	No commercial value

Notes:

1. Hebei Tian Shan Real Estate Development Limited (“Hebei Tian Shan Real Estate”) is an indirectly wholly owned subsidiary of the Company.
2. Pursuant to a Tenancy Agreement and relevant supplementary agreements entered into between Hebei Tian Shan Real Estate and an independent third party (the “Lessor”), Room nos. 1101, 1112, 1113, 1115 to 1120 with a total lettable area of approximately 270 sq.m. of Detai Hotel Building were leased to Hebei Tian Shan Real Estate (thereafter the tenant was changed to Tian Shan Weihai Real Estate Development Limited, a wholly owned subsidiary of the Company) for terms expiring on 17 June 2010 at a daily rent of RMB100 per room inclusive of equipment, water, electricity, parking, security and lift charges. As advised by the Group, it has not planned to renew the tenancy after the agreement expires.
3. We have been provided with a legal opinion regarding the property interest by the Company’s PRC legal advisers, which contains, *inter alia*, the following:
 - a. The Tenancy Agreement is legal and valid and binding on both signing parties;
 - b. The Lessor has the rights to lease the property to the Group; and
 - c. The Group has the rights to occupy the property in accordance with the Tenancy Agreement.

VALUATION CERTIFICATE

Group IX - Property interests possible to be acquired by the Group in the PRC

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 March 2010 RMB
31.	A parcel of land (Tianjin Tian Shan Wonderful Waterside View Phase III) located at Xiaozhan Town Jinnan District Tianjin The PRC	The property comprises a parcel of land with a site area of approximately 533,336 sq.m.	The property is currently erected with some buildings.	No commercial value

Notes:

1. Tianjin Tian Shan Real Estate Development Limited (“Tian Shan Tianjin Real Estate”) is an indirectly wholly owned subsidiary of the Company.
2. Pursuant to a Land Cooperation Arrangement Agreement entered into between the People’s Government of Xiaozhan Town, Jinnan District of Tianjin and Tianjin Real Estate dated 20 November 2009, both parties agreed to jointly invest on the land arrangement works of a parcel of land with a site area of approximately 533,336 sq.m. for residential and commercial use.
3. Pursuant to the agreement mentioned in note 2, Tian Shan Real Estate will invest RMB200,000,000 on the land arrangement works and Party A will be in charge of the rest land arrangement cost and execution of the land arrangement works.
4. As advised by the Group, the property is planned to be developed into a residential and hotel development known as Tianjin Tian Shan Wonderful Waterside View Phase III after the Group acquires relevant land use rights.
5. We have been provided with a legal opinion regarding the property interest by the Company’s PRC legal advisers, which contains, *inter alia*, the following:
 - a. the Land Cooperation Arrangement Agreement is not in breach of relevant laws and regulations in the PRC and is binding on both signing parties; and
 - b. Upon successfully bidding the land use rights, signing the land grant contract with the relevant land authority and fully paying the consideration, there will be no legal impediment for the Group to obtain the land use rights certificate.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 March 2010 RMB
32.	A parcel of land (Weihai Tian Shan International Enterprise Base) located at Economic Development Zone Wendeng City Weihai City Shandong Province The PRC	The property comprises a parcel of land with a site area of approximately 866,671 sq.m.	The property is currently a vacant site.	No commercial value

Notes:

1. Hebei Tian Shan Real Estate Development Limited (“Tian Shan Real Estate”) is an indirectly wholly owned subsidiary of the Company.
2. Pursuant to an Agreement and relevant supplementary agreements entered into between the Economic Development Zone Management Committee of Wendeng City and Tian Shan Real Estate dated 26 October 2009, Tian Shan Real Estate intended to invest and develop a parcel of land with a site area of approximately 866,671 sq.m. After the aforesaid land goes into the public tender, auction or listing-for-sales procedure, the committee will facilitate Tian Shan Real Estate to acquire the relevant land use rights no higher than a fixed unit price. Or Tian Shan Real Estate would be refunded with the difference between the land premium payable and the fixed amount stated in the Agreement.
3. Pursuant a supplementary agreement mentioned in note 2, Tian Shan Real Estate has paid RMB18,000,000 as the prepayment of the future land premium.
4. As advised by the Group, the property is planned to be developed into an industrial development known as Weihai Tian Shan International Enterprise Base after the Group obtains the relevant land use rights.
5. We have been provided with a legal opinion regarding the property interest by the Company’s PRC legal advisers, which states that, the arrangement of refund stated in the agreement mentioned in note 2 may be subject to the risk of being judged invalid.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 March 2010 RMB
33.	A parcel of land (Weihai Tian Shan Waterside View Phase II) located at Economic Development Zone Wendeng City Weihai City Shandong Province The PRC	The property comprises a parcel of land with a site area of approximately 653,477 sq.m.	The property is still clustered with some buildings.	No commercial value

Notes:

1. Hebei Tian Shan Real Estate Development Limited (“Tian Shan Real Estate”) is an indirectly wholly owned subsidiary of the Company.
2. Pursuant to an Agreement and relevant supplementary agreements entered into between the People’s Government of Wendeng City of Shandong Province and Tian Shan Real Estate dated 26 October 2009, Tian Shan Real Estate intended to invest and develop a parcel of land with a site area of approximately 733,337 sq.m. for residential and commercial uses. After the aforesaid land goes into the public tender, auction or listing-for-sales procedure, the Wendeng government will facilitate Tian Shan Real Estate to acquire the relevant land use rights at a fixed unit price. Or Tian Shan Real Estate would be refunded with the difference between the land premium payable and the fixed amount stated in the Agreement. The Group has obtained the State-owned Land Use Rights Certificate for a portion of the land under the Agreement with a site area of approximately 79,860 sq.m. (refer to property no. 25). Therefore the remaining land under the Agreement constitutes the property.
3. Pursuant a supplementary agreement mentioned in note 2, Tian Shan Real Estate has paid RMB20,000,000 as the prepayment of the future land premium.
4. As advised by the Group, the property is planned to be developed into a residential and commercial development known as Weihai Tian Shan Waterside View Phase II after the Group obtains the relevant land use rights.
5. We have been provided with a legal opinion regarding the property interest by the Company’s PRC legal advisers, which states that the arrangement of refund stated in the agreement mentioned in note 2 may be subject to the risk of being judged invalid.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 March 2010 RMB
34.	2 parcels of land (Weihai Tian Shan Contemporary Noble Territory Phase II) located at Economic Development Zone Wendeng City Weihai City Shandong Province The PRC	The property comprises 2 parcels of land with a total site area of approximately 91,372.33 sq.m.	The property is currently a vacant site.	No commercial value

Notes:

1. Weihai Tian Shan Real Estate Development Company Limited (“Tian Shan Weihai Real Estate”) is an indirectly wholly owned subsidiary of the Company.
2. Pursuant to an Agreement entered into between the Economic Development Zone Management Committee of Wendeng City of Shandong Province and Tian Shan Weihai Real Estate dated 27 November 2009, Tian Shan Weihai Real Estate intended to acquire the land use rights 2 parcels of land, of which a parcel of land with a site area of approximately 129,313.33 sq.m. is for residential and commercial uses with a consideration of RMB 44,993,600 and a parcel of land with a site area of approximately 15,392 sq.m. is for residential use with a consideration of RMB 6,685,000. The Group has signed the State-owned Land Rights Grant Contract for a portion of the land use rights under the Agreement with a site area of approximately 53,333 sq.m. (refer to property no. 26) Therefore, the remaining land under the agreement constitutes the property.
3. As advised by the Group, the land under the aforementioned agreement is planned to be developed known as Weihai Tian Shan Contemporary Noble Territory Phase II after the Group obtains the relevant land use rights.
4. We have been provided with a legal opinion regarding the property interest by the Company’s PRC legal advisers, which states that, upon successfully bidding the land use rights, signing the land grant contract with the relevant land authority and fully paying the consideration, there will be no legal impediment for the Group to obtain the land use rights certificate of the property.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 March 2010 RMB
35.	A parcel of land (Heng Shan Ling Project) located at the southern side of Hengshan Lake Lingshou County Hebei Province The PRC	The property comprises a parcel of land with a site area of approximately 8,000,000 sq.m.	The property is currently a vacant site.	No commercial value

Notes:

1. Hebei Tian Shan Real Estate Development Limited (“Tian Shan Real Estate”) is an indirectly wholly owned subsidiary of the Company.
2. Pursuant to a Development Agreement entered into between the People’s Government of Lingshou County and Tian Shan Real Estate dated 18 May 2006, Tian Shan Real Estate intended to invest and develop a parcel of land with a site area of approximately 8,000,000 sq.m. for theme park use.
3. As advised by the Group, the property is planned to be developed into a theme park known as Heng Shan Ling Project after the Group obtains the relevant land use rights.
4. We have been provided with a legal opinion regarding the property interest by the Company’s PRC legal advisers, which contains, *inter alia*, the following:
 - a. The Development Agreement is not in breach of relevant laws and regulations in the PRC and is binding on both signing parties; and
 - b. Upon successfully bidding the land use rights, signing the land use rights grant contract with the relevant land authority and fully paying the consideration, there will be no legal impediment for the Group to obtain the land use rights certificate of the property.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 March 2010 <i>RMB</i>
36.	A parcel of land (Tian Shan Shijiazhuang Mechanical Industry Park) located at the eastern side of Hongqi Street Southern Industrial Area Yuanshi County Shijiazhuang City Hebei Province The PRC	The property comprises a parcel of land with a site area of approximately 272,000 sq.m.	The property is currently a vacant site.	No commercial value

Notes:

1. Hebei Tian Shan Real Estate Development Limited (“Tian Shan Real Estate”) is an indirectly wholly owned subsidiary of the Company.
2. Pursuant to a Framework Agreement entered into between Yuanshi County Government and Tian Shan Real Estate dated 26 January 2010, Tian Shan Real Estate intended to invest and develop a parcel of land with a site area of approximately 272,000 sq.m. for industrial and office uses.
3. As advised by the Group, the property is planned to be developed into an industrial and ancillary office development known as Tian Shan Shijiazhuang Mechanical Industry Park after the Group obtains the relevant land use rights.
4. We have been provided with a legal opinion regarding the property interest by the Company’s PRC legal advisers, which contains, *inter alia*, the following:
 - a. The Framework Agreement is not in breach of relevant laws and regulations in the PRC and is binding on both signing parties; and
 - b. Upon successfully bidding the land use rights, signing the land use rights grant contract with the relevant land authority and fully paying the consideration, there will be no legal impediment for the Group to obtain the land use rights certificate of the property.

VALUATION CERTIFICATE

Property interest leased and occupied by the Group after the date of valuation

Property	Description and tenure	Particulars of occupancy
Various rooms on Levels 2 and 3 of a building located at No. 27-1 Jinshan Road Economic Development Zone Wendeng City Weihai City Shandong Province The PRC	<p>The property comprises various rooms on Levels 2 and 3 of a building completed in about 2008.</p> <p>The property has a total lettable area of approximately 693.74 sq.m.</p> <p>The property was leased to Weihai Tian Shan Real Estate Development Limited from an independent third party, for a term commencing from 15 April 2010 and expiring on 14 April 2012 at an annual rent of RMB48,500 exclusive of water and electricity charges.</p>	<p>The property is currently occupied by the Group for office purpose.</p>

Notes:

1. Weihai Tian Shan Real Estate Development Limited (“Tian Shan Weihai Real Estate”) is an indirectly wholly owned subsidiary of the Company.
2. Pursuant to a Tenancy Agreement entered into between Tian Shan Weihai Real Estate and an independent third party (the “Lessor”), the property with a total lettable area of approximately 693.74 sq.m. was leased to Tian Shan Weihai Real Estate for a term commencing from 15 April 2010 and expiring on 14 April 2012 at an annual rent of RMB48,500 exclusive of water and electricity charges.
3. We have been provided with a legal opinion on the legality of the Tenancy Agreement to the property issued by the Company’s PRC legal advisers, which contains, *inter alia*, the following:
 - a. The Tenancy Agreement is legal and valid and binding on both signing parties;
 - b. The Lessor has the rights to lease the property to the Group;
 - c. The Group has the rights to occupy the property in accordance with the Tenancy Agreement; and
 - d. The Tenancy Agreement registration is in process.

VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy
Flat 1 on 14th Floor Pao Yip Building Nos. 1-7 Ship Street Wan Chai Hong Kong	<p>The property comprises a residential unit on the 14th floor of a 20-storey residential building completed in about 1983.</p> <p>The unit has a gross floor area of approximately 657 sq.ft. (61.04 sq.m.)</p> <p>Pursuant to a Tenancy Agreement entered into between Tian Shan (Hong Kong) Limited (a wholly-owned subsidiary of the Company) as tenant and Huang Su Fong, Wong Chung as landlord, an independent third party, the property is leased to Tian Shan (Hong Kong) Limited for a term of 2 years commencing from 4 June 2010 and expiring on 3 June 2012 at a rental of HK\$13,800 per month inclusive of rates, government rent and management fee.</p>	The property is currently occupied by the Group for residential purpose.

Note:

The registered owner of the property is Huang Su Fong (Joint Tenant) and Wong Chung (Joint Tenant) vide Memorial No. 06121202190088 dated 23 November 2006 at a consideration of HK\$2,600,000.

The following sets forth a summary of the principal terms and conditions of the Notes and the Warrants, being the principal components of the Units. As of the Latest Practicable Date, the principal amount due by us under the Notes was US\$45.0 million and all the Warrants remained outstanding. The sales of the Units were completed in October 2007.

OVERVIEW

We intended to acquire land parcels to enlarge and expand our operation scale. As such, we need more funds to pay for the land costs, the deposits and the related expenses for new parcels of land and the Notes and the Warrants were issued to raise additional funds to finance the payment of the land costs, the deposits and the related expenses for the new parcels of land including *New Great Earldom*, *Tianjin Tian Shan Wonderful Waterside View (Phase I)* and *Chengde Tian Shan Wonderful Waters View*. In the circumstances, in October 2007, we entered into the Indenture, the Units Purchase Agreements and the Warrant Agreement for the purpose of issuing the Units which comprised the Notes and the Warrants.

The Notes

Pursuant to the Indenture, the original repayment schedule was to repay US\$22.5 million on each of 8 April 2011, 8 October 2011, 8 April 2012 and 8 October 2012. The shares held by Tian Shan International and the Shares held by Neway Enterprises were pledged to the holder of the Notes. Before the full payment of the Notes, members of our Group are also subject to certain restrictions which include limitations on incurring indebtedness, carrying on business other than the business activities permitted under the Indenture, change of management, sale of assets, issue or sale of shares of our subsidiaries, and making dividend and distribution payments without the consent of the Trustee. To be free from the restriction on incurring indebtedness, we must satisfy certain financial ratios. The occurrence of a number of events such as default in payment of the outstanding principal or interest due under the Notes and the winding-up of any member of our Group shall constitute an event of default, upon the occurrence of which the Trustee may declare the principal amount of the Notes to be due and immediately repayable, and the Trustee may foreclose the collateral provided under the Indenture which may lead to a loss of control of our Company and/or Tian Shan International. Further information on the impact and consequences of such restrictive covenants and events of default is set forth in the paragraphs under “Risk Factors – Risks relating to our Group – We are subject to various restrictions under the Notes” in this prospectus.

Due to the global economic downturn, we entered into the first Indenture Amendment Agreement on 16 October 2008 to revise the original repayment schedule. Accordingly we effected repayment of US\$9.0 million on 13 October 2008. We were required to repay US\$36.0 million on 9 October 2009 and US\$45.0 million on 9 October 2010. On 7 October 2009, we effected a further repayment of US\$18.0 million.

However, due to the continuation of the economic downturn and the delay in our original plan for listing on the Main Board, we further negotiated with the holders of the Notes to further amend the repayment schedule of the then outstanding principal amount of the Notes of US\$63.0 million. We entered into the second Indenture Amendment Agreement on 16 November 2009 pursuant to which we were required to repay US\$18.0 million by 31 December 2009, US\$27.0 million by 8 October 2010 and the remaining US\$18.0 million by 8 April 2011. On 30 November 2009, we effected a repayment of US\$18.0 million. We were subsequently informed that all the holders of the Notes through the Euroclear system had consented, confirmed and ratified that this repayment of US\$18.0 million, which was due on 9 October 2009, did not constitute an event of default under the Indenture. Pursuant to the second Indenture Amendment Agreement, the restriction on us to incur indebtedness would be terminated upon completion of a Qualifying IPO. The shares held by Tian Shan International and the Shares held by Neway Enterprises as collateral under the Indenture would also be released upon completion of a Qualifying IPO.

In addition, we entered into the third Indenture Amendment Agreement on 25 June 2010 which provides that:–

- If a Qualifying IPO takes place on or before 15 July 2010, the outstanding principal amount of the Notes of US\$45.0 million shall be repaid by way of (i) the Compulsory Conversion; (ii) a cash payment of US\$22.5 million within one month from the date of the Qualifying IPO; and (iii) a cash payment of the remaining balance of US\$11.25 million on or before 8 October 2010. If we do not repay the Notes in full by 8 October 2010, it will become an event of default and the holders of the Notes can take legal action against us for repayment.
- If a Qualifying IPO does not take place on or before 15 July 2010, the third Indenture Amendment Agreement will lapse and the Notes and the Warrants will be governed by the terms previously in place. Accordingly, there will not be any Compulsory Conversion. The Warrants will become exercisable as stated in the paragraphs under “The Warrants” below. If we repay US\$27.0 million by 8 October 2010, we have to pay an extra redemption premium of US\$1.35 million and shall repay the remaining balance US\$18.0 million by 8 April 2011. If we do not repay US\$27.0 million by 8 October 2010, it will become an event of default and the holders of the Notes can take legal action against us for repayment.

The Shares issued under the Compulsory Conversion (“the **Conversion Shares**”) are subject to a lock-up period from the date of the Qualifying IPO to and including 8 October 2010 (the “**Lock-up Period**”). During the Lock-up Period, the holders of the Conversion Shares shall not transfer, dispose of or deal with, or enter into any agreement to transfer, dispose of or deal with, any Conversion Share. If the Conversion Shares are transferred or disposed of within three months from the expiration of the Lock-up Period and the selling price is lower than the Offer Price, Neway Enterprises shall indemnify the holders of the Conversion Shares for the price difference.

As of the Latest Practicable Date, the outstanding principal amount of the Notes was US\$45.0 million and the accrued and unpaid interest was approximately US\$0.73 million. Pursuant to the third Indenture Amendment Agreement dated 25 June 2010, the Compulsory Conversion will take place upon Listing. In addition, we will use approximately HK\$268.9 million out of the net proceeds from the Global Offering to repay the remaining principal amount in full and the accrued and unpaid interest of the Notes within one month from the Listing Date.

The Warrants

We issued the Warrants to the Initial Unit Purchasers to purchase up to an aggregate of 98,901,100 Shares. By virtue of the Warrant Amendment Agreements, the Warrants will lapse upon completion of a Qualifying IPO on or before 15 July 2010 or any time upon full repayment of the Notes on or before 8 October 2010. If the Qualifying IPO does not take place by 15 July 2010 and the Notes are not fully paid by 8 October 2010, the Warrants will become exercisable and transferable from 9:00 a.m., Hong Kong time, on 9 October 2010 until 5:00 p.m., Hong Kong time, on 9 October 2014, but will expire thereafter. During this period, the Warrants can be exercised at an initial exercise price (subject to adjustments) of (a) HK\$560.0 per Share if the Warrant is exercised prior to a Qualifying IPO; or (b) 60% discount to the final offer price per Share under a Qualifying IPO if the Qualifying IPO occurs on or before 9 October 2010 or (c) 75% discount to the final offer price per Share under a Qualifying IPO if the Qualifying IPO occurs after 9 October 2010.

HOLDERS OF THE NOTES AND THE WARRANTS

The following table sets forth further information on the Initial Unit Purchasers, the number of Units purchased by the Initial Unit Purchasers under the Units Purchase Agreements and the principal amount of the Notes and the number of the Warrants set forth in the Units Purchase Agreements:-

Name of the Initial Unit Purchasers	Address of the Initial Unit Purchasers	Number of Units purchased pursuant to the Units Purchase Agreements	Principal amount of the Notes (US\$' million)	Number of the Warrants	Approximate percentage of all issued Shares ⁽¹⁾
Morgan Stanley & Co. International PLC	25 Cabot Square Canary Wharf London E14 4QA United Kingdom	250	25.0	27,472,528	2.5
Abax Lotus Limited	67/F Two International Finance Centre 8 Finance Street Central Hong Kong	250	25.0	27,472,528	2.5
The ADM Maculus Fund III LP	1008 ICBC Tower 3 Garden Road Hong Kong	200	20.0	21,978,022	2.0
China Century Investment Fund Limited	Suite 305 St. George's Building 2 Ice House Street Central Hong Kong	100	10.0	10,989,011	1.0
KBC Special Opportunities Master Fund, a segregated Portfolio of KBC AIM Master Fund spc	Suites 802-814 8/F Two International Finance Centre 8 Finance Street Central Hong Kong	100	10.0	10,989,011	1.0
Total		900	90.0	98,901,100	9.0

Note:-

- (1) The percentages are based on the assumption of 1,098,901,100 Shares as enlarged by the number of the Shares that may be issued by us pursuant to the exercise of the rights attached with the Warrants taking no account the Shares that may be issued pursuant to the exercise of the Over-allotment Option, the options granted under the Pre-IPO Share Option and any option which may be granted under the Share Option Scheme.

As of the Latest Practicable Date, all of the Notes and the Warrants were represented by global certificates issued by our Company to a nominee and deposited in a common depository. To the best knowledge of our Directors and based on the confirmations from the investors, as of the Latest Practicable Date, the following persons were interested in the Notes and the Warrants:–

<u>Name of holders</u>	<u>Address</u>	<u>Outstanding principal amount of the Notes</u>	<u>Number of the Warrants</u>
Morgan Stanley & Co. International PLC	25 Cabot Square, Canary Wharf London E14 4QA United Kingdom	US\$12,500,000	27,472,528
Abax Lotus Limited	67/F, Two International Finance Centre, 8 Finance Street Central, Hong Kong	US\$2,100,000	4,615,384
Abax Jade Ltd.	67/F, Two International Finance Centre 8 Finance Street, Central Hong Kong	US\$2,745,000	6,032,967
Abax Nai Xin A Ltd.	67/F, Two International Finance Centre 8 Finance Street, Central Hong Kong	US\$9,755,000	21,439,561
AGC Asia 3 Ltd.	67/F, Two International Finance Centre, 8 Finance Street Central, Hong Kong	US\$400,000	879,121
The ADM Maculus Fund III LP	1008 ICBC Tower, 3 Garden Road Hong Kong	US\$10,000,000	21,978,022
ADM Galleus Fund II Ltd.	1008 ICBC Tower, 3 Garden Road Hong Kong	US\$2,500,000	5,494,506
China Century Investment Fund Limited	Suite 305, St. George's Building 2 Ice House Street, Central Hong Kong	US\$5,000,000	10,989,011
Total		US\$45,000,000	98,901,100

INFORMATION ON THE INITIAL UNIT PURCHASERS

All the Initial Unit Purchasers are Independent Third Parties and are institutional investors. Our Directors confirm that the Initial Unit Purchasers are not entitled to participate in our daily management, nor are they entitled to nominate any Director. The following sets forth certain background information on each of the Initial Unit Purchasers:–

Morgan Stanley & Co. International PLC is a wholly-owned subsidiary of Morgan Stanley & Co. (NYSE: MS), a global financial services firm that, through its subsidiaries and affiliates, provides its products and services to various clients and customers, including corporations, governments, financial institutions and individuals. The services provided include capital raising; financial advisory services, including advice on mergers and acquisitions, restructurings, real estate and project finance; sales, trading, financing and market-making activities in equity securities and fixed income securities and related products.

Abax Lotus Limited is a subsidiary of the Abax Global Opportunities Fund which is managed by Abax Global Capital. Abax Global Capital is an alternative investment manager founded in 2007 with head offices in Hong Kong and China.

The ADM Maculus Fund III LP is closed-end investment fund managed by ADM Capital. ADM Capital is founded in 1998 in the aftermath of the Asian financial crisis.

China Century Investment Fund Limited is an investment fund focusing on public and private investment opportunities in Greater China, with capital coming from institutional and wealthy individual investors.

KBC Special Opportunities Master Fund is a segregated portfolio of KBC AIM Master Fund spc, a Cayman Islands segregated portfolio company. KBC Special Opportunities Master Fund focuses on investments in the private and illiquid assets.

PRINCIPAL TERMS OF THE NOTES AND THE WARRANTS

The Notes and the Warrants are separately transferable subject to the terms of the Units Purchase Agreements, the Indenture, the Indenture Amendment Agreements and the Warrant Agreement and the Warrant Amendment Agreements.

The Notes and the Warrants constitute overseas securities offerings under Regulation S of the U.S. Securities Act of 1933 governed by the laws of the State of New York in the United States of America and the settlement and depository thereof followed the customary practices through the Euroclear and Clearstream. The Notes and Warrants are not registered under the Securities Act of 1933 or under any state securities laws of the United States. Neither the Notes nor the Warrants will be listed on the Stock Exchange or any other stock exchange.

THE NOTES

The Notes were in the original principal amount of US\$90.0 million with the original maturity date on 8 October 2012. Our Company redeemed the Notes in the principal amount of US\$9.0 million, US\$18.0 million and US\$18.0 million on 9 October 2008, 8 October 2009 and 2 December 2009, respectively. According to the Indenture Amendment Agreement dated 16 November 2009, the maturity date of the Notes has been changed to 8 April 2011 with the outstanding amount of the Notes of US\$63.0 million to be repaid as to US\$18.0 million on or before 31 December 2009, US\$27.0 million shall be repaid on or before 8 October 2010, and US\$18.0 million shall be repaid on or before 8 April 2011. If a public offering with a listing of the Shares on any internationally recognised stock exchange occurs before 8 April 2011, at least 25% of the net cash proceeds from the listing shall be used to redeem the outstanding amount of the Notes. We shall also pay interest on the outstanding principal amount of the Notes on 8 April and 9 October every year at the rate of LIBOR plus 7%. As of the Latest Practicable Date, the outstanding principal amount of the Notes was US\$45.0 million.

The Notes are constituted under the Indenture and the Indenture Amendment Agreements. The Notes are issued in fully registered form, initially represented by a global note registered in the name of Deutsche Bank AG, London Branch, which holds the Notes as common depository for Euroclear Bank S.A./N.V., operator of the Euroclear System and Clearstream Bank, Luxembourg. The Notes are direct, unconditional, unsubordinated, senior secured indebtedness of our Company.

Secured obligations under the Notes

Our obligations under the Notes are guaranteed (the “**Subsidiary Guarantee**”) initially by Tian Shan International (the “**Initial Subsidiary Guarantor**”) and secured by the following:–

- (a) a first priority charge of all of the outstanding Shares now or in the future owned or held by Neway Enterprises (the “**Neway Share Charge**”) from time to time legally or beneficially; and
- (b) a first priority charge of all of the outstanding shares of Tian Shan International now or in the future owned or held by our Company (the “**Subsidiary Share Charge**”) from time to time legally or beneficially.

Both the Neway Share Charge and the Subsidiary Share Charge are referred to as the “**Share Charges**” and the shares charged thereunder as the “**Charged Shares**” below.

Pursuant to the Indenture and the Indenture Amendment Agreement dated 16 November 2009, the Charged Shares will be released upon any of the following circumstances: –

- (a) upon full repayment of the principal of, and interest on the Notes and all other amounts payable by us under the Indenture;
- (b) upon defeasance and discharge provisions provided in the Indenture;
- (c) with respect to security granted by a Subsidiary Guarantor Pledgor, upon the release of the Subsidiary Guarantor of such Subsidiary Guarantor Pledgor in accordance with the terms of the Indenture; and
- (d) upon the occurrence of the Qualifying IPO.

“**Subsidiary Guarantor Pledgor**” refers to any Subsidiary Guarantor which has changed or pledged collateral to secure our Company’s obligations under the Notes and the Indenture.

“**Qualifying IPO**” means any public offering with a listing of our Shares on an internationally recognised stock exchange.

Under the Indenture, the “defeasance and discharge provisions” in (b) above refer to our Company being deemed to have paid and shall be discharged from any and all obligations in respect the Notes on the 183rd day after the relevant deposit (set out below) being made and the provisions of the Indenture, the Neway Share Charge, the Subsidiary Share Charge and other relevant documents will no longer be in effect with respect to the Notes (except for, among other matters, certain obligations to register the transfer or exchange of the Notes, to replace stolen, lost or mutilated Notes to maintain paying agencies and to hold monies for payment in trust) if:–

- (i) (A) We have deposited with DB Trustees (Hong Kong) Limited (the “**Trustee**”), in trust money and/or other forms of payment acceptable under the Indenture that, through the payment of interest and principal in respect thereof in accordance with their terms, will provide money in an amount sufficient to pay the principal of, premium, if any, and accrued interest on the Notes on the relevant maturity dates and (B) we will deliver to the Trustee a written opinion from legal counsel in the form and substance acceptable to the Trustee, of recognised standing who is acceptable to the Trustee that meets the requirements of the Indenture (“**Opinion of Counsel**”) or a certificate of the accountants to the effect that the amount deposited by us is sufficient to provide payment for the principal of premium, if any, and accrued interest on, the Notes on the relevant maturity dates in accordance with the terms of this Indenture.
- (ii) We have delivered to the Trustee (A) either (i) an Opinion of Counsel of recognised international standing with respect to the U.S. federal income tax matters which is based on a change in applicable U.S. federal income tax law occurring after 9 October 2007 to the effect that beneficial owners will not recognise income, gain or loss for U.S. federal income tax purposes as a result of the exercise of our option under this provision and will be subject to the U.S. federal income tax on the same amounts and in the same manner and at the same times as would have been the case if such deposit, defeasance and discharge had not occurred or (ii) a ruling directed to the Trustee received from the U.S. tax authority to the same effect as the Opinion of Counsel and (B) an Opinion of Counsel of recognised international standing to the effect that the creation of the defeasance trust does not violate the U.S. Investment Company Act of 1940, as amended, and after the passage of 123 days following the deposit, the trust fund will not be subject to the effect of section 547 of the United States Bankruptcy Code or section 15 of the New York Debtor and Creditor Law; and

- (iii) immediately after giving effect to such deposit on a pro forma basis, no Event of Default (as defined in the Indenture), or event that after the giving of notice or lapse of time or both would become an Event of Default (as defined in the Indenture), shall have occurred and be continuing on the date of such deposit or during the period ending on the 183rd day after the date of such deposit, and such defeasance shall not result in a breach or violation of, or constitute a default under, any other agreement or instrument to which our Company or any of the Restricted Subsidiaries is bound.

In the case of either discharge or defeasance of the Notes, the Subsidiary Guarantees will terminate.

It is further provided in the Indenture that immediately upon completion of a Qualifying IPO, the Trustee shall discharge and release any charge, pledge and lien in and over any and all the Shares held by Neway Enterprises.

Tian Shan International, as the initial Subsidiary Guarantor, has guaranteed as principal obligor to each holder of the Notes and its successors and assigns the due and punctual payment of the principal of, premium, if any, and interest on, and all other amounts payable under the Notes.

Our Company shall cause each of our future subsidiaries (other than those established under the laws of the PRC) after the original date of issue of the Notes, immediately upon becoming a Restricted Subsidiary, to execute and deliver to the Trustee a supplemental indenture pursuant to which such future Restricted Subsidiary shall guarantee the payment of the Notes (each a “**Subsidiary Guarantor**”). A company will be a “**Restricted Subsidiary**” if it was, as of the Latest Practicable Date, a subsidiary of our Company or a subsidiary of such subsidiary. Under the terms of the Indenture, Tian Shan International shall remain a Restricted Subsidiary until the principal of or interests on the Notes are repaid in full.

Our Company has pledged, and shall cause each current or future Subsidiary Guarantor to pledge, any capital stock owned by our Company or such Subsidiary Guarantor of any entity that becomes a Restricted Subsidiary (other than those established under the laws of the PRC) after the original date of issue of the Notes, immediately upon such entity becoming a Restricted Subsidiary, on a first priority basis, to secure the obligations of our Company under the Notes and the Indenture, and of such current or future Subsidiary Guarantor under their Subsidiary Guarantees.

Ranking of the Notes and the Subsidiary Guarantee

The Notes are (a) general obligations of our Company; (b) guaranteed by the Subsidiary Guarantors on a senior basis; (c) senior in right of payment to any existing and future obligations of the Company and (d) effectively subordinated to all existing and future obligations of all subsidiaries of our Company established under the laws of the PRC.

The Subsidiary Guarantee of each Subsidiary Guarantor is (a) a general obligation of such Subsidiary Guarantor and (b) senior in right of payment to all existing and future obligations of such Subsidiary Guarantor save as may be preferred by provisions of law that are both mandatory and of general application.

Financial and other restrictions under the Notes

The Indenture contains financial and other restrictions on certain subsidiaries of our Company on matters including incurrence of additional indebtedness, payment of dividends, distributions and investments, creation of liens and other encumbrances and other limitations which may impact on the businesses and operations of our Group, all of which are summarised in the paragraphs below.

The Indenture provides, in certain situations, exemption to such restrictions if it is conducted within the “**Permitted Business**” of our Company or the relevant Restricted Subsidiary, which includes real estate acquisition, development, leasing and management; hotel acquisition, development, operation and management; and the acquisition, development, management and operation of sports and leisure facilities or infrastructure facilities, in each case associated with real estate projects acquired, or intended in good faith to be acquired, developed or managed by our Company or any Restricted Subsidiary.

Incurrence of permitted indebtedness by our Company and Restricted Subsidiaries

The Indenture contains limitations on our Company and the Restricted Subsidiaries incurring indebtedness, unless certain financial ratios have been met and no event of default under the Indenture has occurred and is continuing, except with regards to certain types of permitted indebtedness expressly permitted under the Indenture including, in summary:–

- (a) indebtedness under the Notes and the Subsidiary Guarantee;
- (b) any subsidiary of our Company providing a Subsidiary Guarantee and such subsidiary enters into a further guarantee on any indebtedness of our Company or such subsidiary guarantor as permitted under the Indenture which ranks junior to such Subsidiary Guarantee;
- (c) indebtedness existing on the date of the Notes;
- (d) indebtedness owing between any of our Company and Restricted Subsidiaries;
- (e) indebtedness incurred for the purpose of refinancing other permitted indebtedness;
- (f) indebtedness incurred pursuant to hedging obligations entered into in the ordinary course of business and designed solely to protect our Company or any of our Restricted Subsidiaries from fluctuations in interest rates, currencies or the price of commodities and for speculation provided that the indebtedness does not increase the indebtedness of our Company or such Restricted Subsidiaries outstanding at any time other than as a result of fluctuations in interest rates or foreign currency exchange rates or by reason of fees, indemnities and compensation payable thereunder;
- (g) any indebtedness consisting of a guarantee in favour of any bank or other similar financial institutions in the ordinary course of business of secured loans of purchasers of individual units of properties from our Company or Restricted Subsidiaries provided that any such guarantee shall be released in full on or before the perfection of a security interest in such properties;
- (h) indebtedness incurred by our Company or any Restricted Subsidiary since the date of the Notes for the purpose of financing:–
 - (i) all or any part of the purchase price of assets, real or personal property (including the lease purchase price of land use rights) or equipment to be used in the ordinary course of business by our Company or a Restricted Subsidiary in the Permitted Business, including any such purchase through the acquisition of capital stock of any person that owns such real or personal property or equipment which will, upon acquisition, become a Restricted Subsidiary; or

- (ii) all or any part of the purchase price or the cost of development, construction or improvement of real or personal property (including the lease purchase price of land use rights) or equipment to be used in the ordinary course of business by our Company or such Restricted Subsidiary in the Permitted Business (together, the “**Acquisition Financing Indebtedness**”),

provided that in such Acquisition Financing Indebtedness:–

- (a) the aggregate principal amount of such indebtedness shall not exceed such purchase price or cost thereof;
 - (b) such indebtedness shall be incurred no later than 180 days after the acquisition of such property or completion of such development, construction or improvement; and
 - (c) on the date of the incurrence of such indebtedness and after giving effect thereto, the aggregate principal amount outstanding of all such Acquisition Financing Indebtedness does not exceed an amount equal to 25% of the total consolidated assets of our Company and the Restricted Subsidiaries;
- (i) indebtedness incurred constituting reimbursement obligations with respect to workers’ compensation claims or self-insurance obligations or bid, performance or surety bonds;
 - (j) indebtedness incurred constituting reimbursement obligations with respect to letters of credits, trade guarantees or similar instruments issued in the ordinary course of business to the extent that such letters of credits, trade guarantees or instruments are not drawn upon or, if drawn upon, to the extent such drawing is reimbursed no later than the 30 days following receipt by us or our Restricted Subsidiaries of a demand for reimbursement;
 - (k) indebtedness arising from agreements providing for indemnification, adjustment of purchase price or similar obligations, or from guarantees or letters of credit, surety bonds or performance bonds securing any obligation of our Company or any of our Restricted Subsidiaries pursuant to such agreements incurred in connection with the disposition of any business, assets or Restricted Subsidiary for the purpose of financing such acquisition; provided that the maximum aggregate liability in respect of all such indebtedness in the nature of such guarantee shall at no time exceed the gross proceeds received by our Company or our Restricted Subsidiary from the sale of such business, asset or Restricted Subsidiary;

- (l) indebtedness arising from the honouring by a bank or other financial institution of a check, draft or similar instrument drawn against insufficient funds in the ordinary course of business provided, however, that such indebtedness is extinguished within five Business Days of incurrence;
- (m) any loan to our Company or any Restricted Subsidiary from any of Neway Enterprises, the Founders or any of the Founders' wholly-owned subsidiaries which (i) is subordinated in right of payment to the Notes; (ii) by its terms (and by the terms of any security into which it is convertible or for which it is exchangeable) does not mature and is not required to be repaid, pursuant to a sinking fund obligation event of default or otherwise, in whole or in part, on or prior to the date that is one year after the stated maturity of the Notes; and (iii) does not provide any cash payment of interest;
- (n) indebtedness of our Company or any Restricted Subsidiary with a maturity of one year or less used by our Company or any Restricted Subsidiary for working capital; provided that the aggregate principal amount of such indebtedness at any time outstanding does not exceed US\$15.0 million; and
- (o) indebtedness of our Company or any Restricted Subsidiary in an aggregate principal amount outstanding at any time (together with any refinancing thereof) not to exceed US\$15.0 million.

The restrictions on our Company and our subsidiaries to incur indebtedness stated in the Indenture shall terminate and cease to have effect in all respects from the date upon which a Qualifying IPO takes place.

Relevant financial ratios

As specified in the Indenture, we will not and will not permit any Restricted Subsidiary to, incur any indebtedness and to issue any preferred Shares unless if, after giving effect to the incurrence of such indebtedness and the receipt and application of the proceeds therefrom no default has occurred and is continuing and subject to the following financial ratios. Further, we will not and will not permit our Restricted Subsidiaries to incur any disqualified stock. Disqualified stock shall mean any class of Shares which must be redeemed prior to the maturity of the Notes or are redeemable at the option of the holder of such Shares, convertible or exchangeable into redeemable Shares or indebtedness which has a maturity date prior to the maturity date of the Notes.

As specified in the Indenture, the relevant financial ratios all of which our Group must satisfy in order to incur additional indebtedness are: -

- (a) *the fixed charge coverage ratio* (being, on any date of determination, the ratio of (i) the aggregate amount of consolidated EBITDA for the Two Semi-Annual Periods, to (ii) the aggregate Consolidated Fixed Charges during such Two Semi-Annual Periods) which should not be less than 2 to 1;
- (b) *the leverage ratio* (being, on any date of determination, the ratio of (i) the outstanding indebtedness of our Group on a consolidated basis for the Two Semi-Annual Periods, to (ii) the aggregate consolidated EBITDA during such Two Semi-Annual Periods) which should not exceed 1 to 3.5;
- (c) *the LTV ratio* (being, assuming completion of the Global Offering, on any date of determination, the ratio of (i) the total consolidated outstanding indebtedness of our Group over (ii) the appraised values of the properties held by the PRC subsidiaries of our Group (excluding portions of such properties for which a legally binding agreement for sale has been entered into) plus the cash and cash equivalents held by our Group, in each case for the most recent Two Semi-Annual Periods), which should not exceed 75%; and
- (d) *the total debt to equity ratio* (being, on any date of determination, the ratio of (i) the total consolidated outstanding indebtedness of our Company over (ii) the total consolidated shareholders' equity of our Company, for the Two Semi-Annual Periods), which should not exceed 1 to 1.

Two Semi-Annual Periods are defined in the Indenture to mean, on any date of determination, the then most recent two fiscal semi-annual periods prior to the date of determination for which consolidated financial statements of our Company are available. The relevant date of determination refers to the date the relevant indebtedness is to be incurred. Under the Indenture, Consolidated Fixed Charges refer to in summary, for any period, the sum (without duplication) of (i) consolidated interest expense for such period and (ii) all dividends paid or declared during such period on any securities of our Company or any Restricted Subsidiary (as held by persons other than our Company or its wholly-owned Restricted Subsidiary) that are redeemable before the maturity of the Notes or preferred as to payment of dividends or distribution.

Dividends, distributions and investments by our Company and Restricted Subsidiaries

The Indenture also provides certain restrictions as regards dividends and distributions payments and investments including, in summary, that our Company shall not, and shall not permit any Restricted Subsidiary to, directly or indirectly without the prior consent of the Trustee:–

- (a) declare or pay any dividend or make any distribution on or with respect to the capital stock of our Company or a Restricted Subsidiary (other than non-cash dividends or distributions payable in non-cash receivables and share or capital stock of our Company or a Restricted Subsidiary or in options, warrants or other rights to acquire the same or, after completion of the Global Offering, cash dividends that do not exceed 35% of the net profit attributable to the Shareholders as disclosed in the audited consolidated financial statements of our Company for the relevant fiscal year) as held by persons other than our Company or a Restricted Subsidiary;
- (b) purchase, call for redemption or redeem, retire or otherwise acquire for value any shares or capital stock of our Company or any Restricted Subsidiary (including options, warrants or other rights to acquire the same) or any direct or indirect parent of our Company held by persons other than our Company or a Restricted Subsidiary; and
- (c) make any voluntary or optional principal payment, or voluntary or optional redemption, repurchase, defeasance, or other acquisition or retirement for value of indebtedness that is subordinated in right of payment to the Notes or any of the Subsidiary Guarantee;
- (d) make any investment, other than any investment in our Company or a Restricted Subsidiary that is primarily engaged, directly or indirectly through one or more other Restricted Subsidiaries, in a Permitted Business or a person which will, upon the making of such investment, become a Restricted Subsidiary that is primarily engaged, directly or indirectly through one or more other Restricted Subsidiaries, in a Permitted Business or be merged or consolidated with or into or transfer or convey all or substantially all its assets to, our Company or a Restricted Subsidiary that is primarily engaged, directly or indirectly through one or more other Restricted Subsidiaries, in a Permitted Business;
- (e) if at the time of the proposed payments a default has occurred and is continuing or would occur as a result of such payment;
- (f) we could not incur at least US\$1.0 indebtedness under the indebtedness provisions set forth above;

- (g) such payments shall exceed the sum of (i) 50% of the aggregate amount of the consolidated net income of our Company accrued on a cumulative basis; (ii) 100% of the aggregate net cash proceeds received by our Company as a capital contribution to equity or from issuance and sales of Shares to a person not being a subsidiary of our Company; plus (iii) an amount equal to the net reduction in investments made after the date of issue of the Notes plus (iv) US\$50.0 million.

On the other hand, our Company shall not, and shall not permit any Restricted Subsidiary to, create or otherwise cause or permit to exist or become effective any encumbrance or restriction on the ability of any Restricted Subsidiary to:–

- (a) declare or pay dividends or make any other distributions on any capital stock of such Restricted Subsidiary owned by our Company or any other Restricted Subsidiary;
- (b) pay any indebtedness or other obligation owed to our Company or any other Restricted Subsidiary;
- (c) make loans or advances to our Company or any other Restricted Subsidiary; or
- (d) sell, lease or transfer any of its property or assets to our Company or other Restricted Subsidiary.

Creation of liens and other encumbrances

Our Company will not, and will not permit any of the Restricted Subsidiaries to, directly or indirectly, incur, assume or permit to exist any lien or other encumbrances of any nature whatsoever on any of its assets or properties of any kind save for purposes as permitted under the Indenture (which will only be permitted in the case of assets other than the Charged Shares), unless the obligation or liability to be secured by such lien or encumbrances is subordinated in right of payment to the Notes.

Prior to completion of the Global Offering, Neway Enterprises shall not directly or indirectly, incur, assume or permit to exist any lien or other encumbrances of any nature whatsoever on the Charged Shares.

Other restrictions on our Company and Restricted Subsidiaries

The Indenture also provides other customary and standard covenants and restrictions usual to transaction of this nature.

Our Directors are of the view that the financial and other restrictions contained in the Indenture, including the qualifications and exemptions thereto and the restrictions as summarised in this section, are of normal commercial terms comparable to those contained in substantially similar transactions in the market. Our Directors consider that as part of the consideration given on the part of Neway Enterprises, our Company and Tian Shan International for the sale of the Notes, that the terms of the Indenture are in the best interest of our Company and the Shareholders as a whole despite that such restrictions may have an impact on businesses and operations of our Group.

The other restrictions in the Indenture (and the amendments thereto) include, without limitation:–

- (a) *On Permitted Business* – our Company shall not, and shall not permit any Restricted Subsidiary to, directly or indirectly, engage in any business other than Permitted Business;
- (b) *On asset sales* – our Company shall not, and shall not permit any Restricted Subsidiary to, consummate any asset sale, unless: (i) no event of default under the Indenture shall have occurred and be continuing or would occur as a result of such sale; and (ii) the consideration received by our Company or such Restricted Subsidiary, as the case may be, is at least equal to the fair market value of the assets sold or disposed of; provided always that asset sale shall not include sales or other dispositions of inventory, receivables and other current assets (including properties under development for sale and completed properties for sale) in the ordinary course of business;
- (c) *On deemed disposals* – our Company shall not permit any Restricted Subsidiary, directly or indirectly, to issue or sell any share or capital stock of a Restricted Subsidiary (including options, warrants or other rights to purchase or subscribe for the same) except, in general, (a) to our Company or a Restricted Subsidiary; (b) pursuant to an asset sale permitted under the terms of the Indenture; or (c) with the prior written consent of the Trustee;
- (d) *On transactions with affiliates* – the Indenture contains limitation on transactions by our Company and Restricted Subsidiaries with Shareholders and their affiliates without the prior written consent of the Trustee;

- (e) *On Tian Shan International* – our Company shall procure that it shall hold 100% of the issued share capital of Tian Shan International and that Tian Shan International shall hold 100% of the issued share capital of Tian Shan Real Estate for as long as any principal of or interest on the Notes is unpaid;
- (f) *On use of proceeds* – our Company will use the net proceeds from the sale of the Notes, as general land acquisition reserves and pending the application of all of such net proceeds in such manner, shall invest the portion of such net proceeds not yet so applied in temporary cash investments permitted under the Indenture;
- (g) *On change of management* – Neway Enterprises and our Company will not cause any variation to the management team of our Company which could reasonably be expected to result in a material adverse effect;
- (h) *On provision of guarantees* – our Company will not permit any Restricted Subsidiary which is not a Subsidiary Guarantor to guarantee any indebtedness of our Company or any other Restricted Subsidiary unless such Restricted Subsidiary delivers a supplemental indenture to the Indenture; and
- (i) *On constitutional amendments* – The Indenture contains restrictions on the amendment, repeal or alteration of the constitutional documents of our Company and the Restricted Subsidiaries.

Major events of default under the terms of the Indenture

The major events of default under the terms of the Indenture include:–

- (a) default in repayment or payment of the outstanding principal or interest due under the Notes;
- (b) default in the obligation of our Company to deliver the Shares to any holder of the Warrants upon a valid exercise of the same;
- (c) default by our Company or any of the Restricted Subsidiaries in the repayment of indebtedness having an outstanding principal amount of US\$2.0 million or more;
- (d) bankruptcy, insolvency proceedings against or consent to the appointment of or taking possession by a receiver, liquidator, assignee, custodian, trustee or similar official of our Company or any of the Restricted Subsidiaries;
- (e) final judgments or orders rendered against our Company or any of the Restricted Subsidiaries with amount exceeding US\$2.0 million;

- (f) any default by our Company or any of the Restricted Subsidiaries in the performance of any of their respective obligations or covenants under the Notes; and
- (g) any default by our Company, Neway Enterprises, Tian Shan International or any subsidiary of our Company which pledges collateral to secure the performance of the Notes, the Indenture, the Neway Share Charge, our Company Share Charge or other security collateral documentation, which adversely affects the enforceability, validity, perfection or priority of the applicable lien on the collateral or which adversely affects the condition or value of the collateral, taken as a whole, in any material respect.

If any event of default occurs and is continuing, the Trustee or the holders of at least 25% in principal amount of the Notes then outstanding may declare the principal amount and interest of the Notes to be immediately due and payable. Further, the Trustee may, and shall upon the request of the holders of the Notes of at least 25% in principal amount of the outstanding Notes, foreclose on the collateral provided under the Share Charges. Should the chargee of the Share Charges exercise its power of sale and transfer the Charged Shares, our Company and Tian Shan International may be controlled and managed by the new transferee(s) and/or its/their nominee(s). The Directors confirm they have received a confirmation from the Trustee that they have not received notice from the holders of the notes that the principal amount on the Notes be immediately due and payable.

Redemption and repurchase of the Notes

Pursuant to the Indenture, our Company may, at any time from 9 October 2009 to 8 April 2011, at our option redeem the Notes, in whole but not in part, at a redemption price equal to the sum of:–

- the outstanding principal amount of the Notes, plus accrued and unpaid interest, if any, if redemption is made on or before 8 October 2010;
- the outstanding principal amount of the Notes, plus US\$1.35 million and accrued and unpaid interest, if any, if redemption is made between 9 October 2010 and 8 April 2011; and
- the outstanding principal amount of the Notes, plus US\$2.7 million and accrued and unpaid interest, if any, if redemption is made after 8 April 2011.

If a Qualifying IPO takes place on or before 15 July 2010, the above redemption by our company shall lapse and terminate automatically with effect from the Qualifying IPO date.

If a de-listing of the Shares occurs any time, the holders holding not less than 10% of the outstanding principal amount of the Notes may through the Trustee require the Company to redeem all of the outstanding Notes at a price equal to 108% of the outstanding

principal amount of the Notes plus any accrued and unpaid interest. The Notes may also be repurchased in the event of a change of control as provided for under the terms of the Indenture or as a result of certain changes in tax laws or other circumstances which would result in our Company or a Subsidiary Guarantor being obligated to pay certain additional amounts under the Notes as provided under the terms of the Indenture.

Under the Indenture, Neway Enterprises, Mr. WU Zhen Shan, Mr. WU Zhen Ling, Mr. WU Zhang Hai and Mr. WU Zhen He are required to be the beneficial owners of not less than 50% of the total voting power in the Shares, and if Neway Enterprises or its existing beneficial holders cease to remain beneficial owners of 50% of the total voting power in the Shares, this will constitute a change of control of our Company under the Indenture and we shall make an offer to repurchase the Notes at 110% of the principal amount thereof together with accrued and unpaid interest.

In the event of a change of control of our Company, we shall make an offer to repurchase the Notes at 110% of the principal amount thereof together with accrued and unpaid interest, if any, in accordance with the terms of the Indenture.

Change of control is in summary defined to include, among others:–

- (a) a disposal of substantially all assets of our Group to persons other than Neway Enterprises or its existing beneficial holders;
- (b) a consolidation, merger or other transaction whereby Shares (or securities conferring governing rights in our Company) are converted or exchanged for cash, securities or other property other than when Shares are converted or exchanged for shares in another party and such shares constitute a majority shareholding in that other party;
- (c) Neway Enterprises (or its existing beneficial holders) ceasing to remain beneficial owners of 50% of the total voting power in Shares; and
- (d) the individuals that constituted our Board as on 9 October 2007 (being the original issue date of the Notes), together with any new Directors elected by a majority of the Shareholders, ceasing to constitute a majority of our Board.

In the event, owing to a change of taxation laws in the applicable jurisdictions, additional amounts are required to be paid by our Company or a Subsidiary Guarantor to effect repayment under the Notes, our Company may, at its option, redeem the Notes at 100% of the principal amount thereof together with accrued and unpaid interest, if any, in accordance with the terms of the Indenture. As repayment under the Notes will be made without any withholding or deduction, additional amounts are defined under the Indenture, in this context, to refer to amounts our Company or a Subsidiary Guarantor must additionally repay, if any withholding or deduction is required as a result of a change in the applicable tax levies.

Existing financial ratios and incurring further indebtedness by us

Based on the financial information as of 31 December 2009, our total debt-to-equity ratio was 1.3 which is in excess of the required threshold 1 to 1 under the Indenture. We are required to meet all of the financial ratios in order to incur further indebtedness without restrictions. Since the total debt-to-equity ratio is in excess of the required threshold under the Indenture, we may only incur further indebtedness which falls within the categories of “permitted indebtedness” under the Indenture.

We consider such categories of permitted indebtedness to be consistent with the existing indebtedness that we incur and expect to incur in our ordinary course of business and for our existing and future development property projects and are adequate in satisfying our business and working capital requirements.

In accordance with the terms of the Indenture, we may incur further permitted indebtedness for the purpose of financing certain acquisitions and developments in our ordinary course of business, provided that, among others, the aggregate principal amount of all acquisition financing indebtedness shall not exceed an amount equal to 25% of our total consolidated assets. In addition, we are also permitted under the Indenture to incur indebtedness with a maturity of one year or less for working capital purpose, provided that the aggregate principal amount of such indebtedness at any time outstanding shall not exceed US\$15.0 million and that the other indebtedness in an aggregate principal amount outstanding at any time (together with any refinancing thereof) shall not exceed US\$15.0 million.

Repayment of the Notes

Pursuant to the Indenture, the principal due under the Notes of US\$90.0 million would be paid in four equal installments semi-annually commencing from 8 April 2011. The repayment schedules were subsequently amended by each of the Indenture Amendment Agreements as follows:–

Indenture Amendment Agreement dated 16 October 2008

The principal amount due under the Notes would be paid as follows:–

- (i) 9 October 2008, an amount equal to at least 10% of the principal amount of the Notes;
- (ii) 9 October 2009, an amount equal to not less than the remainder of 50% of the principal amount of the Notes minus the amount paid in (i) above; and

- (iii) on the final maturity date (9 October 2010), an amount equal to the principal amount of the Notes plus a special redemption premium equal to 3% of the principal amount of the Notes.

Interest of the outstanding principal amounts under the Notes would be payable semi-annually on 8 April and 9 October.

Indenture Amendment Agreement dated 16 November 2009

The above repayment schedule was further amended under the Indenture Amendment Agreement dated 16 November 2009 and the outstanding principal amount under the Notes would be repayable as follows:–

- (i) on or before 31 December 2009, an amount of US\$18.0 million;
- (ii) on or before 8 October 2010, an amount of US\$27.0 million; and
- (iii) on or before the final maturity date (8 April 2011), an amount of US\$18.0 million.

Pursuant to the Indenture Amendment Agreement dated 16 October 2008, we were required to pay US\$36.0 million under the Notes on or before 9 October 2009. In view of the financial crisis, we negotiated with the holders of the Notes in September 2009 and a revised repayment schedule was agreed before 9 October 2009 and the Indenture Amendment Agreement was entered into on 16 November 2009 which, among other matters, manifested the revised repayment schedule set forth above. Before the execution of the Indenture Amendment Agreements, we paid US\$18.0 million on 8 October 2009 as agreed and subsequently, pursuant to the Indenture Amendment Agreement, we made the first payment of US\$18.0 million on 2 December 2009. The Directors confirm they have received a confirmation from the Trustee that the Trustee has not received from the holders of the Notes any request for early repayment of the principal amount on the Notes during 9 October 2009 and up to the Latest Practicable Date. Besides, in March 2010, we were informed by the Trustee that all holders of the Notes through the Euroclear system have consented, confirmed and ratified that our settlement on 2 December 2009 of the principal amount of US\$18.0 million due on 9 October 2009 did not constitute an event of default under the Indenture. Legal opinions in respect of the laws of relevant jurisdictions were issued by the respective legal advisers confirming the legality of the Indenture Amendment Agreement.

Indenture Amendment Agreement dated 25 June 2010

Pursuant to the Indenture Amendment Agreement dated 25 June 2010, the principal amount due under the Notes would be paid as follows:–

- (1) If the Qualifying IPO takes place on or before 15 July, 2010:–
 - (i) on the Qualifying IPO date, the Compulsory Conversion will take place;
 - (ii) upon the expiration of the Lock-up Period (as defined in the Indenture Amendment Agreements), interest on the amount of US\$11.25 million from the date of the Qualifying IPO date to and including the date of the expiration of the Lock-up Period at the same interest rate as that applicable to the remaining outstanding principal amount of the Notes;
 - (iii) within one month from the Qualifying IPO date, an amount of US\$22.5 million plus interest accrued thereon up to the payment date; and
 - (iv) on or before 8 October 2010, an amount of US\$11.25 million plus interest accrued thereon up to the payment date,

provided that the net proceeds from the Qualifying IPO can be used to redeem the outstanding principal amount of the Notes plus accrued interest and to the extent such proceeds are insufficient for such purposes, our Company shall procure to repay the outstanding principal amount of this Note plus accrued interest with general working capital of our Group.

- (2) If the Qualifying IPO takes place after 15 July 2010:–
 - (i) on or before 8 October 2010, an amount of US\$27.0 million; and
 - (ii) on or before the final maturity date (8 April 2011) of the Notes, an amount of US\$18.0 million,

provided that if the Qualifying IPO occurs before the final maturity date, at least 25% of the net cash proceeds from the Qualifying IPO will be used to redeem the outstanding principal amount of this Note in reverse order within one month from the occurrence of the Qualifying IPO provided further that the total amount of the net cash proceeds from the Qualifying IPO to be used to redeem this Note shall not exceed the outstanding principal amount of the Notes.

The Conversion Shares

The Shares issued pursuant to the Compulsory Conversion (the “**Conversion Shares**”) shall be subject to a lock-up period from the Qualifying IPO date up to and including 8 October 2010 where the holders of the Conversion Shares shall not transfer, dispose of or deal with, or enter into any agreement to transfer, dispose of or deal with the any of the Conversion Shares and any interests thereon.

Should the holders of the Conversion Shares transfer or dispose of (whether on or off the market) the Conversion Shares within three months from the expiration of the Lock-up Period (the “**Guaranteed Period**”), and the selling price of the Conversion Shares is lower than the Offer Price, Neway Enterprise agrees and undertakes to indemnify the holders of the Conversion Shares by way of cash without interest for the shortfall resulting from the aggregate selling price of the relevant Conversion Shares sold and the aggregate Conversion Price of the Conversion Shares sold.

The holders of the Conversion Shares shall inform Neway Enterprise of their intention to sell (together with the proposed selling price) by not less than five(s) trading days’ prior notice from the proposed settlement day and subject to the compliance with the Listing Rules, Neway Enterprise has the right to elect to purchase such Conversion Shares at the Offer Price with settlement to take place in two (2) trading days from the date of Neway Enterprise giving notice of its election to purchase such Conversion Shares. If Neway Enterprise elects to purchase the Conversion Shares, the holders of the Conversion Shares shall be under an obligation to sell such Conversion Shares to Neway Enterprise. The holders of the Conversion Shares shall not be obligated to give a notice to Neway Enterprises of their intention to sell if they are proposes to sell the Conversion Shares at or above the Conversion Price.

Notwithstanding the conversion, our Company shall pay interest to the holders of the Conversion Shares on the Compulsory Conversion Amount during the Lock-up Period at the same interest rate as applicable to the remaining outstanding Notes upon the expiration of the Lock-up Period.

We will from time to time assess our cash flow and capital requirements and determine, in view of the then market conditions, whether to effect an early redemption of the Notes or to effect usual repayments pursuant to the scheduled repayment dates under the Notes. We shall ensure that a sufficient level of cash for repayment purpose under the Notes will be maintained by us as and when a scheduled repayment of the Notes is required. Our Directors expect that the outstanding principal amount of the Notes and the accrued interest will be fully settled by 8 October 2010.

THE WARRANTS

The Warrants are constituted under the Warrant Agreement (and the amendments thereto) between our Company, Deutsche Bank AG, Hong Kong Branch as the warrant agent and Deutsche Bank Luxembourg S.A. as the warrant registrar. Set out below are the principal terms of the Warrants:–

Number of the Warrants

A total of 98,901,100 Warrants will be issued to initially purchase up to an aggregate of 98,901,100 Shares.

Subscription price

The Warrants are to be issued as part of the Units under the Units Purchase Agreements.

The subscribers

Further information on the Initial Unit Purchasers and holders of the Warrants is set forth in the paragraphs under “Information on the Initial Unit Purchasers” and “The holders of the Notes and the Warrants” in this Appendix.

Rights of the Warrants

Each Warrant entitles its holder to subscribe for one Share.

Exercise price

Pursuant to the Warrant Amendment Agreement dated 25 June 2010, if the Qualifying IPO takes place on or before 15 July 2010 and the Notes and all interest accrued thereon are paid on or before 8 October 2010, the Warrants shall become void and lapse automatically with effect from the Qualifying IPO date.

If the Qualifying IPO does not take place on or before after 15 July 2010 and the Notes and all interest accrued thereon are not paid on or before 8 October 2010, the Warrants can be exercised at a price of:–

- (a) HK\$560.0 per Share if the Warrant is exercised prior to a Qualifying IPO; or
- (b) 60% discount to the Qualifying IPO price per Share if a Qualifying IPO occurs on or prior to 9 October 2010; or
- (c) 75% discount to the Qualifying IPO price per Share if a Qualifying IPO occurs after 9 October 2010,

all subject to adjustments for, among others, subdivision or consolidation or reclassification of Shares, rights issues, distribution of assets of the Company, issue of Shares for a consideration less than the fair value of the Shares and issue of any securities convertible into or exchangeable for Shares.

If the exercise price is adjusted, the Warrant Agreement provides that the number of Shares issuable upon exercise of each Warrant shall be adjusted accordingly. No fractions of a Share will be issued upon the exercise of any Warrant, but the Company will pay the cash value thereof determined as provided in the Warrant Agreement.

Exercise period

Pursuant to the Warrant Amendment Agreement dated 25 June 2010, the Warrants shall become void and lapse automatically with effect from the Qualifying IPO on or before 15 July 2010, or any time upon full repayment of the Notes on or before 8 October 2010.

If the Qualifying IPO does not take place on or before 15 July 2010 and the Notes and all interest accrued thereon are not paid on or before 8 October 2010, the holders of the Warrants may exercise the subscription right attaching to the Warrants for a period commencing at 9:00 a.m., Hong Kong time, on 9 October 2010 until 5:00 p.m., Hong Kong time, on 9 October 2014 (the “**Exercise Period**”).

Expiration date

The Warrants will expire on the earlier of:–

- (a) the date upon which the principal amount of the Notes and all interest accrued thereon are fully paid; or
- (b) the date of a Qualifying IPO if the Qualifying IPO happens on or before 15 July 2010.

If the Qualifying IPO does not take place on or before 15 July 2010 and the principal amount of the Notes and all interest accrued thereon are not fully paid on or before 8 October 2010, the Warrants will expire on 9 October 2014.

Transferability

If a Qualifying IPO takes place on or before 15 July 2010, none of the Warrants shall be transferrable. If a Qualifying IPO does not take place on or before 15 July 2010 and the Notes and all interest accrued thereon are not paid on or before 8 October 2010, the Warrants may be transferred at any time during the Exercise Period.

CHANGES OF TERMS OF THE NOTES AND THE WARRANTS ON 16 OCTOBER 2008

Our Company did not complete a Qualifying IPO by 8 October 2008. In accordance with the original terms of the Notes, the Initial Unit Purchasers have the right to exercise the redemption put options at any time. Our Directors confirm that the holders of the Notes did not exercise their put options to redeem the Notes on 8 October 2008. On 16 October 2008, we entered into the Indenture Amendment Agreement with the Initial Unit Purchasers, under which we repaid US\$9.0 million of the principal amount upon signing of the Indenture Amendment Agreement. Pursuant to the new terms of the Indenture Amendment Agreement dated 16 October 2008 the remaining outstanding balance was to be settled in two instalments, US\$36.0 million of which was to be due on 9 October 2009 while the remaining US\$45.0 million, together with special redemption premium of US\$2.7 million, to be due on 9 October 2010.

CHANGES OF TERMS OF THE NOTES AND THE WARRANTS ON 16 NOVEMBER 2009

On 16 November 2009, due to the continuation of the economic downturn and the delay in our original plan for listing on the Main Board, we entered into the Indenture Amendment Agreement with the holders of the Notes, under which US\$18.0 million, US\$27.0 million and US\$18.0 million are to be due on 31 December 2009, 8 October 2010 and 8 April 2011, with a redemption premium of US\$1.35 million which is to be due on 8 April 2011. Also, we have an option to early repay the principal of the Notes. If we repay the whole principal amount of the Notes on or before 8 October 2010, we are not required to pay the redemption premium of US\$1.35 million. If we are unable to settle the whole principal amount by 8 April 2011, the redemption premium would be increased to US\$2.7 million.

In addition, the commencement date of exercise period of the Warrants changed from 9 October 2007 to 9 October 2010. If the Notes are fully repaid by 8 October 2010, the Warrants will be lapsed immediately.

CHANGES OF TERMS OF THE NOTES AND THE WARRANTS ON 25 JUNE 2010

On 25 June 2010, we entered into the third amendment agreements to the Indenture and the Warrant Agreement. Under this agreement, if a Qualifying IPO takes place on or before 15 July 2010, the outstanding principal amount of the Notes of US\$45,000,000 shall be repaid as to (i) on the Qualifying IPO date, the Compulsory Conversion will take place; (ii) upon the expiration of the Lock-up Period (as defined in the Indenture Amendment Agreements), interest on the Compulsory Conversion Amount (as defined in the Indenture Amendment Agreements) from the date of the Qualifying IPO date through and including the date of the expiration of the Lock-up Period at the same interest rate as that applicable to the remaining outstanding principal amount of the Notes; (iii) within one month from the Qualifying IPO date, an amount of US\$22.5 million plus interest accrued thereon up to the payment date; and (iv) on or before 8 October 2010, an amount of US\$11.25 million plus interest accrued thereon up to the payment date. We can incur the Acquisition Financial Indebtedness up to a ratio of 40% of our total consolidated assets provided that the indebtedness incurred beyond 25% of our total consolidated assets shall have a maturity date after 8 April 2011. The Warrants shall expire the earlier of (i) full repayment of the Notes and accrued interest or (ii) upon a Qualifying IPO if the Qualifying IPO happens on or before 15 July 2010. If a Qualifying IPO takes place on or before 15 July 2010, the Warrants shall not be exercised and transferred since the Qualifying IPO date. If the Qualifying IPO does not take place on or before 15 July 2010 and the Notes and all interests accrued thereon are not paid on or before 15 October 2010, the Warrants will expire on 9 October 2014 and become exercisable and transferable from 9 October 2010.

If the Qualifying IPO does not take place on or before 15 July 2010, all amendments terms contained in the third amendment agreement dated 25 June 2010 will cease to have effect and all terms of the Indenture (as amended by the two amendment agreements dated 16 October 2008 and 16 November 2009) shall continue to govern.

GENERAL INFORMATION

Assuming all the holders of the Warrants exercise their respective rights to subscribe for their full entitlement for Shares during the Exercise Period pursuant to the terms of the Warrants, a total number of 98,901,100 Shares will be issued by our Company to the holders of the Warrants, which represent on a fully diluted basis approximately 9% of the total number of Shares in issue immediately after completion of the Capitalisation Issue and the Global Offering, without taking into account any Shares which may be issued pursuant to the exercise of the Over-allotment Option, options granted under the Pre-IPO Share Option Scheme, any option which may be granted under the Share Option Scheme and the exercise of the conversion rights attaching to the Notes, and no adjustment to the number of Shares to be issued under the Warrants. A holder of Warrant does not have any right of a Shareholder prior to the exercise of the Warrants.

MEASURES TAKEN BY THE GROUP TO ENSURE ONGOING COMPLIANCE WITH THE FINANCIAL RESTRICTIONS UNDER THE NOTES

Pursuant to the terms of the Notes, upon Listing, the special term to the holders of the Notes will cease and the on-going compliance of the Notes will mainly be the repayment of the remaining outstanding principal amount of the Notes in accordance with the payment schedule. The restrictions on incurrence of indebtedness by the Group will be released/ ceased to have effect upon Listing. Besides, the Directors will deposit the required amount from the net proceeds from the Global Offering in a designated bank account for the repayment of the outstanding principal amount of the Notes and the interest accrued thereon within one month from the Listing Date.

LEGAL SUPERVISION RELATING TO PROPERTY SECTOR IN THE PRC

A. Establishment of a Property Development Enterprise

According to the “Law of the People’s Republic of China on Administration of Urban Property” (中華人民共和國城市房地產管理法) (hereinafter referred as the “**Urban Property Law**”) promulgated by the Standing Committee of the National People’s Congress on 12 July 1994, as amended in August 2007, a property developer is defined as an enterprise which engages in the development and sale of property for the purpose of making profits. Under the “Regulations on Administration of Development of Urban Property” (城市房地產開發經營管理條例) (hereinafter referred as the “**Development Regulations**”) promulgated and implemented by the State Council on 20 July 1998, an enterprise which is to engage in development of property shall satisfy the following requirements: 1) its registered capital shall be RMB1 million or more; 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 qualification certificate. The Development Regulations also stipulate that the local government of a province, autonomous region or municipality directly under the central government may, based on local circumstances, impose more stringent requirements on the registered capital and the professional personnel of a property developer. According to the “Provisions on administration of Property Developers of Tianjin” (天津市房地產開發企業管理規定) revised and implemented by the Tianjin Municipal People’s Government on 12 September 2001, the registered capital of a property developer established in Tianjin shall not be less than RMB10 million and the property developer must go through the qualification examination before its establishment.

Under the “Regulations on Administration of Development of Urban Property of Hebei Province” (河北省城市房地產開發經營管理規定) promulgated and implemented by the Hebei Provincial People’s Government on 10 May 2004, the registered capital of a property developer established in Hebei province shall not be less than RMB5 million and the property developer should hold consultation with property administration departments of its same level before its registration at administration for industry and commerce. It should have four or more professional property, construction technicians and two or more full-time accounting officers and one or more full-time statistical personnel, each of whom shall hold the relevant qualification certificate.

Pursuant to the Development Regulations, the developer who aims to establish a property development enterprise should apply for registration with the administration for industry and commerce. The property developer must also report its establishment to the property development authority in the location of the registration authority, within 30 days of the receipt of its business licence.

APPENDIX V SUMMARY OF THE LAWS AND REGULATIONS RELATING TO THE PROPERTY DEVELOPMENT INDUSTRY IN CHINA

Under the “Notice on Adjusting the Portion of Capital Fund for Fixed Assets Investment of Certain Industries” (關於調整部分行業固定資產投資項目資本金比例的通知) issued by the State Council on 26 April 2004, the portion of capital funding for property projects (excluding economical housing projects) has been increased from 20% or above to 35% or above.

However, the “Notice on Adjusting the Portion of Capital Fund for Fixed Assets Investment” (關於調整固定資產投資項目資本金比例的通知) issued by the State Council on 25 May 2009 has reduced the requirement on the minimum capital for Social Welfare Housing and general commercial residence from 35% to 20%, while the requirement on the minimum capital for other property projects has been reduced to 30 percent.

B. Foreign-invested Property 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.

According to the “Foreign Investment Industrial Guidance Catalogue” (外商投資產業指導目錄) promulgated by the Ministry of Commerce and the NDRC on October 2007, effective on 1 December 2007, the development of a whole land lot as well as the construction and operation of high-class guest houses, villas, premium office buildings, international conference and exhibition centers and large theme parks, transactions in real estate secondary market and real estate intermediary or broker companies falls within the category of industries in which foreign investment is subject to restrictions, and other property development falls within the category of industry in which foreign investment is permitted.

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According to the “Interim Provisions on Approving Foreign Investment Project” (外商投資項目核准暫行管理辦法) promulgated by NDRC in October 2004, the NDRC shall examine and approve foreign investment projects with total investment of US\$100 million or more within the category of industry projects in which foreign investment is encouraged or permitted and those with total investment of US\$50 million or more within the category of industry projects in which foreign investment is subject to restrictions. While foreign investment projects with a total investment of US\$500 million or more within the category of industry projects in which foreign investment is encouraged or permitted and those with total investment of US\$100 million or more within the category of industries in which foreign investment is subject to restrictions are subject to further approval of the State Council based on the examination and approval of the NDRC.

According to the “Notice on Delegation of Power of Approval for Foreign Investment Projects” promulgated by NDRC on 4 May 2010, except for those as required by the “Government Approved Investment Project Catalogue” to be approved by relevant departments under the State Council, projects being encouraged and permitted with total investment of US\$300 million or less are examined and approved by provincial NDRCs.

A foreign property investor can establish business in forms of joint venture, cooperative venture or wholly foreign owned enterprise. The establishment must be approved by commerce authorities granting Approval Certificate for Foreign-Invested Enterprise.

On 11 July 2006, the Ministry of Construction, the Ministry of Commerce, the NDRC, the PBOC, the State Administration for Industry and Commerce (the “SAIC”) and the SAFE jointly promulgated “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). According to this Circular, the admittance and administration of foreign capital in the property market must comply with the following requirements:

- a) Foreign enterprises or individuals who buy property not for their own use in China should apply for the establishment of foreign-invested enterprises pursuant to the regulations of foreign investment in property. After obtaining the approvals from relevant authorities and upon completion of the relevant registrations, foreign institutions and individuals can then carry on their business pursuant to their approved business scope.
- b) Where the total investment amount of a foreign-invested property enterprise is US\$10 million or more, its registered capital shall not be less than 50 percent of the total investment amount; where the total investment amount is less than US\$10 million, its registered capital shall follow the requirements of the existing regulations.

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- c) For establishment of a foreign-invested property enterprise, the commerce authorities and the administration for industry and commerce take charge of the approval and registration of the foreign-invested property enterprise and the issuance of the Approval Certificate for a Foreign- Invested Enterprise (which is only effective for one year) and the Business License. Upon full payment of the assignment price of land-use rights by the foreign-invested property enterprise, the foreign-invested property enterprise should apply for the “Certificate of Land-Use Rights.” With such Certificate of Land-Use Rights, it can obtain a formal Approval Certificate for a Foreign-Invested Enterprise from the commerce authorities and an updated business license which will have the same approved business period with the formal Approval Certificate for Foreign-Invested Enterprise from the administration of industry and commerce.
- d) Transfers of projects or shares in foreign-invested property enterprises or acquisitions of domestic property enterprises by foreign investors should strictly follow relevant laws, regulations and policies and obtain the relevant approvals. The investor should submit: 1) a written undertaking of fulfilment of the contract for State-owned land-use rights assignment, “Construction Land Planning Permit” and “Construction Works Planning Permit”; 2) “Certificate of Land-Use Rights”; 3) documents evidencing the filing for modification with the construction authorities; and 4) documents evidencing the payment of tax from the relevant tax authorities.
- e) When acquiring domestic property enterprises by way of shares transfer or otherwise, or purchasing shares from Chinese parties in Sino-foreign equity joint ventures, foreign investors should make proper arrangements for the employees, handle the debts of the banks and pay the consideration in one single payment with its own capital. Foreign investors with records showing that they have not complied with relevant employment laws, with unsound financial track records, or who have not fully satisfied any previous acquisition consideration shall not be allowed to undertake the aforementioned activities.

On 14 August 2006, The General Office of the Ministry of Commerce promulgated the Circular on Thorough Implementation of the Opinions (關於貫徹落實〈關於規範房地產市場外資准入和管理的意見〉的通知) (the “**Circular**”). The Circular, not only reiterates relevant provisions on foreign investment in real estate industry as prescribed in the Opinions, but also sets forth the definition of Real Estate FIE as FIE which carries out construction and operation of a variety of residences such as ordinary residences, apartments and villas, hotels (restaurants), resorts, office buildings, convention centers, commercial facilities, and theme parks, or, development of land or a whole land lot aimed at the abovementioned construction projects.

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On 1 September 2006, the PRC Ministry of Construction and SAFE jointly issued the “Opinions on Regulating the Administration of Foreign Exchange of the Real Estate Market” (關於規範房地產市場外匯管理有關問題的通知), providing regulations on real estate development enterprises mainly as follows:

- (i) For real estate development enterprise, the current account for foreign exchange shall not maintain property purchase payment remitted by Hong Kong, Macau and Taiwan residents and overseas Chinese expatriates;
- (ii) Where the registered capital relating to a real estate FIE remains unpaid in entirety, or the state-owned land use right certificate is yet to be obtained, or the capital fund of development project has not reached 35 percent of the total amount of project investment, such real estate FIE is not permitted to borrow foreign loans from overseas;
- (iii) Where foreign institutions and individuals purport to merge and acquire domestic real estate enterprise by way of share transfer and any other means, or, acquire Chinese party(ies)’s shares within a joint venture enterprise, nevertheless, such foreign institutions and individuals need to be capable of making a one-time payment in relation to the transfer consideration, or the SAFE shall not process any foreign exchange registration relating to the foreign exchange transaction.

On 23 May 2007, Ministry of Commerce and SAFE promulgated the “Circular on Further Strengthening and Regulating the Approval and Supervision of Real Estate Industry with Direct Foreign Investment” (關於進一步加強 規範外商直接投資房地產業審批和監管的通知), which stimulated that:

1. Strict control should be imposed on acquisition or investment on domestic real estate enterprises by way of return investment. Foreign investors shall not change the domestic effective controller for the purpose of circumventing approval procedure related to Real Estate FIE;
2. In Real Estate FIE, Chinese investors parties shall not, in any way, enter into provisions of warranty with regard to allocating fixed turns, express or disguised, to any party;
3. Real Estate FIE incorporated upon approval by local approval bodies should be registered with Ministry of Commerce on a timely basis; and
4. Foreign exchange administration bodies, designated foreign exchange banks shall not process sale and settlement of foreign exchange under capital items, for Real Estate FIE that fail to complete filing procedure with Ministry of Commerce or to pass joint inspection for foreign-invested enterprises.

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Besides, according to “Circular on Distribution of List of the First Group of Foreign-Invested Real Estate Projects Filed with the Ministry of Commerce” (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) promulgated by the General Department of SAFE on 10 July 2007, (1) all local SAFE shall not process any foreign debt registration application or conversion of foreign debt for any Real Estate FIE (including newly incorporated and injected by increased capital contribution) that has obtained Certificate of Approval from local Ministry of Commerce authorities and completed the registration with the Ministry of Commerce on or after 1 June 2007; (2) all SAFE branches shall not process foreign exchange registration (or change registration), sale and settlement of foreign exchange under capital items, for Real Estate FIE that has obtained Certificate of Approval from local Ministry of Commerce authorities, yet has not registered with the Ministry of Commerce on or after 1 June 2007.

In 1 June 2008, the Ministry of Commerce of PRC implemented the “Notice on Standardizing the Admittance and Administration of Foreign Capital in the Real Estate Market” (關於做好外商投資房地產業備案工作的通知) to delegate provincial commerce authorities to register after check the validity, truthfulness and accuracy of the filing materials.

Under the “Circular on the Relevant Operating Issues Concerning the Improvement of the Administration of the Payment and Settlement of Foreign Currency Capital of Foreign-Invested Enterprises” (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) issued by SAFE in 29 August 2008, other than permitted by China’s laws or provisions, RMB fund received from the exchange of its foreign currency capital must be used within the business scope as approved for the foreign investment enterprise, and cannot be used for domestic equity investment or acquisition.

Pursuant to the Notice of Ministry of Commerce Concerning Delegation of Power for Examining and Approving of Changes in Business for Foreign Invested Joint Equity Company (Shang Zi Han [2008] No.50), where the foreign invested enterprise increases its total investment and registered capital and the capital is within the category of encouraged and permission class and not more than US\$0.1 billion and within the restricted class and not more than US\$50.0 million prescribed under Catalogue for Guidance for Foreign Invested Industry (hereinafter referred to as the “**Limit**”) or less than the Limit, the examination and approval shall be conducted by the provincial competent regulatory authority and if above the limitation, it will still be examined and approved by the Ministry of Commerce.

According to the “Notice of Ministry of Commerce concerning Delegation of Power of Approval for Foreign Investment Projects” (Shang Zi Han [2010] No.209), the establishment and change matters of foreign invested enterprises in relation to projects being encouraged and permitted with total investment of US\$300 million and those subject to restrictions with total investment of US\$50.0 million are examined and approved by competent municipal commerce departments at provincial or sub-provincial level.

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Pursuant to Opinions on Standardization of Entry and Administration of Foreign Investment into Real Estate Market (Jian Zhu Fang [2006] No.171), Notice of MOC and SAFE on Further Strengthening and Standardization of Approval and Regulation for Direct Investment in Real Estate Industry by Foreigners (Shang Zi Han [2007] No.50) and Notice of MOC on Working on the Record of Investment in Real Estate Industry by Foreigners (Shang Zi Han [2008] No.23) and notices in relevant documents, where a listed issuer intends to transfer the proceeds from its initial public offering to its subsidiaries in China, it shall adopt the method of increased capital and comply with the principles of project company, and its increased capital shall only limited to the approved single real estate project and the following approval/recording procedures shall be completed:–

Approval/filing procedures for increased capital less than the Limit

1. Upon approval by local department of commerce according to the laws, the provincial regulatory departments of commerce shall check the filed materials from the foreign invested real estate enterprise. Pursuant to the Circular (Jian Zhu Fang [2006] No.171) and the Circular (Shang Zi Han [2007] No.50), the provincial regulatory department of commerce shall examine the legality, truthfulness and accuracy of the recording materials.
2. Upon checking by the provincial department of commerce and no mistakes are found therein, the form for Foreign Invested Real Estates shall be completed and affixed with the official seal of provincial departments of commerce and office department of provincial people's government and submitted to MOC for record according to laws;
3. Registration for changes and settlement of foreign exchange shall be made with relevant departments for administration of foreign exchange before the net proceeds from the listed issuer's initial public offering are transferred to its subsidiaries in PRC; and
4. Registration for changes shall be made with the industrial and commercial departments for relevant subsidiaries in PRC.

Approval/recording procedures for increased capital above the Limit

5. MOC is responsible for approval and recording;
6. Registration for changes and settlement of foreign exchange shall be made with relevant departments for administration of foreign exchange before the net proceeds from listed issuer's initial public offering are transferred to its subsidiaries in PRC; and
7. Registration for changes shall be made with the industrial and commercial departments for relevant subsidiaries in PRC.

C. Qualifications of a Property Developer

(i) Classifications of a property enterprises' qualification

Under the Development Regulations, a property developer must record its establishment to the governing property development authorities in the location of the registration authority within 30 days after receiving its Business License. The property development authorities shall examine applications for classification of a property developer's qualification by considering its assets, professional personnel and industrial achievements. A property enterprise shall only engage in property development projects in compliance with its approved qualification.

Under the “Provisions on Administration of Qualifications of Property Developers” (房地產開發企業資質管理規定) (the “Provisions on Administration of Qualifications”) promulgated by the Ministry of Construction of PRC and implemented on 29 March 2000, a property developer shall apply for registration of its qualifications. An enterprise may not engage in the development and sale of property without a qualification classification certificate for property development.

In accordance with the Provisions on Administration of Qualifications, qualifications of a property enterprise are classified into four classes: class 1, class 2, class 3 and class 4. Different classes of qualification should be examined and approved by corresponding authorities. The class 1 qualifications shall be subject to preliminary examination by the construction authority under the government of the relevant province, autonomous region or municipality directly under the central government and then final approval of the construction authority under the State Council. Procedures for approval of developers of class 2 or lower classes shall be formulated by the construction authority under the people's government of the relevant province, autonomous region or municipality directly under the central government. A developer that passes the qualification examination will be issued a qualification certificate of the relevant class by the qualification examination authority. For a newly established property developer, after it reports its establishment to the property development authority, the latter shall issue a Provisional Qualification Certificate to the eligible developer within 30 days. The Provisional Qualification Certificate shall be effective for one year from its issuance while the property development authority may extend the validity to a period of no longer than 2 years considering the actual business situation of the enterprise. The property developer shall apply for qualification classification by the property development authority within one month before expiry of the Provisional Qualification Certificate.

(ii) The business scope of a property developer

Under the Provisions on Administration of Qualifications, a developer of any qualification classification may only engage in the development and sale of the property within its approved scope of business and may not engage in business which falls outside the approved scope of its qualification classification. A class 1 property developer may undertake a property development projects throughout the country without any limit on the scale of the project. A property developer of class 2 or lower may undertake a project with a gross floor area of less than 250,000 square meters and the specific scopes of business shall be as formulated by the construction authority under the people’s government of the relevant province, autonomous region or municipality.

(iii) The annual inspection of a property developer’s qualification

Pursuant to the Provisions on Administration of Qualifications, the qualification of a property developer shall be inspected annually. The construction authority under the State Council or its authorized institution is responsible for the annual inspection of a class 1 property developer’s qualification. Procedures for annual qualification inspection with 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.

D. Development of a Property Project

(i) Land for property development

Under the “Provisional Regulations of the People’s Republic of China on Grant and Transfer of the Land-Use Rights of State-owned Urban Land” (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) (the “Provisional Regulations on Grant and Transfer”) promulgated by the State Council on 19 May 1990, a system of assignment and transfer of the right to use State-owned land is adopted. A land user shall pay an assignment price to the State as consideration for the grant of the right to use a land site within a certain term, and the land user may transfer, lease out, mortgage or otherwise commercially exploit the land use rights within the term of use. Under the Provisional Regulations on Grant 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 assignment contract with the land user to provide for the grant of land use rights. The land user shall pay the assignment price as provided by the assignment contract. After full payment of the assignment price, the land user shall register with the land administration authority and obtain a land use rights certificate which evidences the acquisition of land use rights. The Development Regulations provide that the land use right for a land parcel intended for property development shall be obtained

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through grant except for land use rights which may be obtained through appropriation pursuant to PRC laws or the stipulations of the State Council.

Under the “Rules Regarding the Grant of State-Owned Land Use Rights by Way of Tender, Auction and Listing-for-sale” (招標拍賣掛牌出讓國有土地使用權規定) promulgated by the MLR on 9 May 2002 and implemented on 1 July 2002, land for commercial use, tourism, entertainment and commodity housing development shall be granted by means of competitive bidding, public auction or listing-for-sale. Competitive bidding of land use rights means the relevant land administration authority (the “grantor”) issues a bidding announcement inviting individuals, legal persons or other organizations (whether specified or otherwise) to participate in a tender for the land use rights of a particular parcel of land. The land user will be determined according to the results of the biddings. Auction for land use rights is where the grantor issues an auction announcement, and the bidders can at specified time and location openly bid for a parcel of land. Listing-for-sale is where the grantor issues a listing-for-sale announcement, and in accordance with the announcement, the land grant conditions will be listed in a specified land grant exchange within a specified period, bidders’ payment applications will be listed and the land user will be granted according to the bidder’s payment applications at the end of such listing period. The procedures are as follows:

- (a) The assignor shall announce at least 20 days prior to the day of competitive bidding, public auction or listing-for-sale. The announcement should include basic particulars of the land parcel, qualification requirement of the bidder and auction applicants, the methods and criterion to confirm the winning tender or winning bidder and conditions such as the deposit of the bid.
- (b) The assignor shall conduct a qualification verification of the bidding applicants and auction applicants and inform the applicants who satisfy the requirements of the announcement to attend the competitive bidding, public auction or listing-for-sale.
- (c) After determining the winning tender or the winning bidder by holding a competitive bidding, public auction or listing-for-sale, the assignor and the winning tender or winning bidder shall then enter into a confirmation. The assignor should refund the other applicants their deposits.
- (d) The assignor and the winning tender or winning bidder shall enter into a contract for State owned land use rights assignment at the time and venue set in the confirmation. The deposit of the bid paid by the winning tender or winning bidder will be deemed as part of the assignment price of the state-owned land use rights.

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- (e) The winning tender or winning bidder should apply for the land registration after paying off the assignment price. The people's government of the municipality and county level or above should issue the land use rights certificate.

On 11 June 2003, the MLR promulgated the "Regulations on the Grant of State-owned Land Use Rights by Agreement" (協議出讓國有土地使用權規定). According to this regulation, if there is only one entity interested in using the land, the land use rights (excluding commercial, tourism, entertainment and commodity residential properties) may be assigned by way of agreement. If two or more entities are interested in the land use rights to be assigned, such land use rights shall be granted by means of tender, auction or listing-for-sale.

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" (關於加強城市建設用地審查報批工作有關問題的通告) promulgated by the MLR on 4 September 2003, from the day of issuance of the Notice, the grant of land use rights for luxurious commodity houses shall be stringently controlled, and applications of land use rights for villas are to be stopped. On 30 May 2006, the MLR issued the "Urgent Notice on Ulteriorly Strengthening the Administration of Land" (關於當前進一步從嚴土地管理的緊急通知). The Notice stated that land for property development must be granted by competitive bidding, public auction or listing-for-sale; the rules prohibiting development projects for villas should be strictly enforced; and land supply and relevant procedures of land use for villas ceased to have effect from the date of the Notice.

Under the "Urgent Notice of Ulteriorly Strengthening the Administration of the Land", the land authority should rigidly execute the "Model Text of the State-owned Land-Use Rights Grant Contract" and "Model Text of the State-owned Land-Use Rights Grant Supplementary Agreement (for Trial Implementation)" jointly promulgated by the MLR and the SAIC. The documents of the land grant should ascertain the requirements of planning, construction and land use such as the restriction of the dwelling size, plot ratio, and the time limit for the commencement and completion of construction. All these should be set forth in the Land-Use Rights Grant Contract.

On 12 December 2006, the MLR and the NDRC issued the "2006 Catalogue of Restricted Uses of Land" (限制用地項目目錄(2006年本)) and the "2006 Catalogue of Prohibited Uses of Land" (禁止用地項目目錄(2006年本)). According to these Catalogues, land use applications for projects involving theme parks, low density housing complexes and oversized houses may only be processed by the relevant level of the MLR and the NDRC where such projects conform to certain restrictive requirements; while land use applications for projects involving villa-style developments, golf courses and horse racing tracks must not be processed at all.

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On 21 September 2007 the Land Resources Department promulgated the “Rules regarding the Grant of State-Owned Construction Land Use Rights by Way of Tender, Auction and Listing-for-sale” (招標拍賣掛牌出讓國有建設用地使用權規定) which came into force on 1 November 2007. The rules stipulate the legal basis, principles, scope, procedures and legal liability arising from and in connection with the grant of State-owned land use rights by public bidding, public auction or listing for sale. The rules clearly state that the grant of land for industrial use must also be by means of public bidding, public auction or listing for sale.

The “Measures on the Administration of Reserved Land” (土地儲備管理辦法), promulgated by the MOF, the PBOC and the MLR on 19 November 2007, define “reserved land” and stipulate the administrative, regulatory and implementing procedures involved with the management, planning, allocation, use, development, capital expenditure and supply of reserved land. Moreover, this measures make it clear that land must be reserved in accordance with corresponding land programmes or plans, and that in determining land reserves priority must be given to land included in state inventories which is unused, unoccupied or under utilized.

A Notice on Further Strengthening the Land Transfer Revenue and Expenditure Management

- I. On 18 November 2009, Ministry of Finance, Ministry of Land and Resource, People’s Bank of China and Ministry of Supervision issued A Notice on Further Strengthening the Land Transfer Revenue and Expenditure Management jointly, which stipulates:**
 - i. The municipal or county land resource department must specify land transfer price, rent and the total sum of the allocated land price, payment time and payment mode in the state-owned land transfer contract, lease contract and letter of decision on appropriation; if the land use conditions as the use of land have been changed upon approval according to law, the municipal or county land resource management department must specify the land price that shall be paid additionally in the land transfer and lease contracts and the payer shall pay the sum of money as stipulated by the contract. If a unit or individual that fails to pay up the land price as required, the municipal or county land resource management department must neither approve, issue the state-owned land use certificate nor issue certificate in a segmented way by the proportion of the land price paid.

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- ii. The term for paying the full land transfer price by installments agreed between the municipal or county land resource management department and land transferee pursuant to law shall not exceed one year in principle. Upon collective determination by the local land transfer coordinated decision agency, the price for a special item may be agreed to pay up in two years. The proportion of first payment shall not be less than 50% of total land transfer price. The current period land price (rent) payable agreed in the land lease contract shall be paid up in a lump sum and shall not be paid by installments.

- iii. The municipal or county land resource management department shall strengthen the execution management on the land transfer (lease) contract and letter of decision on appropriation, urge land transferee to fulfill the land transfer (lease) contract, letter of decision on appropriation pursuant to law and hand in the income from land transfer strictly by the provisions agreed in the land transfer (lease) contract and letter of decision on appropriation. For a unit or individual that fails to pay the land price on time, take effective measures to demand payment within a definite time limit. Except the case that the failure to pay the income from land transfer is caused by force majeure, penalty must be charged strictly by stipulation. For a unit or individual that fails to pay the land price on time or fails to begin construction as agreed in the contract, they must not participate in the new land transfer deals while the income from land transfer is in arrears; relevant in-arrear and breach of contract information must enter into its good faith record and its participation can be restricted by raising bid security money or penalty, etc.

- iv. When the land transfer (lease) transaction is concluded, the municipal or county land resource management shall publish timely in the appointed places as www.chinaland.com and tangible land market, etc. by rule. The right to use the state-owned land for building transfer (lease) contract and the letter of decision on appropriation shall be filled in and submitted in the land market dynamic monitoring and supervision system according to relevant regulations.

A Notice of the Problem on Strengthening the Supply and Supervision of the Land used for Real Estate Development

II. On 8 March 2010, the Ministry of Land and Resources issued A Notice of the Problems on Strengthening the Supply and Supervision of the Land used for Real Estate Development Guo Tu Fa [2010] No.34, which stipulates:

First, quicken the compilation of the plan for the supply of land used for housing construction:

- i. Compile a plan of the supply of land used for the housing and particularly security housing construction scientifically.
- ii. Coordinate and push ahead the plan for the supply of land used for housing. The municipal or country land resource management department shall, according to the land supply plan approved by the government, plots purchased and reserved by the government, land supply and demand on the real estate market, determine the plots intended for supply in the annual plan and arrange time sequence reasonably.

Second, accelerate the effective supply of land used for housing construction.

- i. Ensure the supply of land used for security housing. Various regions shall ensure the land used for security housing which has been placed into the annual land supply plan as much as possible and supply land timely.
- ii. Strictly regulate the commercial housing use of land transfer behavior.
 1. Strictly adhere to land transfer conditions, various regions shall, as required by *the Restricted Land Use Items Catalogue (2006 Supplementary Edition)*, strictly control single transfer area of the land used for commercial housing. The real estate land use transfer pre-application system may be explored in the place where conditions permit.
 2. Strictly regulate land transfer base price. Various regions shall timely update base land price and announce to the public as required by the rules. The minimum price for land transfer shall not be less than the 70% base land price as per the level where the transferred plot is located. The bid guarantee money shall not be less than 20% of the minimum transfer price.

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3. Strictly implement the land bidder qualification examination. For the land users that fall into arrears with the payment of land transfer price, let the land idle, engage in land reserves and land speculation or that the land development scale has exceeded the actual development ability and those defaulting land use contract, the municipal or county land resource management department must prohibit them from participating in land bids for a certain length of time and those who have law-breaking and rule-violating behaviors must be investigated and prosecuted severely.
4. Conduct land transfer contract management strictly. The transfer contract must be signed in 10 workdays after a land transfer transaction is concluded, a 50% down payment of the transfer price must be paid within 1 month after the contract is signed, the remaining sum shall be timely paid as agreed in the contract and the payment time at the latest shall not exceed one year.
5. Insist on and improve the land bid invitation, auction and listing system. Various regions shall, on the principle of “be public, fair and just” and by the unified and normative market construction requirements, insist on and improve the transfer system of land bid invitation, auction and listing.

Third, strengthen the real estate land use supervision practically:

- i. Implement the housing land development declaration system. As from 1 April 2010, the municipal or county land resource management department shall establish the real estate land use starting and completion declaration system.
- ii. Strengthen the land development utilization dynamic monitoring. The municipal or county land resource management department must submit each land transfer contract or letter of decision on appropriation online through network and they cannot be signed as official text until fitted with a number by the Ministry and the electronic supervision number to the transfer contract or letter of decision on appropriation shall serve as an important document of land registration.
- iii. Strengthen the after-supply supervision on the security housing land. The security housing land must not involve commercial real estate development. If it needs to be changed for the city planning adjustment, they shall be taken back by the government and another plot will be chosen.

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- iv. Strictly dispose the idle land used for real estate use. Provincial (district, municipal) land resource management department shall grasp the situation of how its local idle real estate land use is investigated and treated. Idle land that has not been investigated and treated must be handled according to law.
 - v. Strengthen good faith management to the land used for real estate development. Municipal or county land resource management department shall set up a land development good-faith record for real estate enterprises and shall deal with any enterprise that fails to sign the sales confirmation or transfer contract timely when it wins the land after bid invitation, auction and listing according to the laws and rules, announce to the public and keep it to the good faith record.
- IV. Establish and improve the information disclosure system:
- i. Make the housing land supply plan known to the public. Various regions shall timely issue the housing, particularly security housing land use supply plans at the portal Website of the Ministry and local tangible markets of land to receive social supervision.
 - ii. Make the land transfer bulletin known to the public. The municipal or county land resource management department must issue the land transfer bulletin at the portal Website of the Ministry.
 - iii. Make the land transfer and appropriation results known to the public. The municipal or county land resource management department shall make the position, area, uses, land price, volume ratio, starting and completion time of the land that has been transferred or appropriated known to the public timely.
 - iv. Make the land development and utilization information known to the public.
 - v. Make the results of investigating and treating the use of land in violation of the laws and rules known to the public.

(ii) 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 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.

(iii) Development of a property project

(a) Commencement of development with respect to a property project and idle land

Under the Urban Property Law, those who have obtained the land use rights by grant must develop the land in accordance with the use and period of commencement as prescribed by the land use rights grant contract. According to the Measures on Disposing Idle Land promulgated by the MLR on 28 April 1999, a parcel of land can be defined as idle land under any of the following circumstances:

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- after obtaining the land use rights, the development and construction of the land has not begun within the time limit for commencement of the development as stipulated in the land use rights grant contracts without the consent of the people's government that originally approved the use of the land;
- the Contract on Lease of the Right to Use State-Owned Land does not stipulate or the "Approval Letter on Land Used for Construction" does not prescribe the starting date of the development and construction, and the development and construction of the land has not begun at the expiry of one year from the day when the "Contract on Lease of the Right to Use State-owned Land" became effective or when the administrative department of land issued the "Approval Letter on Land Used for Construction";
- the development and construction of the land has begun, but the area of the development and construction is less than one third of the total area to be developed and constructed, or the invested amount is less than 25 percent of the total amount of investment, and the development and construction has been continuously suspended for one year or more without approval; or
- other circumstances prescribed by laws and administrative regulations.

The municipality or county-level municipality administrative authority shall, with regard to an identified piece of idle land, give notice to the land user and draft a proposal on disposing the idle land, including but not limited to, extending the time period for development and construction (provided that it shall be no longer than one year), changing the use of the land, arranging for temporary use and ascertaining the new land user by means of competitive bidding, public auction or listing-for-sale. The administrative department of land under the people's government of municipality or county level shall, after the people's government that originally approved the use of the land approves the proposal on disposal, arrange for the implementation of the proposal. With respect to land which is obtained by grant and is within the scope of city planning, if the construction work has not yet started after one year from the granting of the relevant approvals, since the duration in which construction

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may be commenced has elapsed, a fine for idle land which is equivalent to less than 20 percent of the assignment price may be imposed on the land user. If the construction work has not been begun after two years have elapsed, the right to use the land can be taken back by the State without any compensation. However, the above sanctions shall not apply when the delay in commencement of construction is caused by force majeure or acts of government or indispensable preliminary work before commencement of construction.

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 State-owned Land Use Right granting contract, 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.

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On 3 January 2008, the State Council promulgated the “Circular on Conservation of Intensive Land Use” (關於促進節約集約用地的通知) (Guo Fa (2008) No. 3), as summarized below,

1. Examine and adjust all ranges of site planning and land use standards in line with the principle of economic and intensive land use. Project designs, construction and approval of construction shall all be subject to stringent land use standards.
2. Urge all localities to enforce disposal policy of idle land. Where a piece of land has been idle for two full years and may be retrieved unconditionally as statutorily required, such land shall be retrieved and arranged for re-use; where a piece of land has been idle for one year but less than two years, a sum of land idle charge shall be levied at 20 percent of the land grant premium.
3. Vigorously guide the use of unused and abandoned land and encourage the development and utilization of aboveground and underground space.
4. Strictly implement the tender, auction and listing-for-sale regime for land intended for industrial and business purposes. Where the total land premium is not paid in full in compliance with contractual agreement, the land use certificate shall not be issued, nor shall it be issued in proportion to the ratio between the paid-up land premium and the total of land premium. Make reasonable arrangements on residential land and persist on banning land supply for real estate development projects for villas. Strictly prohibit unauthorized conversion of agricultural land into construction land.
5. Strengthen supervision and inspection; thoroughly implement intensive land use conservation accountabilities. Regarding enterprises whose real estate project commences at a date exceeding one year as compared with the project commencement date under the land grant contract, or whose land development area takes up less than 1/3 or whose investment is less than 1/4, financial institutions shall be prudent in terms of loans granting and financing approval and shall not grant loans or offer listing financing to projects involving illegal land use.

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(b) Planning of a property project

According to the “Measures for Control and Administration of Grant and Transfer of the Right to Use Urban State-owned Land” (城市國有土地使用權出讓轉讓規劃管理辦法) promulgated by the Ministry of Construction on 4 December 1992 and implemented on 1 January 1993 and the “Notice of the Ministry of Construction on Strengthening the Planning Administration of Grant and Transfer of the Right to Use State-owned Land” (建設部關於加強國有土地使用權出讓規劃管理工作的通知) promulgated by the Ministry of Construction on 26 December 2002, after signing the assignment contract for the land use rights, a property developer shall apply for a Project Survey Paper and a construction land planning permit from the city planning authority. After obtaining a construction land planning permit, a property developer shall organize the necessary planning and design work in accordance with planning and design requirements and apply for a construction works planning permit from the city planning authority.

The “Urban and Rural Planning Law” (城鄉規劃法), promulgated by the Standing Committee of the National People’s Congress in October 2007 which became effective in January 2008, provides regulations with respect to the formulation, implementation, modification, control, supervision and related legal liability of measures aimed at curbing problems that may arise as a result of conflicts between city and rural construction developments. The scope of the measures includes the planning, layout and construction of cities, towns with administrative status, market towns and villages. In order to effectively contain construction that is in breach of rules and regulations, the Urban and Rural Planning Law stipulates that where any construction project is commenced without obtaining Construction Land Planning Permit, or where Construction Land Planning Permit has been obtained but construction has proceeded not in accordance with that permit, the Urban and Rural Planning Department at the county level or above may issue an order to cease construction. In the case that the construction can be remedied to conform to the relevant planning rules, an order can be made to rectify the construction in a prescribed period of time and a fine totaling between 5 percent to 10 percent of the total construction cost may be imposed. Where the construction cannot conform to relevant planning rules, an order for its demolition or, where demolition is not possible, the confiscation of the property and/or illegal income derived from the property will be issued and a fine totaling 10 percent or less of the construction cost will be imposed.

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(c) Construction of a property project

After obtaining the construction works planning permit, a property developer shall apply for a construction works commencement permit from the construction authority under the local people's government at the county level or above according to the "Measures for the Administration of Construction Permits for Construction Projects" (建築工程施工許可管理辦法) promulgated by the Ministry of Construction on 15 October 1999 and as amended and implemented on 4 July 2001. The "Notice about Strengthening and Regulating the Management of New Projects" (關於加強和規範新開工項目管理的通知), promulgated by the General Office of the State Council on 17 November 2007, strictly regulates the conditions of commencing investment projects, establishes the linkage mechanism of government departments regarding new projects, and strengthens the statistics and information management while intensifying the supervision and inspection of new projects.

(d) Completion of a property project

According to the Development Regulations, the Regulation on the Quality Management of Construction Projects promulgated by State Council on 30 January 2000, the "Interim Measures for Reporting Details Regarding Acceptance Examination Upon Completion of Buildings and Municipal Infrastructure" (房屋建築工程和市政基礎設施工程竣工驗收備案管理暫行辦法) promulgated by the Ministry of Construction in April 2000 and the "Interim Provisions on Acceptance Examination Upon Completion of Buildings and Municipal Infrastructure" (房屋建築工程和市政基礎設施工程竣工驗收暫行規定) promulgated by the Ministry of Construction on 30 June 2000, after completion of construction of a project, the property must undergo inspection and receive relevant approvals from local authorities including planning bureaus, fire safety authorities and environmental protection authorities. Thereafter, the property developer shall apply for the acceptance examination upon completion to the property development authority under the people's government at the county level or above and report details of the acceptance examination, upon which a Record of Acceptance Examination upon Project Completion will be issued.

According to the "Notice on Further Strengthening the Quality Supervision and Management of Construction Projects" (關於進一步加強建築工程質量監督管理的通知) promulgated by the Ministry of Construction on 14 April 2009, the legal regulatory framework and the supervision system concerning quality supervision and completion acceptance examination shall be further improved.

E. Transfer and Sale of Property

(i) 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) promulgated by the Ministry of Construction on 7 August 1995 and as amended on 15 August 2001, a property owner may sell, bequeath or otherwise legally transfer property to another person or legal entity. When transferring a building, the ownership of the building and the land use rights to the site on which the building is situated are transferred 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 land use rights were originally obtained by grant, the real property may only be transferred on the condition that: a) the assignment price has been paid in full for the grant of the land use rights as provided by the grant contract and a land use rights certificate has been obtained; b) development has been carried out according to the grant contract and, in the case of a project in which buildings are being developed, development representing more than 25 percent of the total investment has been completed.

If the land use rights were originally obtained by grant, the term of the land use rights after transfer of the property shall be the remaining portion of the original term provided by the land use rights grant 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 grant contract, consent shall first be obtained from the original grantor and the planning administration authority under the local government of the relevant city or county and an agreement to amend the land use rights grant contract or a new land use rights grant contract shall be signed in order to, inter alia, adjust the land use rights assignment price accordingly.

If the land use 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 by the State Council. Upon such approval, the transferee shall complete the formalities for transfer of the land use rights, unless the relevant statutes require no transfer formalities, and pay the transfer price according to the relevant statutes.

(ii) Sale of commodity buildings

Under the “Regulatory Measures on the Sale of Commodity Buildings” (商品房銷售管理辦法) promulgated by the Ministry of Construction on 4 April 2001 and implemented on 1 June 2001, sale of commodity buildings can include both pre-completion sales (pre-sale) and post-completion sales.

(a) Permit of Pre-sale of Commodity Buildings

According to the “Development Regulations and the Measures for Administration of Pre-sale of Commodity Buildings” (城市商品房預售管理辦法) (the “Pre-sale Measures”) promulgated by the Ministry of Construction on 15 November 2004 and as amended on 15 August 2001 and 20 July 2004 respectively, the pre-sale of commodity buildings shall be subject to a licensing system, and a property developer intending to sell a commodity building before its completion shall make the necessary pre-sale registration with the property development authority of the relevant city or county to obtain a Pre-Sales Permit. A commodity building may be sold before completion only if: a) the assignment price has been paid in full for the grant of the land use rights involved and a land use rights certificate has been obtained; b) a construction works planning permit and construction works commencement permit have been obtained; c) the funds invested in development construction represent 25 percent or more of the total investment in the project and the progress of works and the completion and delivery dates have been ascertained; and d) the pre-sale has been registered and a Pre-Sales Permit has been obtained.

According to the “Tianjin City Administration Rules for Commodity Housing” (天津市商品房管理條例) promulgated on 24 October 2002 and effective from 1 December 2002, the sale of commodity housing includes both pre-sales and post-completion sales. Property development enterprises applying for a permit to sell commodity housing must comply with the following conditions: a) attainment of legal person status and the requisite class of qualifications for property development; b) possession of lawful rights to the use of state owned land; c) examination and approval of an investment plan for the construction of commodity housing, a construction engineering plan and a construction licensed) payment of fees for the completion of basic installations in accordance with relevant laws; e) copies of property management plans for which registration has been completed or signed agreements for future property management arrangements; f) certification from government departments that the commodity housing building development has attained requisite image standards; g) provision of a timetable for the progress of construction and the completion date; and h) provision of a sales plan.

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Pursuant to the “Regulations on Urban Property Development of Hebei Province” (河北省城市房地產開發經營管理規定) enacted by the People’s Government of Hunan on 10 May 2004 and enforced on 1 July 2004, a commodity building may only be sold before completion provided that: a) the assignment price has been paid in full for the assignment of the land use rights involved and a land use rights certificate has been obtained; b) a Permit for Construction Works Planning and a Permit for Commencement of Works have been obtained; c) the funds invested in the development of the commodity buildings put to pre-completion sale represent 25 percent or more of the total investment in the project and the progress of works and the completion and delivery dates have been ascertained; d) the pre-completion sale has been registered and a Permit for Pre-completion Sale of Commodity Buildings has been obtained.

(b) Supervision of pre-sale income of commodity buildings

According to the Pre-sale Measures, the income of a property developer from the pre-sale of commodity buildings must be used for the construction of the relevant projects. The specific measures for the supervision of the income from the pre-sale of commodity buildings shall be formulated by the property administrative authorities.

(c) Conditions of the sale of post-completion commodity buildings

Under the Measures for Administration of Sale of Commodity Buildings, commodity buildings may be put to post-completion sale only when the following preconditions have been satisfied: a) the property development enterprise shall have a business license and a qualification certificate of a property developer; b) the enterprise shall obtain a land use rights certificate or other approval documents for land use; c) the enterprise shall have the construction works planning permit and construction works commencement permit; d) the building shall have been completed, inspected and accepted as qualified; e) the relocation of the original residents shall have been well completed; f) the supplementary essential facilities for supplying water, electricity, heating, gas, communication, etc. shall have been made ready for use, and other supplementary essential facilities and public facilities shall have been made ready for use, or the schedule of construction and delivery date shall have been specified; g) the property management plan shall have 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 evidencing the satisfaction of preconditions for post-completion sale to the property development authority.

(d) Regulations on transactions of commodity buildings

According to the Development Regulations and the Pre-sale Measures, for the pre-sale of commodity buildings, the developer shall sign a contract on the pre-sale of a commodity building with the purchaser. The developer shall, within 30 days after signing the contract, apply for registration and filing of the pre-sale commodity building to the relevant property administration authorities.

Pursuant to the “Circular of the General Office of the State Council on Forwarding the Opinions of the Ministry of Construction and other Departments on 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) issued on 9 May 2005:

- A buyer of a commodity building is prohibited from conducting any further transfer of a pre-sold commodity before completion of construction and obtaining the Property Ownership Certificate. 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 registration organ of the property administration authorities shall not register the application of property ownership.
- A real name system is applied for each property purchase transaction and an immediate archival filing network system is in place for pre-sale contracts of commodity buildings.

On 13 July 2006, the Ministry of Construction, the NDRC, and SAIC jointly promulgated the “Notice on Reorganizing and Regulating Real Estate Transaction Procedures” (關於進一步整頓規範房地產交易秩序的通知), the details of which are as follows:

- A developer may start to sell the commodity buildings within 10 days after receiving the Pre-Sales Permit. Without this permit, the pre-sale of commodity buildings is prohibited, as well as subscription (including reservation, registration and number-selecting) and acceptance of any kind of pre-sale payments.

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- The property administration authority should establish a networked network system for pre-sale contracts of commodity buildings and the system should include the location and basic information of the commodity building, the schedule of the sale and the rights status and at the locale of sale. The advance buyer of a commodity building is prohibited from conducting any further transfer of the advance sale of the commodity building that he has bought but which is still under construction.
- Without the Pre-Sales Permit, no advertisement of the pre-sale of commodity buildings may be issued.
- The property developers with a record of serious irregularity or developers who do not satisfy the requirements of the pre-sale of commodity buildings are not allowed to take part in such sale activities.
- The property administration authorities should strictly carry out the regulations of the pre-sale registration and apply the real name system for house purchases.

(iii) Mortgages of Property

Under the “Urban Property Law, the Guarantee Security Law of the People’s Republic of China” (中華人民共和國擔保法) promulgated by the Standing Committee of the National People’s Congress on 30 June 1995 and implemented on 1 October 1995, and the “Measures on the Administration of Mortgages of Property in Urban Areas” (城市房地產抵押管理辦法) promulgated by the Ministry of Construction in May 1997 and as amended on 15 August 2001, when a mortgage is created on a building legally obtained, a mortgage shall be simultaneously created on the land use rights of the land on which the building is situated. When the land use rights of State-owned land acquired through means of grant are being mortgaged, the buildings on the land shall also be mortgaged at the same time. The land use rights of town and village enterprises cannot be mortgaged. When buildings owned by town and village enterprises are mortgaged, the 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.

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Within 30 days after a property mortgage contract is signed, the parties to the mortgage shall register the mortgage with the property administration authorities 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 house ownership certificate has been obtained, the registration authority shall make an entry under the “third party rights” item on the original house ownership certificate and then issue a Certificate of Third Party Rights to the mortgagee. If a mortgage is created on the commodity building put to pre-sale or 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.

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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. 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.

(iv) Leases of buildings

Under the “Urban Property Law and the Measures for Administration of Leases of Property in Urban Areas” (城市房屋租賃管理辦法) promulgated by the Ministry of Construction on 9 May 1995 and enforced on 1 June 1995, the parties to a lease of a building shall enter into a lease contract in writing. A system has been adopted to register the leases of buildings. 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.

(v) *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 realty and chattels and regulates the civil relationships generated from the attribution and utilization of the realty 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:

1. 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;
2. the right of user benefit, 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
3. 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.

A summary of the important legislation innovations in the New Property Law is set forth below:

1. 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.
2. 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."

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3. 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.

4. 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:
 - (1) Any building and other land appurtenances.
 - (2) Any construction land use right.
 - (3) The right to contracted management of barren land and other lands as obtained by means of bid invitation, auction, public consultation, etc.
 - (4) Any manufacturing equipment, raw materials, semi-finished products and products.
 - (5) Any building, vessel or aircraft under construction.
 - (6) Any tools of transportations.

F. Property Credit

According to the “Notice of the People’s Bank of China on Regulating House Financing Businesses” (中國人民銀行關於規範住房金融業務的通知) promulgated by the PBOC on 19 June 2001, all banks must comply with the following requirements before granting residential development loans, individual house mortgage loans and individual commercial flat loans:

- (a) Housing development loans from banks shall only be granted to property 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 self-owned capital of no less than 30 percent of the total investment required of a project, the project itself must have been issued with a land use rights certificate, construction land planning permit, construction works planning permit and construction works commencement permit.
- (b) In respect of the grant of individual house mortgage loans, the ratio between the loan amount and actual value of the security (the “Mortgage Ratio”) shall never exceed 80 percent. Where an individual applies for a house purchase loan to buy a pre-sale property, the property must have achieved the stage of “topping-out of the main structure completed” for multi-storey buildings 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 percent with a maximum loan period of 10 years and the subject commercial flat must have already been completed.

The PBOC issued the “Circular on Further Strengthening the Management of Property Loans” (關於進一步加強房地產信貸業務管理的通知) on 5 June 2003 to specify the requirements for banks to provide loans for the purposes of residential development, individual house mortgage and individual commodity buildings as follows:

- (a) Property loans by commercial banks to property enterprises shall be granted only in respect of a particular item of property development rather than a cash flow or other loan item. Loans of any kind must not be granted for projects which do not obtain a land use rights certificate, construction land planning permit, construction works planning permit and construction works commencement permit.

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- (b) Commercial banks shall not grant loans to property developers to pay off land premiums.
- (c) Commercial banks may only provide housing loans to individual buyers when the main structural buildings have been topped out. When a borrower applies for an individual house loan for their first residential unit, the first installment remains to be 20 percent. In respect of a loan application for any additional purchase of a residential unit(s), the percentage of the first installment shall be increased.

Pursuant to the “Guidance on Risk Management of Property Loans of Commercial Banks” (商業銀行房地產貸款風險管理指引) issued by the China Banking Regulatory Commission on 2 September 2004, any property developer applying for property development loans shall have at least 35 percent of capital required for the development.

According to the “Notice of the People’s Bank of China on the Adjustment of Commercial Bank Housing Credit Policies and the Interest Rate of Excess Reserve Deposits” (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) promulgated by the PBOC on 16 March 2005, from 17 March 2005, in the cities and areas where there has been a rapid increase in house prices, the first installment of individual house loans increases from 20 percent to 30 percent. The commercial banks can independently determine the specific cities or areas under such adjustment according to special situations in different cities or areas.

On 24 May 2006, the State Council issued the “Opinions of the Ministry of Construction and other Departments on Adjusting the Housing Supply Structure and Stabilizing Housing Prices” (關於調整住房供應結構穩定住房價格的意見). The regulations relating to property credit are as follows:

- (a) Strictly impose credit conditions on property development. In order to suppress property development enterprises from storing up land and housing resources by use of bank loans, commercial banks shall not provide loans to those property enterprises that fail to meet loan conditions, for example, having a project capital less than 35 percent. For property development enterprises that have much idle land and vacant commodity buildings, the commercial banks shall, in light of the principle of prudential operations, be stricter in controlling the renewal of loans or any form of revolving credit. The commercial banks shall not accept any commodity building that has been idle for three or more years as collateral for loans.

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- (b) From 1 June 2006, the proportion of initial payment of individual housing mortgage loans shall not be lower than 30 percent. However, considering the demands for housing by the medium and low-income population, the purchase of self-used housing with a gross floor area of no more than 90 square meters is still subject to the provision of the initial payment of 20 percent.

According to the Circular on Standardizing the Admittance and Administration of Foreign Capital in the Property Market, foreign-invested property enterprises which have not paid up their registered capital, or failed to obtain a land use rights certificate, or with less than 35 percent of the capital for the project, will be prohibited from obtaining a loan in or outside China, and SAFE shall not approve the registration of foreign loans from such enterprises.

On 27 September 2007, the PBOC and the CBRC issued the “Notice on Strengthening the Management of Commercial Real Estate Credit and Loans” (關於加強商業性房地產信貸管理的通知) (the “Notice”). The Notice puts forward requirements for the purposes of strengthening loan management in association with (i) real estate development, (ii) land reserves, (iii) housing consumption and (iv) purchase of commercial buildings, together with credit checks in real estate credit reference management, monitoring of real estate loans, risk prevention and so forth.

Pursuant to the Notice, Commercial banks shall not grant loans in any form, to (i) projects where the capital funds (owner’s equity) constitutes less than 35 percent, or, projects without a land use rights certificate, construction land planning permit, construction works planning permit and construction works commencement permit; and (ii) real estate development enterprises that have been hoarding land and housing resources, as detected and verified by land resources departments and construction authorities. Furthermore, commercial banks are not allowed to either accept commodity building with a vacancy exceeding three years as collateral or grant to real estate development enterprise any sums of loans to serve as land grant premium.

In respect of loans for individual housing consumption, commercial banks are only permitted to grant housing loans to individuals who purchase commodity buildings the construction of which have reached the “topping out of the main structure” stage. Where an individual purchases his or her first commodity apartment for self residence purpose, (i) of a construction area below 90 square meters, the initial payment ratio (the “Initial Ratio”) shall be fixed at no less than 20 percent (including RMB and foreign currency loans, *idem.* hereinafter); (ii) of a construction area above 90 square meters, the Initial Ratio shall be fixed at no less than 30 percent. Where an individual has purchased a commodity apartment by means of such loan and proceeds to purchase a second set (inclusive) or more, the Initial Ratio shall be no less than 40 percent and the interest rate shall not be under 110 percent of the benchmark interest rate as announced by the PBOC during same period and in same

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bracket. Further, the Initial Ratio and the interest rate shall both multiply substantially with the increase with the sets of purchase and the increase percentage shall be determined by commercial banks, at their own discretion, according to principles of loan risk management. However, the repayment expense for housing loan per month shall not exceed 50 percent of the individual borrower's monthly income.

In respect of commercial building loans, commercial buildings purchased by loan shall be buildings that have completed and checked before acceptance. For such purchase, the Initial Ratio shall be no less than 50 percent, the loan term shall not exceed ten years and the interest rate shall not be under 110 percent of the benchmark interest rate as announced by the PBOC during same period and in same bracket, while the Initial Ratio, the loan term and the interest rate shall be determined by commercial banks, at their own discretion, according to principles of loan risk management. Where a loan application is made in the name of a "commercial and residential building", the Initial Ratio shall be no less than 45 percent and the loan term and the interest rate shall be arranged according to relevant regulations on loan management of commercial building.

The "Supplemental Notice on Strengthening the Management of Commercial Real Estate Credit and Loans" (關於加強商業性房地產信貸管理的補充通知) (the "Supplemental Notice") jointly issued by the PBOC and the CBRC and dated 5 December 2007, sets forth supplemental requirements in respect of strengthening housing consumption loan management, mainly including the following:

1. Assess number(s) of housing loan with the borrower's family as the basic calculation unit.
2. Stipulate conditions under which housing loan policy for first home buyers shall serve as the referential basis for bank loans.
3. Where a family that has already purchased commodity apartment via housing provident fund makes a housing-loan application to commercial banks, procedures shall be duly satisfied in accordance with the Notice.

As stipulated in the Supplemental Notice, in the event an applicant is found to have presented false information and certifications, all commercial banks shall deem the loan application unacceptable.

The State has implemented a series of policies intended to strengthen and improve the sound development of the real estate market since the second quarter of 2008.

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On 26 May 2008, the CBRC issued the “Notice on Further Strengthening Risk Management in the Provision of Credit to the Real Estate Market” (關於進一步加強房地產行業授信風險管理的通知) (Yin Jian Fa No.42[2008]). To combat property developers who (i) “falsify mortgages” by using forged property sale contracts; (ii) process “falsified down payments” from borrowers by accepting initial repayments in the pre-sale stage, paying for buyers in advance or by other means; or (iii) mislead banks about decisions over the provision of loans by forging their sale performances or house prices as well as other problems arising in the real estate market, the Notice requires each commercial bank to:

- (a) strictly follow the policies and conditions related to the provision of loans to individuals;
- (b) improve the monitoring of the qualifications of borrowers;
- (c) rigorously examine the enterprise credit ratings of property developers; and
- (d) upon discovering that a property developer has falsified mortgages, falsified down payments, forged house prices or other such behavior, terminate the individual housing loans or development loans extended to such developer. Property developers suspected of committing such crimes shall be referred to the judicial organs for further investigation.

On 22 October 2008, the PBOC issued the “Circular on the Expansion of the Downward Adjustment Range for Interest Rates of Commercial Individual Mortgage Loans and Related Issues” (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 decreased the minimum amount of down payment for commercial individual residential property purchasers to 20 percent and reduced the minimum mortgage loan rates for such purchases to 70 percent of the benchmark interest rate starting from 27 October 2008

On 20 December 2008, the General Office of the State Council promulgated “Several Opinions on Promoting the Sound Development of the Real Estate Market” (關於促進房地產市場健康發展的若干意見), which provides the following requirements regarding loans for property businesses:

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1. The Consumption of regular commodity houses is to be encouraged.

In addition to extending favourable interest rates and loan policies to first time buyers of apartments for self-residential purposes, individuals with an existing home in which the per-person floor area is smaller than the local average may buy a second apartment for self residential purposes under similar favourable loan terms to those that apply to first-time buyers. If individuals purchase a second apartment or more for any other purpose, the interest rate shall be determined according to potential risks by commercial banks based on the benchmark interest rate.

2. The reasonable financing requirements of real estate developers should be supported.

Commercial banks shall increase credit financing services available to ordinary commercial housing construction projects, provide financial support and other related services to real estate developers engaged in merger and restructuring activities, and support the approval of bond issuances by real estate developers.

The State Council issued the “Notice on Adjusting the Minimum Capital Requirement for Capital Funding for Fixed Assets Investment” (關於調整固定資產投資項目資本金比例的通知) on 25 May 2009, reducing the minimum capital requirement for Social Welfare residential houses and regular commodity housing projects from 35 percent to 20 percent, and reducing the minimum capital requirement for other property projects to 30 percent. When providing credit finance support and services, financial institutions shall determine, at their own discretion, whether to grant a loan and the amount of the loan having regard to the minimum capital requirement as regulated by the state.

On 19 June 2009, the CBRC issued the “Notice on Further Strengthening the Risk Management of Mortgage Loans” (關於進一步加強按揭貸款風險管理的通知) (Yin Jian Fa No.59[2009]). With regard to current problems in the real estate market, particularly in the area of mortgage loans such as falsified mortgages, falsified down payments, forged house prices and loosened criterion of loans for a second house, the Notice reiterates the following requirements:

- (a) banking institutions shall strictly carry out the pre-loan examinations and tighten the criterion for granting a loan in order to prevent occurrence of such behavior as falsified mortgages, falsified down payments, forged house prices and the like;

- (b) banking institutions shall proceed to focus on supporting the purchase by individuals of their first house for self-residence purposes, and shall not circumvent relevant restrictions imposed by the policy regarding loans for second house purchases by reasons that the credit reference system network is not available and that it is difficult to investigate cross-regional purchases of houses; and
- (c) banking institutions are not entitled to interpretate on their own the criterion of loans for second house purchases or to lower the Initial Ratio in a different form by any means.

G. Insurance of a Property Project

There are no mandatory provisions in PRC laws, regulations and government rules which require a property developer to take out insurance policies for its property projects. However, PRC commercial banks may require the real estate developer to purchase insurance if the commercial bank intends to grant a development loan to the real estate developer.

H. Environmental Protection

Under the requirements of the relevant laws and regulations such as the “Appraisal Measures for the Impact on the Environment of the PRC” (中華人民共和國環境影響評價法) implemented by the Standing Committee of the National People’s Congress in September 2003, and the “Regulations Governing Environmental Protection of Construction Projects” (建設項目環境保護管理條例) implemented by the State Council in November 1998, enterprises engaging in property development and construction must carry out an appraisal of the impact the construction project will have on the environment. The relevant project shall not commence until approval is obtained from the supervisory body for environmental protection. While the project is in progress, the developer should also enforce the appraisal documents relating to the impact on the environment and implement the environmental protection measures suggested in the opinion of the supervisory body for environmental protection. Such measures must be incorporated into the design, construction and operation of the general construction. Upon completion of the project, the developer should apply to the supervisory body for environmental protection for the inspection and acceptance of the completed environmental protection facilities. Only those projects that have been inspected and accepted may go into operation or be available for use.

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I. Construction Safety

Under relevant laws and regulations such as the “Laws for Safe Production in the PRC” (中華人民共和國安全生產法) promulgated by the Standing Committee of the National People’s Congress in November 2002, the developer should apply to the supervisory organ on safety for the registration of supervision for work safety in construction before the commencement of construction. Constructions without such registration will not be granted a construction works commencement permit by the supervisory body. Contractors for the construction should establish the objectives and measures for work safety and improve the working environment and conditions of workers in a planned and systematic way. A work safety protection scheme should also be set up to carry out the work safety job responsibility system. At the same time, contractors should adopt corresponding site work safety protective measures according to the work protection requirements in different construction stages and such measures shall comply with the labor safety and hygiene standards of the State.

J. Major Taxes Applicable to Property Developers

(i) *Income tax*

According to the “Income Tax Law of The People’s Republic of China for Foreign-invested Enterprises and Foreign Enterprises” (中華人民共和國外商投資企業和外國企業所得稅法) which was promulgated by National People’s Congress on 9 April 1991 and implemented on 1 July 1991 and its detailed rules promulgated by State Council on 30 June 1991, the income tax on enterprises with foreign investment shall be computed on the taxable income at the rate of 30 percent, and local income tax shall be computed on the taxable income at the rate of 3 percent.

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 13 December 1993 and enforced on 1 January 1994 and the “Detailed Implementation Rules on the Provisional Regulations of The People’s Republic of China on Enterprise Income Tax” (中華人民共和國企業所得稅暫行條例實施細則) issued by the MOF on 4 February 1994, the income tax rate applicable to Chinese enterprises other than foreign-invested enterprises and foreign enterprises is 33 percent.

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According to the “PRC Enterprise Income Tax Law” (中華人民共和國企業所得稅法) enacted by the National People’s Congress on 16 March 2007 and enforced from 1 January 2008 onwards, a unified income tax rate of 25 percent will be applied towards foreign investment and foreign enterprises which have set up institutions or facilities in the PRC as well as PRC enterprises. The “Income Tax Law of The People’s Republic of China for Foreign-invested Enterprises and Foreign Enterprises” and the “Provisional Regulations of the People’s Republic of China on Enterprise Income Tax” were thereby annulled.

Under the CIT Law, enterprises established outside of China whose “de facto management bodies” are located in China are considered “resident enterprises” and will generally be subject to the unified 25 percent enterprise income tax rate as to their global income.

(ii) Business Tax

Pursuant to the “Interim Regulations of the People’s Republic of China on Business Tax” (中華人民共和國營業稅暫行條例) promulgated by the State Council on 13 December 1993, amended on 5 November 2008, and implemented on 1 January 2009, and the “Detailed Implementation Rules on the Provisional Regulations of The People’s Republic of China on Business Tax” (中華人民共和國營業稅暫行條例實施細則) issued by the MOF on 25 December 1993 and amended and implemented on 1 January 2009, the tax rate applicable to the transfer of real properties, their superstructures and attachments is 5 percent.

In accordance with “The Notice on the Adjustment of Business Tax Policies on Individual Housing Transfer” (Cai Shui [2009] No.157) jointly issued by the Ministry of Finance and The State Administration of Taxation on 12 December 2009, it requires that: Since 1 January 2010, anyone selling a non-ordinary residential housing within five years of its purchase pay a full sales tax; while anyone selling a non-ordinary residential housing beyond five years (including five years) of its purchase and anyone selling an ordinary residential housing within five years of its purchase pay a sales tax from the difference of sales income less the purchasing price; anyone selling an ordinary residential housing beyond five years (including five years) of its purchase exempt from the sales tax.

(iii) Land Appreciation Tax

According to the requirements of the “Provisional Regulations of The People’s Republic of China on Land Appreciation Tax” (中華人民共和國土地增值稅暫行條例) (the “Land Appreciation Tax Provisional Regulations”) which were promulgated on 13 December 1993 and effective from 1 January 1994, and the “Detailed Implementation Rules on the Provisional Regulations of the People’s Republic of China on Land Appreciation Tax” (中華人民共和國土地增值稅暫行條例實施細則) (the “Land Appreciation Tax Detailed Implementation Rules”) which were promulgated and came into effect on 27 January 1995, any capital-gain from a transfer of property shall be subject to land appreciation tax. Land appreciation tax shall be charged at four levels of progressive rates: 30 percent for the appreciation amount not exceeding 50 percent of the sum of deductible items; 40 percent for the appreciation amount exceeding 50 percent but not exceeding 100 percent of the sum of deductible items; 50 percent for the appreciation amount exceeding 100 percent but not exceeding 200 percent of the sum of deductible items; and 60 percent for the appreciation amount exceeding 200 percent of the sum of deductible items. The aforesaid deductible items include the following:

- amount paid for obtaining the land use rights;
- costs and expenses for the development of the land;
- costs and expenses of new buildings and ancillary facilities, or estimated prices of old buildings and constructions;
- related tax payable for the transfer of property; and
- other deductible items as specified by the MOF.

According to the requirements of the Land Appreciation Tax Provisional Regulations, the Land Appreciation Tax Detailed Implementation Rules and the “Notice on the Levy and Exemption of Land Appreciation Tax for Development and Transfer Contracts signed before 1 January 1994” (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) issued by the MOF and the SAT on 27 January 1995, Land Appreciation Tax shall be exempted under any of the following circumstances:

- taxpayers construct ordinary standard residences for sale (i.e. the residences built in accordance with the local standards for residential properties. Deluxe apartments, villas, resorts etc. are not under the category of ordinary standard residences) and the appreciation amount does not exceed 20 percent of the sum of deductible items;

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- property is taken back and repossessed according to laws due to the construction requirements of the State;
- due to redeployment of work or improvement of living standard, individuals transfer self used residential property, in which they have been living for 5 years or more, subject to tax authorities' approval;
- transfers of real properties under property transfer contracts signed before January 1, 1994, regardless of when the properties are transferred;
- if the property development contracts were signed before 1 January 1994 or the project proposal has been approved and that capital was injected for development in accordance with the conditions agreed, the Land Appreciation Tax shall be exempted if the properties are transferred for the first time within 5 years after 1 January 1994. The date of signing the contract shall be the date of signing the Sale and Purchase Agreement. The tax-free period may be prolonged subject to the approval of the MOF and the SAT for particular property projects which are approved by the government for the development of the whole lot of land and long-term development and in which the properties are transferred for the first time after the 5-year tax-free period.

On 24 December 1999, the MOF and the SAT issued the “Notice in respect of the extension of the period for the Land Appreciation Tax Exemption Policy” (關於土地增值稅優惠政策延期的通知) which extended the period for the Land Appreciation Tax exemption policy as mentioned above to the end of 2000.

After the issuance of the Land Appreciation Tax Provisional Regulations and the Land Appreciation Tax Detailed Implementation Rules, due to the longer period for property development and transfer, many districts, while they were implementing the regulations and rules, did not force the property development enterprises to declare and pay the Land Appreciation Tax. Therefore, the MOF, the SAT, the Ministry of Construction and the MLR separately and jointly issued several notices to restate the following: after the assignments are signed, the taxpayers should declare the tax to the local tax authorities where the property is located, and pay Land Appreciation Tax in accordance with the amount as calculated by the tax authority and the time as required. For those who fail to acquire proof of payment or exemption from Land Appreciation Tax from the tax authorities, the property administration authority shall not process the relevant title change procedures, and shall not issue the property title certificate.

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The SAT also issued the “Notice on Serious Handling of Administration of the Collection of Land Appreciation Tax” (關於認真做好土地增值稅徵收管理工作的通知) on 10 July 2002 to request local tax authorities to modify the management system of Land Appreciation Tax collection and operation details, to build up a sound taxpaying declaration system for Land Appreciation Tax, and to modify the methods of levying taxes in advance for the pre-sale of properties. The Notice also pointed out that for property development contracts which were signed before 1 January 1994 or where the project proposal has been approved and capital was injected for development, the privilege policy for Land Appreciation Tax exemption for properties that are transferred for the first time has expired, such tax shall be levied again. This requirement is restated in the “Notice on Strengthening of Administration of the Collection of Land Appreciation Tax” (關於加強土地增值稅管理工作的通知) and “Notice of State on Further Strengthening of Administration Work in relation to the Collection of Land Appreciation Tax and Land Use Tax in Cities and Towns” (關於進一步加強城鎮土地使用稅和土地增值稅徵收管理工作的通知) issued separately on 2 August 2004 and 5 August 2004 by SAT. These two Notices also required that the system of tax declaration and tax sources registration in relation to the land appreciation tax should be further established and perfected.

On 2 March 2006, the MOF and the SAT issued the “Notice on Several Points on Land Appreciation Tax” (關於土地增值稅若干問題的通知) to clarify relevant issues regarding land appreciation tax as follows:

- (a) *As to the tax collection and exemption in the sale of ordinary standard residential housing as built by taxpayers as well as in the transfer of ordinary residential houses by individual residents*

The notice sets out the standards for ordinary standard residential houses. Where any developer builds ordinary residential houses as well as other commercial houses, the appreciation amount of land shall be verified respectively. Before the day when this notice is publicized, as to any application for tax exemption for ordinary standard residential houses that has been filed to the tax authority at the locality of the property, especially any ordinary standard residential houses which have been given the treatment of exemption from land appreciation tax upon examination according to the standards for ordinary standard residential houses as determined by the people’s government of a province, autonomous region or municipality directly under the Central Government, no adjustment shall be retroactively made.

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(b) As to the advance collection and settlement of land appreciation tax:

- All regions shall decide the advance collection rate in a scientific and reasonable manner, and adjust it at a proper time according to the value of the property as well as the market development level within the region and on the basis of the specific housing categories, namely, ordinary standard residential houses, non-ordinary standard residential houses and commercial houses. After a project is completed, the relevant settlement shall be handled in a timely manner, with any overpayment refunded or any underpayment being made up.
- As to any tax that fails to be collected in advance within the advance collection term, overdue fines shall be collected as of the day following the expiration of the prescribed advance collection term according to the relevant provisions of the Tax Collection and Administration Law as well as its detailed rules for implementation.
- As to any property project that has been completed and has gone through the acceptance procedure, where the floor area of the property as transferred makes up 85 percent or more of the saleable floor area, the tax authority may require the relevant taxpayer to conduct the settlement of land appreciation 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 or municipality directly under the Central Government, or a city under separate state planning.
- As to any investment or association by using land (property) as payment for the purchase of shares, where an enterprise involved in the investment or association engages in property development or where any other property development enterprise makes investment or conducts association with the commercial houses it itself builds, it shall not be governed by the regulation of the interim exemption of land appreciation tax when the property (land) is transferred to the enterprise by means of investment or association.

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On 28 December 2006, the SAT issued the “Notice on the Administration of the Settlement of Land Appreciation Tax of Property Development Enterprises” (國家稅務總局關於房地產開發企業土地增值稅清算管理有關問題的通知) which came into effect on 1 February 2007.

Pursuant to the Notice, a property developer shall settle and clear the LAT payment of its development projects that meet certain criteria with the tax authorities in accordance with the applicable LAT rates. The LAT shall be settled for projects approved by the competent authorities; and for projects developed in different stages, the LAT shall be settled in stages. LAT must be settled if (1) the property development project has been completed and fully sold; (2) the property developer transfers the whole uncompleted development project; or (3) the land use rights with respect to the project are transferred. In addition, the relevant tax authorities may require the developer to settle the LAT if either of the following criteria is met: (1) for completed property development projects, the transferred GFA represents more than 85 percent of total salable GFA, or the proportion represented is less than 85 percent, but the remaining salable GFA has been leased out or used by the developer; (2) the project has not been sold out for more than three years after obtaining the sale permit or Pre-Sales Permit; (3) the developer applies for cancellation of the tax registration without having settled the relevant LAT; or (4) other conditions stipulated by the tax authorities.

The Notice also indicated that if a property developer satisfies any of the following circumstances, the tax authorities shall levy and collect LAT as per a levying rate no lower than the pre-payment rate with reference to the bearing rate of LAT of local enterprises with a similar development scale and income level: (i) failure to maintain account books required by law or administrative regulation; (ii) destroying account books without authorization or refusing to provide taxation information; (iii) the accounts are in a state of mess or cost materials, income vouchers and cost vouchers are damaged and incomplete, making it difficult to determine transferred income or the amount of deductible items; (iv) failure to go through LAT settlement within the prescribed period, and such failure is not cured within the period required by the relevant tax authorities; (v) the basis for tax calculation as submitted is obviously low without justifiable cause. Local provincial tax authorities can formulate their own implementation rules according to the notice and the local situation.

On 12 May 2009, the SAT issued the “Administrative Rules for the Settlement of Land Appreciation Tax” (土地增值稅清算管理規程) (the “Settlement Rules”), which became effective on 1 June 2009. The Settlement Rules reiterated the circumstances under which the LAT must be settled, the criteria that are to be met for relevant tax authorities to require the settlement of LAT and the circumstances under which the tax authorities shall levy and collect LAT as prescribed by the Notice. The Settlement Rules further stipulate detailed procedures for the examination and verification of settlement of LAT to be carried out by relevant tax authorities.

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According to the “Tianjin Taxation Bureau Notice regarding the Levy and Collection of Land Appreciation Tax” (天津市地方稅務局關於徵收土地增值稅問題的通知), the collection of LAT was introduced in Tianjin from 1 October 2005. In respect of pre-sales of commodity houses, LAT is calculated with reference to income generated from pre-sales (based on the volume of sales as indicated by the collection of sales tax). A rate of 0.5 percent applies to sales of regular houses, and a rate of 1 percent applies to sales of high-end houses, office buildings, condos, villas and holiday resorts. Property developers may wait until the full completion and sales of a whole project before completing transactions for the calculation and payment of LAT.

According to the “Provisions on Land Appreciation Tax of Hebei Province” (河北省土地增值稅管理辦法), obliged taxpayer should make tax filing and pay the land appreciation tax. The land appreciation tax rate for general residence is ranged from 0.3 percent to 2 percent, while tax rate for villa, office building and commercial build is ranged from 2 percent to 3 percent. Tax for taxpayer who has been get involved in residence development and other property development will be calculated based on the above rate respectively; In case that it is hard to separate, tax should be calculated based on the higher rate. Property developer can make settlement of the land appreciation tax for the land of the property after all the commercial houses have been sold out.

On 22 October 2008, the MOF and the SAT issued the “Circular on Taxation Policy Adjustment Concerning Real Estate Trading” (關於調整房地產交易環節稅收政策的通知) and temporarily exempted the LAT for individuals selling houses starting from 1 November 2008.

(iv) Deed tax

Pursuant to the “Interim Regulations of the People’s Republic of China on Deed Tax” (中華人民共和國契稅暫行條例) promulgated by the State Council on 14 July 1997 and implemented on 1 October 1997, the transferee, whether an individual or otherwise, of the title to a land site or building in the PRC shall be subject to the payment of deed tax. The rate of deed tax is 3 percent to 5 percent. The governments of provinces, autonomous regions and municipalities directly under the central government may, within the aforesaid range, determine and report their effective tax rates to the MOF and the SAT for the record. Pursuant to the “Tianjin City Implementation Rules on Deed Tax” (天津市契稅徵收實施辦法) promulgated by the Tianjin Municipal Government on 1 October 1997, the deed tax rate for Tianjin is 3 percent. According to the “Hebei Province Implementation Rules on Deed Tax” (河北省契稅實施辦法) promulgated by the Hebei Provincial Government on 10 September 2002, and amended on 30 September 2005, the deed tax rate for Hebei province is 4 percent. The tax rate for individuals who purchase self used property is 3 percent.

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On 22 October 2008, the MOF and the SAT issued the “Circular on Taxation Policy Adjustment Concerning Real Estate Trading” (關於調整房地產交易環節稅收政策的通知) which announced that the deed tax for individuals buying their first regular commodity house with a floor area of less than 90 square meters shall be temporarily reduced to a unified rate of 1 percent starting from 1 November 2008.

(v) *Urban land use tax*

Pursuant to the “Provisional Regulations of the People’s Republic of China Governing Land Use Tax in Urban Areas” (中華人民共和國城鎮土地使用稅暫行條例) promulgated by the State Council on 27 September 1988, implemented on 1 November 1988 and amended on 31 December 2006, land use tax in respect of urban land is levied according to the area of relevant land. The annual tax on every square meter of urban land shall be between RMB0.2 and RMB10 as determined by the local tax authority. According to the “Notice on Land Use Tax Exemption of Foreign-Invested Enterprises and Institutions of Foreign Enterprises in China” (關於中國外商投資企業和外國企業在華機構不徵收城鎮土地使用稅的通知) promulgated by the MOF on 2 November 1988 and the “Approval on Land Use Tax Exemption of Foreign-Invested Enterprises” (關於外商投資企業不徵收城鎮土地使用稅的批准書) issued by the SAT on 27 March 1997, land use fees should be collected instead of land use tax in respect of foreign-invested enterprises. However, in accordance with the Provisional Regulations of the People’s Republic of China Governing Land Use Tax in Urban Areas revised by the State Council on 31 December 2006, as of 1 January 2007, land use tax shall be collected from foreign-invested enterprises and the annual tax on every square meter of urban land shall be between RMB0.6 and RMB30.0.

(vi) *Buildings tax*

Under the “Interim Regulations of the People’s Republic of China on Building Tax” (中華人民共和國房產稅暫行條例) promulgated by the State Council on 15 September 1986 and implemented on 1 October 1986, building tax shall be levied at 1.2 percent if it is calculated on the basis of the residual value of a building, and 12 percent if it is calculated on the basis of the rental.

According to the “Circular Concerning Levy of Building Tax on Foreign Enterprises and Foreigners” (關於對外資企業及外籍個人徵收房產稅有關問題的通知) promulgated by the Ministry of Finance on 12 January 2009, and the “Circular Concerning the Implementation of Levy of Building Tax on Foreign-Invested Enterprise and Foreign Individuals” (關於做好外資企業及外籍個人房產稅徵管工作的通知) issued by the SAT on 6 January 2009, from 1 January 2009, domestic and foreign-invested enterprises and foreign individuals will all be subject to the “Interim Regulations of the People’s Republic of China on Building Tax”.

(vii) Stamp duty

Under the “Interim Regulations of the People’s Republic of China on Stamp Duty” (中華人民共和國印花稅暫行條例) promulgated by the State Council on 6 August 1988 and implemented on 1 October 1988, for property transfer instruments, including those in respect of property ownership transfer, the stamp duty rate shall be 0.05 percent of the amount stated therein; for permits and certificates relating to rights, including property title certificates and land use rights certificates, stamp duty shall be levied on an item basis of RMB5 per item.

On 22 October 2008, the MOF and the SAT issued the “Circular on Taxation Policy Adjustment Concerning Real Estate Trading” (關於調整房地產交易環節稅收政策的通知) and temporarily exempted the stamp duty for individuals selling or buying houses starting from 1 November 2008.

(viii) Municipal maintenance tax

Under the “Interim Regulations of the People’s Republic of China on Municipal Maintenance Tax” (中華人民共和國城市維護建設稅暫行條例) promulgated by the State Council on 8 February 1985, any taxpayer, whether an individual or otherwise, of product tax, value-added tax or business tax shall be required to pay municipal maintenance tax. The tax rate shall be 7 percent for a taxpayer whose domicile is in an urban area, 5 percent for a taxpayer whose domicile is in a county or a town, and 1 percent for a taxpayer whose domicile is not in any urban area or county or town. Under the “Circular Concerning Temporary Exemption from Municipal Maintenance Tax and Education Surcharge for Foreign-invested Enterprises and Foreign Enterprises” (關於外商投資企業和外國企業暫不徵收城市維護建設稅和教育費附加的通知) issued by the SAT on 25 February 1994, the municipal maintenance tax shall not be applicable to foreign invested enterprises with foreign investment for the time being, until further explicit stipulations are issued by the State Council.

(ix) Education surcharge

Under the “Interim Provisions on the Imposition of the Education Surcharge” (徵收教育費附加的暫行規定) promulgated by the State Council on 28 April 1986 and as amended on 7 June 1990 and 20 August 2005, a taxpayer, whether an individual or otherwise, of product tax, value-added tax or business tax shall pay an education surcharge, unless such obliged taxpayer is instead required to pay a rural area education surcharge as provided by the “Notice of the State Council on Raising Funds for Schools in Rural Areas” (國務院關於籌措農村學校辦學經費的通知). Under the “Supplementary Notice Concerning Imposition of Education Surcharge” (國務院關於教育費附加徵收問題的補充通知) issued by the State Council on 12 October 1994,

the “Circular Concerning Temporary Exemption from Municipal Maintenance Tax and Education Surcharge for Foreign-invested Enterprises and Foreign Enterprises” (關於外商投資企業和外國企業暫不徵收城市維護建設稅和教育費附加的通知) issued by the SAT on 25 February 1994, the education surcharge shall not be applicable to enterprises with foreign investment for the time being, until further explicit stipulations are issued by the State Council.

K. Measures on Adjusting the Structure of Housing Supply and Stabilizing Housing Price

The General Office of the State Council promulgated the “Circular on Duly Stabilizing the Prices of Residential Properties” (關於切實穩定住房價格的通知) on 26 March 2005, requiring measures to be taken to restrain housing prices from increasing too fast and to promote the healthy development of the property market. On 9 May 2005, the General Office of the State Council issued the “Opinion of the Ministry of Construction and other Departments on Improving the Works on Stabilizing the Prices of Residential Properties” (關於做好穩定住房價格工作的意見), which provides that:

(i) Intensifying planning and control and improving the housing supply structure

Where housing prices are in excessive growth and the supply of regular commodity houses at medium or low prices and economical houses is insufficient; housing construction should mainly involve projects of regular commodity houses with medium or low prices and economical houses. The construction of low-density, high-quality houses shall be strictly controlled. With respect to construction projects of medium-or-low-price regular commodity houses, before the supply of land, the municipal planning authority shall, according to controlling detailed planning, set forth conditions for planning and designing 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 area. Such conditions and requirements will be set up as preconditions of land assignment to ensure an effective supply of small or medium-sized houses at moderate and low prices. The local government must intensify the supervision of planning permit for property development projects. Housing projects that have not been commenced within two years must be re-examined, and those that turn out to be noncompliant with the planning permits will be revoked.

(ii) Intensifying control over the supply of land and rigorously enforcing the administration of land

Where the price of land for residential use grows too fast, the proportion of land for residential use to the total land supply should be raised, and the land supply for the construction of regular commodity housing at medium or low prices and economical housing should be increased. Land supply for villa construction shall be continuously suspended, and land supply for high-end housing property construction shall be restricted.

(iii) Adjusting the policies of business tax on house transfers and strictly regulating the collection and administration of tax

From 1 June 2005, business tax upon transferring a residential house by an individual within two years from purchasing will be levied on the full amount of the sale proceeds. For an individual having transferred an ordinary residence after two years from date of purchase, business tax will be exempted. For an individual having transferred a property other than ordinary residential house for two years or more from date of purchase, the business tax will be levied on the basis of the balance between the income from selling the residence and the purchase price.

(iv) Rectifying and regulating the market order and seriously investigating and punishing any irregular and rule-breaking sales

The buyer of a pre-sale commodity building is prohibited from conducting any transfer of such building if it is still under construction. A real name system for house purchases should be applied, and an immediate archival filing network system for pre-sale contracts of commodity buildings should be carried out.

On 24 May 2006, the General Office of the State Council issued the “Opinion of the Ministry of Construction and other Departments on Adjusting Housing Supply Structure and Stabilization of Housing Prices” (關於調整住房供應結構穩定住房價格的意見). As to the adjustment of housing supply and stabilization of housing prices, the opinion provides that:

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(a) Adjustment to the housing supply structure

- The construction of medium and small-sized regular commodity houses at medium or low prices should be especially developed to satisfy the demands of local residents.
- From 1 June 2006, for each and every commodity building newly examined and approved for the commencement of construction, the proportion of the area of housing (including economically affordable housing) with a unit floor area less than 90 square meters must reach 70 percent of the total development and construction area. In case of adjustment of the above-mentioned proportion, if required in special cases, the municipalities directly under the central government, separately planned cities and provincial capital cities must submit the special request for adjusting proportion to the Ministry of Construction for approval. The projects that have been examined and approved but have not received a construction works commencement permit shall where necessary adjust the set style of housing according to the above-mentioned requirements.

(b) Adjustment to tax, credit and land policies

- Commencing 1 June 2006, business tax applicable to the transfer of a residential property by an individual within five years from the date of purchase will be levied on the basis of the full amount of the sale proceeds. For an individual transferring an ordinary residential property five years or more from the date of purchase, business tax will be exempted. For an individual transferring a house other than an ordinary residential house for five years or more from purchasing, the business tax will be levied on the basis of the balance between the income from selling the house and the purchase price;
- In order to restrain property developers from purchasing land and buildings with bank credits, any developer applying for loans shall have at least 35 percent of capital required for the project development. To the developers with a large amount of idle land and vacant commodity buildings, commercial banks should restrict the grant or extension of revolving credit facilities in any form pursuant to the prudence principle. Commodity buildings which are vacant for more than 3 years should not be accepted as a guarantee by the commercial banks;

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- From 1 June 2006, the first installment of individual house loans should be no less than 30 percent. When a borrower applies for individual house loans for his own use and the floor area of the unit is less than 90 square meters, the first installment remains at 20 percent;
 - At least 70 percent of the land supply for residential property developments must be used for low-to-medium-cost and small to medium-size units and low-cost rental properties. On the basis of the restriction of price and housing style, the land supply shall adopt the method of competitive bidding of land price and housing price to determine 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 prohibited; When construction has not yet started one year after the construction commencement date agreed in the land use rights assignment contract has elapsed, charges for idle land should be collected at a higher level; when the construction has not started two years after the construction commencement date agreed in the land use rights assignment contract have elapsed, the right to use land can be taken back without compensation. The land will be regarded as idle land if: the development and construction of the land has started on time, but the developed area is less than one third of the total area to be developed and constructed, or the invested amount is less than 25 percent of the total amount of investment, and the development and construction has been continuously suspended for no less than one year without approval.
- (c) *Further rectifying and regulating the property market*
- Any project with a Construction Land Planning Permit which has not started construction should be re-evaluated. If the project is not in accordance with the controlling requirements of the plan, especially the requirements of the set style structure, the construction works planning permit, the construction works commencement permit and the Pre-Sales Permit should not be issued. Projects which have been altered or the construction of which have exceeded the provisions shall be disposed of or confiscated according to law.

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- The property administration authority and the administration of industry and commerce should investigate any illegal conduct such as contract fraud. Illegal conduct involving commodity building pre-completion sales without the necessary conditions should be ordered to stop and punished. With respect to the property enterprises that store up housing source from sale and maliciously manipulate and raise housing prices, the competent authorities shall seek prosecution, including by enforcing monetary punishment according to laws and regulations, the suspension of business licenses, and the responsible persons concerned shall be investigated and prosecuted.

To implement the “Opinions on Adjusting the Housing Supply Structure and Stabilizing Housing Prices”, the Ministry of Construction promulgated “Certain Opinions Regarding the Implementation of the Ratio Requirement for the Structure of Newly Constructed Residential Units” (關於落實新建住房結構比例要求若干意見) on 13 July 2006 and made supplemental requirements on the proportion of newly built housing structure as follows:

- (a) From 1 June 2006, in any city (including counties), the floor area of the housing which is less than 90 square meters should reach 70 percent of the total floor area of commercial commodity buildings newly approved or constructed.
- (b) According to the above requirements, the governments should guarantee the conditions of planning and design of newly built commodity buildings to be reached and confirm the requirements of structure proportion. Any digression from the above-mentioned requirements without authorization is forbidden. Construction works planning permit should not be issued by municipal planning and authorities. If there is any noncompliance with the planning permit; construction works commencement permit should not issued by the construction authority and for pre-sale of commodity buildings should not be issued by property development authority.
- (c) To projects which are approved before 1 June 2006 but have not obtained the construction works commencement permit, the governments of cities should ascertain the which specific project needs to adjust the set structure according to the proportion requirement of the newly-built commodity buildings in that year.

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On 20 December 2008, the General Office of the State Council issued “Several Opinions on Promoting the Sound Development of the Real Estate Market” (關於促進房地產市場健康發展的若干意見), which:

- (a) Promotes the construction of affordable residential housing; and
- (b) Encourages the purchase of regular commodity houses for residential purposes.

In addition to extending favourable interest rates and loan policies to first time buyers of apartments for self-residential purposes, individuals with an existing home in which the per-person floor area is smaller than the local average may buy a second apartment for self residence purposes under similar favourable loan terms to those that apply to first time buyers. If individuals purchase a second apartment or more for any other purpose, the interest rate shall be determined according to potential risks by commercial banks based on the benchmark interest rate.

Individuals who purchased their house for self-residential purposes prior to 31 December 2009 may, two or more years after the purchase, resell their house without paying business tax. This two-year threshold was reduced from five years as applicable under previous provisions. Individuals that have owned their self-residential house for less than two years shall pay business tax on the net profit (the difference between the original price and the sales price). Individuals who have purchased their house for any purpose other than self-residential shall, if they have owned it for two years or more, pay business tax on the net profit or, if they have owned it for less than two years, on the full sale price. This two-year threshold was also reduced from five years as prescribed in previous provision.

- (c) Supports real estate developers in dealing with the changing market

Increased credit financing services to “low-to-medium-level price” or “small-to-medium sized” regular commodity housing projects shall be provided, particularly those under construction; financial support and other related services to real estate developers engaged in merger and restructuring; approvals for bond issues by real estate developers with good credit ratings and sound financial credentials shall be supported and the building tax is unified, thereafter domestic and foreign-funded enterprises and individuals will all be subject to the Interim Regulations of the People’s Republic of China on Building Tax.

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According to “Several Opinions of the General Office of the State Council on Providing Financial Support for Economic Development” (國務院辦公廳關於當前金融促進經濟發展的若干意見) (No.126 [2008]), issued by General Office of the State Council on 8 December 2008, the State Council (1) implemented and promulgated relevant credit policies and measures to support people’s purchase of their first ordinary home or improved ordinary home; (2) provided more credit support for the construction of low rent houses and economically affordable houses and the reconstruction of shed areas for low-income urban residents; and (3) initiated the pilot operation of real estate trust investment funds and diversify the financing channels of real estate 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.

A Notice on Accelerating a Stable and Healthy Development in the Real Estate Market

II. On 7 January 2010, the General Office of the State Council issued *A Notice on Accelerating a Stable and Healthy Development in the Real Estate Market* (Guan Ban Fa [2010] No.4, which stipulates:

- i. Increase the effective supply of security housing and common commercial housing:
 1. Quicken the medium and low-cost, medium and small flat type common commercial housing construction. For the approved but unbuilt, built but unsold common commercial housing projects, we must take measures to urge real estate development enterprises to quicken project construction and sale. We should duly intensify our efforts in the affordable housing construction and expand the affordable housing supply range. Cities with overhigh commercial housing price or overquick hikes shall increase the supply of limit-price commercial housing, affordable housing and public rental housing practically.
 2. Increase the effective supply of land used for housing construction and raise land supply and development utilization efficiency. Various regions shall, according to real estate market running condition, have a good grasp of the gross amount, structure and time sequence of land supply and lay stress on ascertaining the building size of medium and low-cost, medium and small flat type common commercial housing, limit-price commercial housing, public rental housing, affordable housing and cities with overhigh housing price, overquick hikes and insufficient effective supply of housing shall expand the supply and proportion of land used for the construction of the above five categories of housing practically.
- ii. Reasonably steer housing consumption and suppress speculative house purchasing demand:
 3. Increase the differential credit policy implementation force. Financial institutions shall manage the loan for purchasing the second set of houses strictly, reasonably steer housing consumption and suppress the speculative house purchasing demand while they continue to support residents to buy common self-use house by loan for the first time. For a family that has purchased house by loan and applies to purchase the second set (or more) of house, the proportion of down payment for loan shall not be less than 40%, the loan interest rate shall be fixed strictly by risk.

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- iii. Continue to implement differential housing tax policy. Strictly carry out relevant state policies for individual's purchasing common house and non-common house, purchasing house for the first time and not the first time. For those that fall short of stated conditions, tax preference must not be given without exception. Besides, we should quicken studying how to improve housing tax policy and steer residents to build up a concept of reasonable and economical housing consumption.

- iv. Strengthen risk prevention and market supervision:
 - 1. Strengthen real estate credit risk management. Financial institutions shall further improve the real estate credit risk management system, insist on fair, orderly competition and implement credit standards strictly. Implement the capital requirements for real estate projects strictly. Granting loan to the real estate development enterprises that fall short of policy stipulation is strictly inhibited while we should prevent the overseas "hot line" from impacting our market.

 - 2. Continue to rectify real estate market order. Housing and urban-rural development department shall, jointly with the department concerned, increase the force of investigating and prosecuting the law-breaking and rule-violating behaviors in the real estate industry, strengthen the housing, especially the security housing project quality safety supervision. The land resource department shall collect land transfer price strictly, deepen the supervision on contract implementation and strengthen ideal land survey and treatment, severely investigate and prosecute the law-breaking, rule-violating land use, land reserves and land speculation. The department responsible for price shall strengthen the commercial housing price supervision, investigate and prosecute the behaviors as price swindling, housing price bid-up and violation of selling at marked price, etc. in real estate development, sale and intermediary services. The tax department shall further intensify the force of investigating and prosecuting the tax evasion behavior of the real estate development enterprise. The state-owned assets supervision department shall further regulate the investment in real estate behavior of the large state-owned enterprises.

**APPENDIX V SUMMARY OF THE LAWS AND REGULATIONS RELATING
TO THE PROPERTY DEVELOPMENT INDUSTRY IN CHINA**

3. Further intensify land supply management and commercial housing sale management. Various regions shall take the factors as land price, payment, the development time limit agreed in the contract, the vacant land of enterprise, etc. into consideration, reasonably determine land supply mode and content and explore the comprehensive bid evaluation method for land transfer. For a unit or individual that is in arrears with land price or in violation of the contractual stipulations, its participation in land transfer activities shall be restricted. The commercial housing project's single land transfer area shall be strictly controlled. According to the actual local conditions, reasonably determine the minimum size for the presale license of the commercial housing projects and it is not allowed to handle the presale license by floors and flats. A real estate development enterprise that has obtained a presale license must make all its house resources public in a specified time in a lump and sell to the outside strictly at the declared value. Further establish and improve the new commercial housing, in-stock housing transaction contract on-line register system and intensify the transaction fund supervision force.
4. Strengthen market monitoring. The local people government shall continue to strengthen the real estate market statistics, analysis and monitoring and submit measures and aiming at new situation and new problems, submit measures and solutions timely. Relevant department shall publish market regulation and its statistical information timely and stabilize market expectations.
- v. Quicken the security Comfort Housing Project construction:
 1. Quicken the construction of limit-price commercial housing and public rental housing and solve the housing difficulty for the middle and below the average income families. Start the urban and state-owned squatter settlement transformation work across the board and continue to push the squatter settlement transformation in the forest and reclamation areas. Meanwhile, increase the effort in rural dilapidated house transformation and increase the experimental households duly.
 2. The central government will duly raise the subsidy standard for the low-rent housing in the central and western regions and mobilize the initiative of local authorities to ensure the effect of fund usage.

**APPENDIX V SUMMARY OF THE LAWS AND REGULATIONS RELATING
TO THE PROPERTY DEVELOPMENT INDUSTRY IN CHINA**

On 17 April 2010, the State Council issued the “Notice on restraining resolutely over-rise of housing prices in some cities” (關於堅決遏制部分城市房價過快上漲的通知), which requires that:

- (1) Each district and each department practically implement their duty to stabilize property prices and residential housing guarantees.
- (2) Unreasonable housing demands should be strictly restricted and stricter differentiating credit policies should be implemented.

Families that purchase the first suit for own use with over 90 square meters shall pay down payment of no less than 30%; families who purchase the second suit shall pay down payment of no less than 50% while the base lending rate (BLR) should be no less than 1.1 times the prime rate; for those who purchase the third suit or more, the ratio of the down payment and the BLR will be significantly increased, practically determined by commercial banks pursuant to the risk management principles. Different kinds of speculative purchase of housing are strictly limited. For the places where the commodity housing price is too high, the rise is too rapid and with tight supply, commercial banks should suspend loans to those purchasing three or more housings according to the risk conditions. Housing loans to the non-local residents who cannot provide over a year of certificates of tax payment or social insurance payment certificate should be suspended. Local people’s government can adopt temporary measures and limit the number of suits purchased in a specific period of time according to the practical situations.

- (3) The effective supply for residential housing and residential land should be increased, and the housing supply structure should be adjusted.
- (4) Accelerate protective safety housing construction, ensure to achieve the mission of constructing 3 million protective housings and 2.8 million restructured housings in different shack areas by 2010.
- (5) Strengthen market supervision, strengthen the supervision for real estate development enterprises’ land purchasing and financing, and strengthen the supervision for the order of trading.

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 Islands company law.

*The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 10 June 2005 under the Cayman Companies Law. The Company's constitutional documents consist of its Amended and Restated Memorandum of Association (the "**Memorandum**") and the Amended and Restated Articles of Association (the "**Articles**").*

1. MEMORANDUM OF ASSOCIATION

- (a) The Memorandum provides, *inter alia*, that the liability of members of the Company is limited and that the objects for which the Company is established are unrestricted (and therefore include acting as an investment company), and that the Company shall have and be capable of exercising any and all of the powers at any time or from time to time exercisable by a natural person or body corporate whether as principal, agent, contractor or otherwise and since 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) By special resolution the Company may alter the Memorandum with respect to any objects, powers or other matters specified therein.

2. ARTICLES OF ASSOCIATION

The Articles were adopted on 16 June 2010. The following is a summary of certain provisions of the Articles:–

(a) Shares

(i) Classes of shares

The share capital of the Company consists of ordinary shares.

(ii) Share certificates

Every person whose name is entered as a member in the register of members shall be entitled without payment to receive a certificate for his shares. The Cayman Companies Law prohibits the issue of bearer shares to any person other than an authorised or recognised custodian defined in the Cayman Companies Law. The requirement on all service providers to implement appropriate due diligence procedures on the identity of a client in order to “know your client” as a result of proceeds of crime legislation mandates that special procedures should be followed when issuing bearer shares.

Every certificate for shares, warrants or debentures or representing any other form of securities of the Company shall be issued under the seal of the Company, and shall be signed autographically by one Director and the Secretary, or by 2 Directors, or by some other person(s) appointed by the Board for the purpose. As regards any certificates for shares or debentures or other securities of the Company, the Board may by resolution determine that such signatures or either of them shall be dispensed with or affixed by some method or system of mechanical signature other than autographic as specified in such resolution or that such certificates need not be signed by any person. Every share certificate issued shall specify the number and class of shares in respect of which it is issued and the amount paid thereon and may otherwise be in such form as the Board may from time to time prescribe. A share certificate shall relate to only one class of shares, and where the capital of the Company includes shares with different voting rights, the designation of each class of shares, other than those which carry the general right to vote at general meetings, must include the words “restricted voting” or “limited voting” or “non-voting” or some other appropriate designation which is commensurate with the rights attaching to the relevant class of shares. The Company shall not be bound to register more than 4 persons as joint holders of any share.

(b) Directors**(i) *Power to allot and issue shares and warrants***

Subject to the provisions of the Cayman Companies Law, the Memorandum and Articles and without prejudice 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). Any share may be issued on terms that upon the happening of a specified event or upon a given date and either at the option of the Company or the holder thereof, they are liable to be redeemed.

The Board may issue warrants to subscribe for any class of shares or other securities of the Company on such terms as it may from time to time determine.

Where warrants are issued to bearer, no certificate thereof shall be issued to replace one that has been lost unless the Board is satisfied beyond reasonable doubt that the original certificate thereof has been destroyed and the Company has received an indemnity in such form as the Board shall think fit with regard to the issue of any such replacement certificate.

Subject to the provisions of the Cayman Companies Law, the Articles and, where applicable, the rules of any stock exchange of the Relevant Territory (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 whose registered addresses are in any particular territory or territories where, in the absence of a registration statement or other special formalities, this is or may, in the opinion of the Board, be unlawful or impracticable. However, no member affected as a result of the foregoing shall 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

While there are no specific provisions in the Articles relating to the disposal of the assets of the Company or any of its subsidiaries, the Board may 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 Cayman Companies Law to be exercised or done by the Company in general meeting, but if such power or act is regulated by the Company in general meeting, such regulation shall not invalidate any prior act of the Board which would have been valid if such regulation had not been made.

(iii) Compensation or payments for loss of office

Payments to any present 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 or statutorily 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 and their associates which are equivalent to provisions of Hong Kong law prevailing at the time of adoption of the Articles.

The Company shall not directly or indirectly make a loan to a Director or a director of any holding company of the Company or any of their respective associates, enter into any guarantee or provide any security in connection with a loan made by any person to a Director or a director of any holding company of the Company or any of their respective associates, or if any one or more of the Directors hold (jointly or severally or directly or indirectly) a controlling interest in another company, make a loan to that other company or enter into any guarantee or provide any security in connection with a loan made by any person to that other company.

(v) *Disclosure of interest in contracts with the Company or with any of its subsidiaries*

With the exception of the office of auditor of the Company, a Director may hold any other office or place of profit with the Company in conjunction with his office of Director for such period and, 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 or member of any other company in which the Company may be interested, and shall not be liable to account to the Company or the members for any remuneration or other benefits received by him as a director, officer or member of such other company. 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.

No Director or intended Director shall be disqualified by his office from contracting with the Company, either as vendor, purchaser or otherwise, 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 for any profit realised by any such contract or arrangement by reason only of such Director holding that office or the fiduciary relationship thereby established. A Director who is, in any way, materially interested in a contract or arrangement or proposed contract or arrangement with the Company shall declare the nature of his interest at the earliest meeting of the Board at which he may practically do so.

There is no power to freeze or otherwise impair any of the rights attaching to any Share by reason that the person or persons who are interested directly or indirectly therein have failed to disclose their interests to the Company.

A Director shall not vote (nor shall he be counted in the quorum) on any resolution of the Board in respect of any contract or arrangement or other proposal in which he or his associate(s) is/are materially interested, and if he shall do so his vote shall not be counted nor shall he be counted in the quorum for that resolution, but this prohibition shall not apply to any of the following matters namely:

- (aa) the giving of any security or indemnity to the Director or his associate(s) in respect of money lent or obligations incurred or undertaken by him or any of them at the request of or for the benefit of the Company or any of its subsidiaries;
- (bb) 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/have 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 proposal concerning an offer of shares or debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase, where the Director or his associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;
- (dd) any proposal 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 member or in which the Director or his associate(s) is/are beneficially interested in shares of that company, provided that the Director and any of his associates are not in aggregate beneficially interested in 5% or more of the issued shares of any class of such company (or of any third company through which his interest or that of his associate(s) is derived) or of the voting rights;

- (ee) 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 associate(s) 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 generally accorded to the employees to which such scheme or fund relates; or
- (ff) 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.

(vi) *Remuneration*

The Directors shall be entitled to receive, as ordinary remuneration for their services, such sums as shall from time to time be determined by the Board, or the Company in general meeting, as the case may be, such sum (unless otherwise directed by the resolution by which it is determined) to be divided amongst the Directors in such proportions and in such manner as they may agree or failing agreement, equally, except that in such event any Director holding office for only a portion 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 has held office. The Directors shall also be entitled to be repaid all travelling, hotel and other expenses reasonably incurred by them in attending any Board meetings, committee meetings or general meetings or otherwise in connection with the discharge of their duties as Directors. Such remuneration shall be in addition to any other remuneration to which a Director who holds any salaried employment or office in the Company may be entitled by reason of such employment or office.

Any Director who, at the request of the Company performs services which in the opinion of the Board go beyond the ordinary duties of a Director may be paid such special or 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 shall be in addition to his ordinary remuneration as a Director.

The Board may establish, either on its own or jointly in concurrence or agreement with other companies (being subsidiaries of the Company or with which the Company is associated in business), or may make contributions out of the Company's monies to, such 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 former Director who may hold or have held any executive office or any office of profit with the Company or any of its subsidiaries) and former employees of the Company and their dependents or any class or classes of such persons.

In addition, the Board may also pay, enter into agreements to pay or make grants of revocable or irrevocable, whether or not subject to any terms or conditions, pensions or other benefits to employees and former employees and their dependents, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or former employees or their dependents are or may become entitled under any such scheme or fund as mentioned above. Such pension or benefit may, if deemed desirable by the Board, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

(vii) Appointment, retirement and removal

At any time or from time to time, the Board shall have the power to appoint any person as a Director either to fill a casual vacancy on the Board or as an additional Director to the existing Board subject to any maximum number of Directors, if any, as may be determined by the members in general meeting. Any Director so appointed shall hold office only until the next general meeting of the Company and shall then be eligible for re-election. There is no shareholding qualification for Directors.

At each annual general meeting, one third of the Directors for the time being will retire from office by rotation. However, if the number of Directors is not a multiple of three, then the number nearest to but not less than one third shall be the number of retiring Directors. The Directors who shall retire in each year will be those who have been longest in the office since their last re-election or appointment but as between persons who become or were last re-elected Directors on the same day those to retire will (unless they otherwise agree among themselves) be determined by lot.

No person, other than a retiring Director, shall, unless recommended by the Board for election, be eligible for election to the office of Director at any general meeting, unless notice in writing of the intention to propose that person for election as a Director and notice in writing by that person of his willingness to be elected shall have been lodged at the head office or at the registration office. The period for lodgment of such notices will commence no earlier than the day after the despatch of the notice of the meeting appointed for such election and end no later than 7 days prior to the date of such meeting and the minimum length of the period during which such notices to the Company may be given must be at least 7 days.

A Director is not required to hold any shares in the Company by way of qualification nor is there any specified upper or lower age limit for Directors either for accession to the Board or retirement therefrom.

A Director may be removed by an ordinary resolution of the Company before the expiration of his term 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 the Company 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.

In addition to the foregoing, the office of a Director shall be vacated:

- (aa) if he resigns his office by notice in writing delivered to the Company at the registered office or head office of the Company for the time being or tendered at a meeting of the Board;
- (bb) if he dies or becomes of unsound mind as determined pursuant to an order made by any competent court or official on the grounds that he is or may be suffering from mental disorder or is otherwise incapable of managing his affairs and the Board resolves that his office be vacated;

- (cc) if, without special leave, he is absent from meetings of the Board 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 generally;
- (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;
- (gg) if he has been validly required by the stock exchange of the Relevant Territory (as defined in the Articles) to cease to be a Director and the relevant time period for application for review of or appeal against such requirement has lapsed and no application for review or appeal has been filed or is underway against such requirement; or
- (hh) if he is removed from office by notice in writing served upon him signed by not less than three-fourths in number (or, if that is not a round number, the nearest lower round number) of the Directors (including himself) then in office.

From time to time the Board may 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 also delegate any of its powers to committees consisting of such Director or Directors and other person(s) as the Board thinks fit, and from time to time it may also 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 so delegated, conform to any regulations that may from time to time be imposed upon it by the Board.

(viii) Borrowing powers

Pursuant to the Articles, 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 uncalled capital of the Company and, subject to the Cayman Companies Law, to issue debentures, debenture stock, 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. The provisions summarized above, in common with the Articles of Association in general, may be varied with the sanction of a special resolution of the Company.

(ix) Register of Directors and officers

Pursuant to the Cayman Companies Law, 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 30 days of any change in such directors or officers.

(x) Proceedings of the Board

Subject to the Articles, the Board may meet anywhere in the world for the despatch of business and may adjourn and otherwise regulate its meetings as it thinks 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 a second or casting vote.

(c) Alterations to the constitutional documents

To the extent that the same is permissible under Cayman Islands law and subject to the Articles, the Memorandum and Articles of the Company may only be altered or amended, and the name of the Company may only be changed by the Company by special resolution.

(d) Variation of rights of existing shares or classes of shares

Subject to the Cayman Companies Law, if at any time the share capital of the Company is divided into different classes of shares, all or any of the special rights attached to any class of shares may (unless otherwise provided for by the terms of issue of the shares 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 shall *mutatis mutandis* apply, but so that the necessary quorum (other than at an adjourned meeting) shall be not less than two persons together holding (or in the case of a shareholder being a corporation, by its duly authorized representative) or representing by proxy not less than one-third in nominal value of the issued shares of that class. Every holder of shares of the class shall be entitled on a poll to one vote for every such share held by him, and any holder of shares of the class present in person or by proxy may demand a poll.

Any 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) Alteration of capital

The Company may, by an ordinary resolution of its members, (a) increase its share capital by the creation of new shares of such amount as it thinks expedient; (b) consolidate or divide all or any of its share capital into shares of larger or smaller amount than its existing shares; (c) divide its unissued shares into several classes and attach thereto respectively any preferential, deferred, qualified or special rights, privileges or conditions; (d) subdivide its shares or any of them into shares of an amount smaller than that fixed by the Memorandum; and (e) cancel shares which, at the date of the passing of the resolution, have not been taken or agreed to be taken by any person and diminish the amount of its share capital by the amount of the shares so cancelled; (f) make provision for the allotment and issue of shares which do not carry any voting rights; (g) change the currency of denomination of its share capital; and (h) reduce its share premium account in any manner authorized and subject to any conditions prescribed by law.

Reduction of share capital – subject to the Companies Law and to confirmation by the court, a company limited by shares may, if so authorised by its Articles of Association, by special resolution, reduce its share capital in any way.

(f) Special resolution - majority required

In accordance with 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 by proxy or, in the case of members which are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which not less than 21 clear days' notice, specifying the intention to propose the resolution as a special resolution, has been duly given. However, 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 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 less than 21 clear days' notice has been given.

Under Cayman Companies Law, a copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands within 15 days of being passed.

An "ordinary resolution", by contrast, 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 members which are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which not less than fourteen clear days' notice has been given and held in accordance with the Articles. A resolution in writing signed by or on behalf of all members shall be treated as an ordinary resolution duly passed at a general meeting of the Company duly convened and held, and where relevant as a special resolution so passed.

(g) Voting rights (generally and on a poll) and right to demand a poll

Subject to any special rights, restrictions or privileges as to voting for the time being attached to any class or classes of shares at any general meeting on a show of hands, every member who is present in person or by proxy or being a corporation, is present by its duly authorised representative shall have one vote, and 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 share which is fully paid or credited as fully paid registered in his name in the register of members of the Company but so that no amount paid up or credited as paid up on a share in advance of calls or instalments is treated for the foregoing purpose as paid up on the share. Notwithstanding anything contained in the Articles, where more than one proxy is appointed by a member which is a Clearing House (as defined in the Articles) (or its nominee(s)), each such proxy shall have one vote on a show of hands. On a poll, a member entitled to more than one vote need not use all his votes or cast all the votes he does use in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided on a show of hands unless (before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll) a poll is demanded or otherwise required under the rules of the stock exchange of the Relevant Territory (as defined in the Articles). A poll may be demanded by:

- (i) the chairman of the meeting; or
- (ii) at least two members present in person or, in the case of a member being a corporation, by its duly authorised representative or by proxy for the time being entitled to vote at the meeting; or
- (iii) any member or members present in person or, in the case of a member being a corporation, by its duly authorised representative or by proxy and representing not less than one-tenth of the total voting rights of all the members having the right to vote at the meeting; or
- (iv) a member or members present in person or, in the case of a member being a corporation, by its duly authorised representative or by proxy and holding shares in the Company conferring a right to vote at the meeting being shares on which an aggregate sum has been paid equal to not less than one-tenth of the total sum paid up on all the shares conferring that right.

Should a Clearing House or its nominee(s), be a member of the Company, such person or persons may be authorised 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 in accordance with this provision shall be entitled to exercise the same rights and powers on behalf of the Clearing House or its nominee(s), as if such person were an individual member including the right to vote individually on a show of hands.

Where the Company has knowledge that any member is, under the Listing Rules, 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 member in contravention of such requirement or restriction shall not be counted.

(h) Annual general meetings

The Company must hold an annual general meeting each year. Such meeting must be held not more than 15 months after the holding of the last preceding annual general meeting, or such longer period as may be authorised by the Stock Exchange at such time and place as may be determined by the Board.

(i) Accounts and audit

The Board shall cause proper books of account 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 assets and liabilities of the Company and of all other matters required by the Cayman Companies Law necessary to give a true and fair view of the state of the Company's affairs and to show and explain its transactions.

The books of accounts of the Company shall be kept at the head office of the Company 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 account or book or document of the Company except as conferred by the Cayman Companies Law or ordered by a court of competent jurisdiction or authorised by the Board or the Company in general meeting.

The Board shall from time to time cause to be prepared and laid before the Company at its annual general meeting balance sheets and profit and loss accounts (including every document required by law to be annexed thereto), together with a copy of the Directors' report and a copy of the auditors' report not less than 21 days before the date of the annual general meeting. Copies of these documents shall be sent to every person entitled to receive notices of general meetings of the Company under the provisions of the Articles together with the notice of annual general meeting, not less than 21 days before the date of the meeting.

Subject to the rules of the stock exchange of the Relevant Territory (as defined in the Articles), the Company may send summarized financial statements to shareholders who has, in accordance with the rules of the stock exchange of the Relevant Territory (as defined in the Articles), consented and elected to receive summarized financial statements instead of the full financial statements. The summarized financial statements must be accompanied by any other documents as may be required under the rules of the stock exchange of the Relevant Territory (as defined in the Articles), and must be sent to the shareholders not less than twenty-one days before the general meeting to those shareholders that have consented and elected to receive the summarized financial statements.

The Company shall appoint auditor(s) to hold office until the conclusion of the next annual general meeting on such terms and with such duties as may be agreed with the Board. The auditors' remuneration shall be fixed by the Company in general meeting or by the Board if authority is so delegated by the members.

The auditors shall audit the financial statements of the Company in accordance with generally accepted accounting principles of Hong Kong, the International Accounting Standards or such other standards as may be permitted by the Stock Exchange.

(j) Notices of meetings and business to be conducted thereat

An annual general meeting and any extraordinary general meeting at which it is proposed to pass a special resolution must be called by at least 21 days' notice in writing, and any other extraordinary general meeting shall be called by at least 14 days' notice in writing. The notice shall be exclusive of the day on which it is served or deemed to be served and of the day for which it is given, and must specify the time, place and agenda of the meeting, and particulars of the resolution(s) to be considered at that meeting, and, in the case of special business, the general nature of that business.

Except where otherwise expressly stated, any notice or document (including a share certificate) to be given or issued under the Articles shall be in writing, and may be served by the Company on any member either personally or by sending it through the post in a prepaid envelope or wrapper addressed to such member at his registered address as appearing in the Company's register of members or by leaving it at such registered address as aforesaid or (in the case of a notice) by advertisement in the newspapers. Any member whose registered address is outside Hong Kong may notify the Company in writing of an address in Hong Kong which for the purpose of service of notice shall be deemed to be his registered address. Where the registered address of the member is outside Hong Kong, notice, if given through the post, shall be sent by prepaid airmail letter where available. Subject to the Cayman Companies Law and the Listing Rules, a notice or document may be served or delivered by the Company to any member by electronic means to such address as may from time to time be authorised by the member concerned or by publishing it on a website and notifying the member concerned that it has been so published.

Although a meeting of the Company may be called by shorter notice than as specified above, such meeting may 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 95% in nominal value of the issued shares giving that right.

All business transacted at an extraordinary general meeting shall be deemed special business and all business shall also be deemed special business where it 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;
- (ee) the fixing of the remuneration of the Directors and of the auditors;

- (ff) the granting of any mandate or authority to the Board to offer, allot, grant options over, or otherwise dispose of the unissued shares of the Company representing not more than 20% in nominal value of its existing issued share capital (or such other percentage as may from time to time be specified in the rules of the Stock Exchange) and the number of any securities repurchased by the Company since the granting of such mandate; and
- (gg) the granting of any mandate or authority to the Board to repurchase securities in the Company.

(k) Transfer of shares

Subject to the Cayman Companies Law, all transfers of shares shall be effected by an instrument of transfer in the usual or common form or in such other form as the Board may approve provided always that it shall be in such form prescribed by the Stock Exchange and may be under hand or, if the transferor or transferee is a Clearing House or its nominee(s), under hand or by machine imprinted signature or by such other manner of execution as the Board may approve from time to time.

Execution of the instrument of transfer shall be 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 transferor or transferee or accept mechanically executed transfers in any case in which it in its discretion thinks fit 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 of the Company in respect thereof.

The Board may, in its absolute discretion, at any time and from time to time remove any share on 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 removed to any branch register nor shall shares on any branch register be removed to the principal register or any other branch register. All removals and other documents of title shall be lodged for registration and registered, in the case of shares on any branch register, at the relevant registration office and, in the case of shares on the principal register, at the place at which the principal register is located.

The Board may, in its absolute discretion, decline 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 option scheme 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 recognize any instrument of transfer unless a fee of such maximum sum as the Stock Exchange may determine to be payable or such lesser sum as the Board may from time to time require is paid to the Company in respect thereof, the instrument of transfer is properly stamped (if applicable), is in respect of only one class of share and is lodged at the relevant registration office or the place at which the principal register is located 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 newspaper circulating generally in Hong Kong or, where applicable, any other newspapers in accordance with the requirements of the Stock Exchange, at such times and for such periods as the Board may determine. The register of members shall not be closed for periods exceeding in the whole 30 days in any year.

Fully paid shares shall be free from any restriction with respect to the right of the holder thereof to transfer such shares (except when permitted by the Stock Exchange) and shall also be free from all liens.

(I) Power of the Company to purchase its own shares

The Company is empowered by the Cayman 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 requirement imposed from time to time by code, rules or regulations issued from time to time by the Stock Exchange and/or the Securities and Futures Commission of Hong Kong.

Where the Company purchases for redemption a redeemable Share, purchases not made through the market or by tender shall be limited to a maximum price, and if purchases are by tender, tenders shall be available to all members alike.

(m) Power of any subsidiary of the Company to own shares in the Company

There are no provisions in the Articles relating to the ownership of shares in the Company by a subsidiary.

(n) Dividends and other methods of distribution

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.

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, although 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 in accordance with the amount paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. The Board may deduct from any dividend or other monies payable to any member all sums of money (if any) presently payable by him to the Company on account of calls, instalments or otherwise.

Where the Board or the Company in general meeting has resolved that a dividend should be paid or declared on the share capital of the Company, the Board may resolve:

- (aa) 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 members entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment; or
- (bb) that the members 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.

Upon the recommendation of the Board the Company may by ordinary resolution in respect of any one particular dividend of the Company determine that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to members to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, bonus 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, but in the case of joint holders, shall be addressed to the holder whose name stands first in the register of members of the Company in respect of the shares at his address as appearing in the register, or addressed to such person and at such address as the holder or joint holders may in writing so direct. Every such cheque or warrant shall be made payable to the order of the person to whom it is sent and shall be sent at the holder's or joint holders' 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.

The Board may, if it thinks fit, receive from any member willing to advance the same, and either in money or money's worth, all or any part of the money uncalled and unpaid or instalments payable upon any shares held by him, and in respect of all or any of the moneys so advanced may pay interest at such rate (if any) not exceeding 20% per annum, as the Board may decide, but a payment in advance of a call shall not entitle the member to receive any dividend or to exercise any other rights or privileges as a member in respect of the share or the due portion of the shares upon which payment has been advanced by such member before it is called up.

All dividends, bonuses or other distributions 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, bonuses or other distributions unclaimed for six years after having been declared may be forfeited by the Board and, upon such forfeiture, 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.

The Company may exercise the power to cease sending cheques for dividend entitlements or dividend warrants by post if such cheques or warrants remain uncashed on two consecutive occasions or after the first occasion on which such a cheque or warrant is returned undelivered.

(o) 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. On a poll or on a show of hands, votes may be given either personally (or, in the case of a member being a corporation, by its duly authorized representative) or by proxy.

The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing, or if the appointor is a corporation, either under seal or under the hand of an officer or attorney duly authorised. Every instrument of proxy, whether for a specified meeting or otherwise, shall be in such form as the Board may from time to time approve, provided that any form issued to a member for use by him for appointing a proxy to attend and vote at an extraordinary general meeting or at an annual general meeting at which any business is to be transacted shall be such as to enable the member, according to his intentions, to instruct the proxy to vote in favour of or against (or, in default of instructions, to exercise his discretion in respect of) each resolution dealing with any such business.

(p) Calls on shares and forfeiture of shares

The Board may from time to time make such calls as it may think fit 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) and not by the conditions of allotment thereof made payable at fixed times. A call may be made payable either in one sum or by instalments. If the sum payable in respect of any call or instalment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding 20% per annum as the Board shall fix 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 money uncalled and unpaid or instalments payable upon any shares held by him, and in respect of all or any of the monies so advanced the Company may pay interest at such rate (if any) not exceeding 20% per annum as the Board may decide.

If a member fails to pay any call or instalment of a call on the day appointed for payment thereof, the Board may, at any time thereafter during such time as any part of the call or instalment remains unpaid, serve not less than 14 days' notice on him requiring payment of so much of the call or instalment as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment. The notice will name a further day (not earlier than the expiration of 14 days from the date of the notice) on or before which the payment required by the notice is to be made, and it shall also name the place where payment is to be made. The notice shall also state 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, nevertheless, remain liable to pay to the Company all moneys 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 payment at such rate not exceeding 20 per cent per annum as the Board may prescribe.

(q) Inspection of corporate records

Members of the Company have no general right under the Cayman Companies Law to inspect or obtain copies of the register of members or corporate records of the Company. However, the members of the Company will have such rights as may be set forth in the Articles. The Articles provide that for so long as any part of the share capital of the Company is listed on the Stock Exchange, any member may inspect any register of members of the Company maintained in Hong Kong (except when the register of member is closed) without charge and require the provision to him of copies or extracts thereof in all respects as if the Company were incorporated under and were subject to the Hong Kong Companies Ordinance.

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 outside the Cayman Islands, as its directors may, from time to time, think fit.

(r) 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, and continues to be present until the conclusion of the meeting.

The quorum for a general meeting shall be two members present in person (or in the case of a member being a corporation, by its duly authorised representative) or by proxy and entitled to vote. In respect of a separate class meeting (other than an adjourned meeting) convened to sanction the modification of class rights the necessary quorum shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class.

(s) Rights of minorities in relation to fraud or oppression

There are no provisions in the Articles concerning the rights of minority members in relation to fraud or oppression. However, certain remedies may be available to members of the Company under Cayman Islands law, as summarized in paragraph 3(f) of this Appendix.

(t) 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, then 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, on the shares held by them respectively.

In the event that the Company is wound up (whether the liquidation is voluntary or compelled by the court) the liquidator may, with the sanction of a special resolution and any other sanction required by the Cayman 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 and the members within each class. The liquidator may, with the like sanction, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator shall think fit, but so that no member shall be compelled to accept any shares or other property upon which there is a liability.

(u) Untraceable members

The Company may exercise the power to cease sending cheques for dividend entitlements or dividend warrants by post if such cheques or warrants remain uncashed on two consecutive occasions or after the first occasion on which such a cheque or warrant is returned undelivered.

In accordance with the Articles, the Company is entitled to sell any of the shares of a member who is untraceable if:

- (i) all cheques or warrants, 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 years and 3 months period (being the 3 months notice period referred to in sub-paragraph (iii)), 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 stock exchange of the Relevant Territory (as defined in the Articles) giving notice of its intention to sell such shares and a period of three months has elapsed since such advertisement and the stock exchange of the Relevant Territory (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.
- (v) **Subscription rights reserve**

Pursuant to the Articles, provided that it is not prohibited by and is otherwise in compliance with the Cayman 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 the shares to be issued on the exercise of such warrants, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of such shares.

3. CAYMAN ISLANDS COMPANY LAW

The Company was incorporated in the Cayman Islands as an exempted company on 10 June 2005 subject to the Cayman Companies Law. Certain provisions of Cayman Islands company law are set out below but this section does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of the Cayman Companies Law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar.

(a) Company operations

As an exempted company, the Company must conduct its operations mainly outside the Cayman Islands. Moreover, the Company is required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the amount of its authorized share capital.

(b) Share capital

In accordance with the Cayman Companies Law, a Cayman Islands company may issue ordinary, preference or redeemable shares or any combination thereof. The Cayman Companies Law provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount or 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 arrangements in consideration of the acquisition or cancellation of shares in any other company and issued at a premium. The Cayman Companies Law provides that the share premium account may be applied by the company subject to the provisions, if any, of its memorandum and articles of association, in such manner as the company may from time to time determine including, but without limitation, the following:

- (i) paying distributions or dividends to members;
- (ii) paying up unissued shares of the company to be issued to members as fully paid bonus shares;
- (iii) in the redemption and repurchase of shares (in accordance with the detailed provisions of section 37 of the Cayman Companies Law);
- (iv) writing-off the preliminary expenses of the company;
- (v) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company; and
- (vi) providing for the premium payable on redemption or purchase of any shares or debentures of the company.

Notwithstanding the foregoing, the Cayman Companies Law provides that no distribution or dividend may be paid to members out of the share premium account unless, immediately following the date on which the distribution or dividend is proposed to be paid, the company will be able to pay its debts as they fall due in the ordinary course of business.

It is further provided by the Cayman Companies Law that, subject to confirmation by the court, a company limited by shares or a company limited by guarantee and having a share capital may, if authorized to do so by its articles of association, by special resolution reduce its share capital in any way.

The Articles include 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

There are no statutory prohibitions in the Cayman Islands on the granting of financial assistance by a company to another person for the purchase of, or subscription for, its own, its holding company's or a subsidiary's shares. Therefore, a company may provide financial assistance provided the directors of the company when proposing to grant such financial assistance discharge their duties of care and acting in good faith, for a proper purpose and in the interests of the company. Such assistance should be on an arm's-length basis.

(d) Purchase of shares and warrants by a company and its subsidiaries

A company limited by shares or a company limited by guarantee and having a share capital may, if so authorized by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a member. In addition, such a company may, if authorized to do so by its articles of association, purchase its own shares, including any redeemable shares. Nonetheless, if the articles of association do not authorize the manner of purchase, a company cannot purchase any of its own shares without the manner of purchase first being authorized by an ordinary resolution of the company. A company may not redeem or purchase its shares unless they are fully paid. Furthermore, 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. In addition, 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 Cayman Islands company may be able to purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. Thus there is no requirement under Cayman Islands law that a company's memorandum or articles of association contain a specific provision enabling such purchases. The directors of a company may under the general power contained in its memorandum of association be able 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 Cayman Companies Law, there are no statutory provisions relating to the payment of dividends. Based upon English case law which is likely to be persuasive in the Cayman Islands, dividends may be paid only out of profits. In addition, section 34 of the Cayman Companies Law permits, subject to a solvency test and the provisions, if any, of the company's memorandum and articles of association, the payment of dividends and distributions out of the share premium account (see sub-paragraph 2(n) of this Appendix for further details).

(f) Protection of minorities and shareholders' suits

It can be expected that the Cayman Islands courts will ordinarily follow English case law precedents (particularly the rule in the case of *Foss v. Harbottle* and the exceptions thereto) which permit a minority member to commence a representative action against or derivative actions in the name of the company to challenge:

- (i) an act which is *ultra vires* the company or illegal;
- (ii) an act which constitutes a fraud against the minority and the wrongdoers are themselves in control of the company; and
- (iii) an irregularity in the passing of a resolution the passage of which requires a qualified (or special) majority which has not been obtained.

Where a company (not being a bank) is one which has a share capital divided into shares, the court may, on the application of members thereof holding not less than one-fifth of the shares of the company in issue, appoint an inspector to examine the affairs of the company and, at the direction of the court, to report thereon.

Moreover, any member 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.

In general, claims against a company by its members must be based on the general laws of contract or tort applicable in the Cayman Islands or be based on potential violation of their individual rights as members as established by a company's memorandum and articles of association.

(g) Disposal of assets

There are no specific restrictions in the Cayman Companies Law on the power of directors to dispose of assets of a company, although it specifically requires that 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 interest 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

Section 59 of the Cayman Companies Law provides that a company shall cause proper records of accounts to be kept with respect to (i) all sums of money received and expended by the company and the matters with respect to 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.

Section 59 of the Cayman Companies Law further states that 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 effect 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-Council:

- (i) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits or income or gains or appreciation shall apply to the Company or its operations; and
- (ii) in addition, that no tax be levied on profits, income gains or appreciations or which is in the nature of estate duty or inheritance tax shall be payable by the Company:
 - (aa) on or in respect of the shares, debentures or other obligations of the Company; or
 - (bb) by way of withholding in whole or in part of any relevant payment as defined in section 6(3) of the Tax Concessions Law (1999 Revision).

The undertaking for the Company is for a period of twenty years from 5 July 2005.

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. The Cayman Islands are not a party to any double tax treaties.

(k) Stamp duty on transfers

There is no stamp duty payable in the Cayman Islands on transfers of shares of Cayman Islands companies save for those which hold interests in land in the Cayman Islands.

(l) Loans to directors

The Cayman Companies Law contains no express provision prohibiting the making of loans by a company to any of its directors. However, the Articles provide for the prohibition of such loans under specific circumstances.

(m) Inspection of corporate records

The members of the company have no general right under the Cayman Companies Law to inspect or obtain copies of the register of members or corporate records of the company. They will, however, have such rights as may be set out in the company's articles of association.

(n) Register of members

A Cayman Islands 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 outside the Cayman Islands, as the directors may, from time to time, think fit. The Cayman Companies Law contains no requirement for an exempted company to make any returns of members to the Registrar of Companies in the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection.

(o) Winding up

A Cayman Islands company may be wound up either by (i) an order of the court; (ii) voluntarily by its members; or (iii) under the supervision of the court

The court has authority to order winding up in a number of specified circumstances including where, in the opinion of the court, it is just and equitable that such company be so wound up.

A voluntary winding up of a company occurs where the members so resolve in general meeting by special resolution, or, by ordinary resolutions when the company is unable to pay its debt as they fall due; or, in the case of a limited duration company, when the period fixed for the duration of the company by its memorandum or articles expires, or where the event occurs on the occurrence of which the memorandum or articles provides that the company is to be dissolved. In the case of a voluntary winding up, such company is obliged to cease to carry on its business from the commencement of its winding up except so far as it may be beneficial for its winding up. Upon appointment of a voluntary liquidator, all the powers of the directors cease, except so far as the company in general meeting or the liquidator sanctions their continuance.

In the case of a members' voluntary winding up of a company, one or more liquidators shall be appointed for the purpose of winding up the affairs of the company and distributing its assets.

As soon as the affairs of a company are fully wound up, the liquidator must make a report and an account of the winding up, showing how the winding up has been conducted and the property of the company has been disposed off, and thereupon call a general meeting of the company for the purposes of laying before it the account and giving an explanation thereof.

When a resolution has been passed by a company to wind up voluntarily, the liquidator or any contributory or creditor may apply to the court for an order for the continuation of the winding up under the supervision of the court, on the grounds that (i) the company is or is likely to become insolvent; or (b) the supervision of the court will facilitate a more effective, economic or expeditious liquidation of the company in the interests of the contributories and creditors. A supervision order shall take effect for all purposes as if it was an order that the company be wound up by the court except that a commenced voluntary winding up and the prior actions of the voluntary liquidator shall be valid and binding upon the company and its official liquidator.

For the purpose of conducting the proceedings in winding up a company and assisting the court, there may be appointed one or more persons to be called an official liquidator or official liquidators; and the court may appoint to such office such person or persons, either provisionally or otherwise, as it thinks fit, and if more than one persons are appointed to such office, the court shall declare whether any act required or authorized 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.

(p) Reconstructions

Reconstructions and amalgamations are governed by specific statutory provisions under the Cayman Companies Law whereby such arrangements may be approved by a majority in number representing 75% in value of members or creditors, depending on the circumstances, as are present at a meeting called for such purpose and thereafter sanctioned by the courts. Whilst a dissenting member would have the right to express to the court his view that the transaction for which approval is being sought would not provide the members with a fair value for their shares, nonetheless the courts are unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management and if the transaction were approved and consummated the dissenting member would have no rights comparable to the appraisal rights (i.e. the right to receive payment in cash for the judicially determined value of their shares) ordinarily available, for example, to dissenting members of a United States corporation.

(q) Take-overs

Where an offer is made by a company for the shares of another company and, within four months of the offer, the holders of not less than 90% of the shares which are the subject of the offer accept, the offeror may at any time within two months after the expiration of the said four months, by notice require the dissenting members to transfer their shares on the terms of the offer. A dissenting member may apply to the court of the Cayman Islands within one month of the notice objecting to the transfer. The burden is on the dissenting member 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 members.

(r) 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, save to the extent any such provision may be held by the court to be contrary to public policy, for example, where a provision purports to provide indemnification against the consequences of committing a crime.

4. GENERAL

Appleby, the Company's legal adviser on Cayman Islands law, have sent to the Company a letter of advice which summarises certain aspects of the Cayman Islands company law. This letter, together with a copy of the Cayman Companies Law, is available for inspection as referred to in the paragraph headed "Documents Available for Inspection" in Appendix VI. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.

A. FURTHER INFORMATION ABOUT OUR COMPANY AND OUR SUBSIDIARIES**1. Incorporation**

Our Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on 10 June 2005. We have established a place of business in Hong Kong at Unit 3, 7th Floor, Fairmont House, No. 8 Cotton Tree Drive, Hong Kong and was registered with the Registrar of Companies in Hong Kong as a non-Hong Kong company under Part XI of the Companies Ordinance on 11 June 2007. Cheung Siu Yiu who resides at Flat G, 20th Floor, Block 10, Park Island, 8 Pak Lai Road, Ma Wan, New Territories, Hong Kong has been appointed as the authorised representative of our Company for the acceptance of service of process and notices on behalf of our Company in Hong Kong.

As our Company was incorporated in the Cayman Islands, it operates subject to the Companies Law and its constitution comprising a memorandum of association and the articles of association. A summary of certain provisions of its constitution and relevant aspects of the Companies Law is set out in Appendix VI to this prospectus.

2. Change in share capital

Our authorised share capital as at the date of our incorporation was HK\$380,000 divided into 3,800,000 Shares of HK\$0.10 each. On 10 June 2005, one Share was allotted and issued to the subscriber of our Company, and was transferred to Neway Enterprises on the same day.

On 21 December 2006, we entered into a sale and purchase agreement with Neway Enterprises pursuant to which we acquired the entire equity interest in Tian Shan International from Neway Enterprises and as consideration, we allotted and issued 1,560,000 Shares to Neway Enterprises credited as fully-paid.

Pursuant to the resolutions in writing of the sole Shareholder passed on 16 June 2010 below, the authorised share capital of our Company was increased from HK\$380,000 to HK\$1,000,000,000 by the creation of an additional 9,996,200,000 Shares.

Immediately following completion of the Global Offering, the Capitalisation Issue and the Compulsory Conversion but not taking into account any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option, any options granted under the Pre-IPO Share Option Scheme, any options which may be granted under the Share Option Scheme or the exercise of the subscription rights attaching to the Warrants, the issued share capital of our Company will be HK\$100,000,000 divided into 1,000,000,000 Shares, all fully paid or credited as fully paid and 9,000,000,000 Shares will remain unissued.

Save for aforesaid and as mentioned in the paragraph headed “Resolutions in writing of the sole Shareholder passed on 16 June 2010” below, there has been no alteration in the share capital of our Company since its incorporation.

3. Resolutions in writing of the sole Shareholder passed on 16 June 2010

Pursuant to the written resolutions passed by the sole Shareholder on 16 June 2010:

- (a) the authorised share capital of our Company was increased from HK\$380,000 to HK\$1,000,000,000 by the creation of an additional 9,996,200,000 Shares;
- (b) the Articles was approved and adopted;
- (c) conditional on (i) the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the Shares in issue, the Shares to be issued pursuant to the Capitalisation Issue and the Shares to be issued as mentioned in this prospectus (including any additional Shares which may fall to be issued pursuant to the exercise of the Over-allotment Option, the options granted under the Pre-IPO Share Option Scheme, the options may be granted under the Share Option Scheme, the exercise of the subscription rights attaching to the warrants and the Compulsory Conversion); (ii) the entering into of the agreement on the Offer Price between the Sole Global Coordinator and our Company on the Price Determination Date; and (iii) the obligations of China Everbright Securities under the Underwriting Agreements becoming unconditional and not being terminated in accordance with the terms therein or otherwise, in each case on or before such dates as may be specified in the Underwriting Agreements:
 - (i) the Global Offering was approved and our Directors were authorised to allot and issue the new Shares pursuant to the Global Offering;
 - (ii) the Over-allotment Option was approved and our Directors were authorised to effect the same and to allot and issue the Shares upon the exercise of the Over-allotment Option;
 - (iii) the rules of the Pre-IPO Share Option Scheme, the principal terms of which are set out in the paragraph headed “D. Others information – 1. Pre-IPO Share Option Scheme” in this Appendix, were approved and adopted and our Directors were authorised to grant options to subscribe for Shares there thereunder and to allot, issue and deal with shares pursuant to the exercise of options granted under the Pre-IPO Share Option Scheme;

- (iv) the rules of the Share Option Scheme, the principal terms of which are set out in the paragraph headed “D. Other information –2. Share Option Scheme” in this Appendix, were approved and adopted and our Directors were authorised to grant options to subscribe for Shares thereunder and to allot, issue and deal with Shares pursuant to the exercise of options granted under the Share Option Scheme; and
- (v) conditional on the share premium account of our Company being credited as a result of the issue of the Offer Shares by our Company pursuant to the Global Offering and subject to the amount of the Offer Price, our Directors were authorised to capitalise up to an amount of HK\$69,968,999.9 standing to the credit of the share premium account of our Company by applying such sum in paying up in full at par up to 699,689,999 Shares, such Shares to be allotted and issued to Neway Enterprises on a pro rata basis and any adjustments, if any, to the amount of the aforesaid capitalisation issue as a result of the determination of the Offer Price were approved.
- (d) a general unconditional mandate was given to our Directors to allot, issue and deal with (including the power to make an offer or agreement, or grant securities which would or might require Shares to be allotted and issued), otherwise than pursuant to a rights issue or pursuant to any scrip dividend schemes or similar arrangements providing for the allotment and issue of Shares in lieu of the whole or part of a dividend on Shares in accordance with the Articles or pursuant to the grant of options under the Pre-IPO Share Option Scheme or the Share Option Scheme or other similar arrangement or pursuant to a specific authority granted by the shareholders of our Company in general meeting, unissued Shares with a total nominal value not exceeding 20% of the aggregate nominal value of the share capital of our Company in issue immediately following completion of the Global Offering, the Capitalisation Issue and the Compulsory Conversion (but taking no account of any Shares which may be issued and allotted pursuant to the exercise of the Over-allotment Option, options granted under the Pre-IPO Share Option Scheme, the Share Option Scheme or the exercise of the subscription rights attaching to the Warrants), such mandate to remain in effect until the conclusion of the next annual general meeting of our Company, or the expiration of the period within which the next annual general meeting of our Company is required by the Articles or any applicable laws of the Cayman Islands to be held, or until revoked or varied by an ordinary resolution of the Shareholders in general meeting, whichever occurs first;

- (e) a general unconditional mandate was given to our Directors authorising them to exercise all powers of our Company to repurchase on the Stock Exchange or on any other approved stock exchange on which the securities of our Company may be listed and which is recognised by the SFC and the Stock Exchange for this purpose, such number of Shares as will represent up to 10% of the aggregate nominal value of the share capital of our Company in issue immediately following completion of the Global Offering, the Capitalisation Issue and the Compulsory Conversion (but taking no account of any Shares which may be issued and allotted pursuant to the exercise of the Over-allotment Option, options granted under the Pre-IPO Share Option Scheme, options may be granted under the Share Option Scheme or the exercise of the subscription rights attaching to the Warrants), such mandate to remain in effect until the conclusion of the next annual general meeting of our Company, or the expiration of the period within which the next annual general meeting of our Company is required by the Articles or any applicable laws of the Cayman Islands to be held, or until revoked or varied or renewed by an ordinary resolution of the Shareholders in general meeting, whichever occurs first; and
- (f) the general unconditional mandate mentioned in paragraph (d) above was extended by the addition to the aggregate nominal value of the share capital of our Company which may be allotted or agreed conditionally or unconditionally to be allotted by our Directors pursuant to such general mandate of an amount representing the aggregate nominal value of the share capital of our Company repurchased by our Company pursuant to the mandate to repurchase Shares referred to in paragraph (e) above.

4. Corporate reorganisation

The companies comprising our Group underwent a reorganisation in preparation for the listing of the Shares on the Stock Exchange, details of which are set out in the section headed “Reorganisation” in this prospectus.

5. Changes in share capital of subsidiaries

Our subsidiaries are referred to in the Accountants’ Report in Appendix I to this prospectus. The following sets out the changes to the share capital made by our subsidiaries during the two years preceding the date of this prospectus:

(a) *Tian Shan Real Estate*

On 25 September 2009, approval was granted for the reduction of the registered capital of Tian Shan Real Estate from RMB830,000,000 to RMB510,000,000.

(b) *Tian Shan Tianjin Real Estate*

In August 2008, the registered capital of Tian Shan Real Estate was increased from RMB10,000,000 to RMB60,000,000 and in October 2008, the registered capital of Tian Shan Real Estate was further increased to RMB153,000,000.

(c) *Tian Shan Weihai Real Estate*

In December 2009, the registered capital of Tian Shan Weihai Real Estate was increased to RMB88.0 million. In April 2010, the registered capital of Tian Shan Weihai Real Estate was further increased to RMB105.0 million.

Save as set out above and the sections headed “History and Development” and “Reorganisation” in this prospectus, there has been no alteration in the share capital of any of our subsidiaries within the two years immediately preceding the date of this prospectus.

6. Repurchase of our Shares

(a) *Provisions of the Listing Rules*

The Listing Rules permit companies whose primary listing is on the Main Board of Stock Exchange to repurchase their securities on the Stock Exchange subject to certain restrictions, the most important of which are summarised below:

(i) Shareholders’ approval

All proposed repurchases of securities on the Stock Exchange by a company with a primary listing on the Stock Exchange must be approved in advance by an ordinary resolution of its shareholders, either by way of general mandate or by specific approval of a particular transaction.

(Note: Pursuant to a resolution passed by the sole shareholder of our Company on 16 June 2010, a general unconditional mandate (the “**Repurchase Mandate**”) was granted to our Directors authorising the repurchase by our Company on the Stock Exchange, or on any other stock exchange on which the securities of our Company may be listed and which is recognised by the SFC and the Stock Exchange for this purpose, of Shares with an aggregate nominal value not exceeding 10% of the aggregate nominal amount of the share capital of our Company in issue and to be issued as mentioned herein, at any time until the conclusion of the next annual general meeting of our Company, the expiration of the period within which the next annual general meeting of our Company is required by any applicable law of the Cayman Islands or the Articles to be held or when such mandate is revoked or varied by an ordinary resolution of the shareholders of our Company in general meeting, whichever is the earliest.)

(ii) Source of funds

Repurchases must be funded out of funds legally available for the purpose in accordance with the Articles and the laws of the Cayman Islands. A listed company may not repurchase its own securities on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange from time to time.

(b) *Reasons for repurchases*

Our Directors believe that it is in the best interests of our Company and our Shareholders for our Directors to have a general authority from Shareholders to enable our Company to repurchase Shares in the market. Repurchases of Shares will only be made when our Directors believe that such repurchases will benefit our Company and its members. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value of our Company and its assets and/or its earnings per Share.

(c) *Funding of repurchases*

In repurchasing securities, our Company may only apply funds legally available for such purpose in accordance with the Articles and the applicable laws of the Cayman Islands.

It is presently proposed that any repurchase of Shares will be made out of the profits of our Company or the proceeds of a fresh issue of shares made for the purpose of the purchase or, if authorised by the Articles and subject to the Companies Law, out of capital and, in the case of any premium payable on the purchase, out of the profits of our Company or from sums standing to the credit of the share premium account of our Company or, if authorised by the Articles and subject to the Companies Law, out of capital.

Our Directors do not propose to exercise the Repurchase Mandate to such an extent as would, in the circumstances, have a material adverse effect on the working capital requirements of our Company or its gearing levels which, in the opinion of our Directors, are from time to time appropriate for our Company.

(d) Share capital

Exercise in full of the Repurchase Mandate, on the basis of 1,000,000,000 Shares in issue immediately after the Listing and the Compulsory Conversion (but taking no account of Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option, options granted under the Pre-IPO Share Option Scheme, options may be granted under the Share Option Scheme and the exercise of the subscription rights attaching the Warrants), could accordingly result in up to 100,000,000 Shares being repurchased by our Company during the period until the earliest of:

- (i) the conclusion of the next annual general meeting of our Company;
- (ii) the expiration of the period within which the next annual general meeting of our Company is required to be held by the Articles or any applicable laws of the Cayman Islands; or
- (iii) the date on which the Repurchase Mandate is revoked or varied or renewed by an ordinary resolution of our Shareholders in general meeting.

(e) General

None of our Directors or, to the best of their knowledge, having made all reasonable enquiries, any of their respective associates, has any present intention to sell any Shares to us or our subsidiaries.

Our Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Repurchase Mandate in accordance with the Listing Rules and the applicable laws of the Cayman Islands.

No connected person has notified us that he/she or it has a present intention to sell Shares to us, or has undertaken not to do so, if the Repurchase Mandate is exercised.

If as a result of a securities repurchase pursuant to the Repurchase Mandate, a shareholder's proportionate interest in the voting rights of our Company increases, such increase will be treated as an acquisition for the purpose of the Takeovers Code. Accordingly, a shareholder, or a group of shareholders acting in concert, depending on the level of increase of the shareholders' interest, could obtain or consolidate control of our Company and become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code as a result of any such increase. Our Directors are not aware of any other consequences which may arise under the Takeovers Code if the Repurchase Mandate is exercised.

If the Repurchase Mandate is fully exercised immediately following completion of the Global Offering, the Capitalisation Issue and the Compulsory Conversion but taking no account of any Shares which may be allotted and issued upon the exercise of the Over-allotment Option, options granted under the Pre-IPO Share Option Scheme, any options which may be granted under the Share Option Scheme or the exercise of the subscription rights attaching to the Warrants, the total number of Shares which will be repurchased pursuant to the Repurchase Mandate shall be 100,000,000 Shares (being 10% of the issued share capital of our Company based on the aforesaid assumptions). Based on the high end of the indicative range of the Offer Price of HK\$1.8, the percentage shareholding of our Controlling Shareholders will be increased to approximately 77.9% of the issued share capital of our Company immediately following the full exercise of the Repurchase Mandate. As the interest held by Neway Enterprises is not considered part of the public float of our Company, in the event that the Repurchase Mandate is exercised in full, the number of Shares held by the public would fall below 25% of the total number of Shares in issue. Any repurchase of Shares which results in the number of Shares held by the public being reduced to less than the prescribed percentage of the Shares then in issue could only be implemented with the approval of the Stock Exchange to waive the Listing Rules requirements regarding the public float under Rule 8.08 of the Listing Rules. However, our Directors have no present intention to exercise the Repurchase Mandate to such an extent that, in the circumstances, there is insufficient public float as prescribed under the Listing Rules.




B. FURTHER INFORMATION ABOUT THE BUSINESS**1. Summary of material contracts**

The following contracts (not being contracts in the ordinary course of business) have been entered into by us or any of our subsidiaries within the two years preceding the date of this prospectus and are or may be material:


- (a) the Indenture Amendment Agreements;
- (b) the Warrant Amendment Agreements;
- (c) the Deed of Indemnity; and
- (d) the Hong Kong Underwriting Agreement.

2. Intellectual property rights of the Group*(a) Trademarks*


- (i) As at the Latest Practicable Date, we were the registered proprietor of the following trademarks:

Trademark	Registration number	Class(es)	Registered proprietor	Place of registration	Date of registration	Expiry date
	300631476	36, 37	Our Company	Hong Kong	3 May 2006	2 May 2016
天山	300631467	36, 37	Our Company	Hong Kong	3 May 2006	2 May 2016
	5478395	36	Tian Shan Real Estate	PRC	21 November 2009	20 November 2019
	5286417	37	Tian Shan Real Estate	PRC	28 September 2009	27 September 2019
天山·观澜豪庭	5127312	37	Tian Shan Real Estate	PRC	21 August 2009	20 August 2019

- (ii) As at the Latest Practicable Date, pursuant to a deed of assignment dated 20 May 2010 between Tianshan Industrial Group and Tian Shan Real Estate, we are assigned the following trademark:

Trademark	Registration number	Class	Registered proprietor/ applicant	Place of registration	Expiry date
	3078317	36	Tianshan Industrial Group	PRC	6 June 2013

- (iii) Pursuant to the Trademark Licensing Agreements, details of which are set out in the section headed “Connected Transactions” of this prospectus, we are granted a licence to use the following trademarks at nil consideration:

Trademark	Registration number	Class	Registered proprietor/ applicant	Place of registration	Licensed period
	3078316	37	Tianshan Industrial Group	PRC	10 November 2009 to 6 March 2014
天山*	–	36	Tianshan Industrial Group	PRC	10 November 2009 to 17 February 2020
天山*	–	37	Tianshan Industrial Group	PRC	27 November 2009 to 17 February 2020

* These trademarks are under application.

(b) *Domain name*

As at the Latest Practicable Date, we were the registered owner of the following domain name:

Domain name	Expiry date
tian-shan.com	25 June 2015

C. FURTHER INFORMATION ABOUT DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

1. Directors

(a) *Disclosure of interest – interests and short positions of our Directors and the chief executives of our Company in the Shares, underlying Shares and debentures of our Company and its associated corporations*

Immediately following completion of the Global Offering, the Capitalisation Issue and the Compulsory Conversion and assuming that the Over-allotment Option is not exercised and without taking into account the Shares which may be issued pursuant to the exercise of the options granted under the Pre-IPO Share Option Scheme, options that may be granted under the Share Option Scheme or the exercise of the subscription rights attaching to the Warrants, the interest or short position of Directors or chief executives of our Company in the Shares, underlying Shares and debentures of our Company or its associated corporations (within the meaning of Part XV of the SFO) which will be required to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interest or short positions which they were taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which will be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers in Appendix 10 of the Listing Rules, once the Shares are listed are as follows.

(i) *Interest in our Company*

(aa) Shares

Name of Director	Nature of Interest	Based on the low-end of the indicative Offer Price of HK\$1.4		Based on the high-end of the indicative Offer Price of HK\$1.8	
		Number of Shares	Approximate percentage of shareholding	Number of Shares	Approximate percentage of shareholding
WU Zhen Shan	Interest of a controlled corporation	687,322,000 (note 1) Long position	68.7%	701,250,000 (note) Long position	70.1%
WU Zhen Ling	Interest of a controlled corporation	687,322,000 (note 1) Long position	68.7%	701,250,000 (note) Long position	70.1%
ZHANG Zhen Hai	Interest of a controlled corporation	687,322,000 (note 1) Long position	68.7%	701,250,000 (note) Long position	70.1%
WU Zhen He	Interest of a controlled corporation	687,322,000 (note 1) Long position	68.7%	701,250,000 (note) Long position	70.1%

Note: The Shares are beneficially held by Newway Enterprises. Newway Enterprises is a company incorporated in the BVI and is owned as to 25% by Mr. WU Zhen Shan, 25% by Mr. WU Zhen Ling, 25% by Mr. WU Zhen He and 25% by Mr. ZHANG Zhen Hai and all of them being directors of Newway Enterprises. Since the Founders exercise or control the exercise or entire voting right at general meetings of Newway Enterprises, each of the Founders are deemed to be interested in Shares held by Newway Enterprises by virtue of Part XV of the SFO.

(bb) options

Name of Director	Nature of Interest	Number of Shares subject to options granted	Approximate percentage of shareholding	Date of grant	Exercise period	Exercise price
WU Zhen Shan	Interest of spouse	191,000 (note 1)	0.02%	16 June 2010	from the expiry of the first six months from the Listing up to 10 years from the date of grant	50% of the Offer Price
WU Zhen Ling	Interest of spouse	191,000 (note 2)	0.02%	16 June 2010	from the expiry of the first six months from the Listing up to 10 years from the date of grant	50% of the Offer Price
ZHANG Zhen Hai	Interest of spouse	191,000 (note 3)	0.02%	16 June 2010	from the expiry of the first six months from the Listing up to 10 years from the date of grant	50% of the Offer Price
WU Zhen He	Interest of spouse	191,000 (note 4)	0.02%	16 June 2010	from the expiry of the first six months from the Listing up to 10 years from the date of grant	50% of the Offer Price

Notes:

1. The options are granted to XU Lan Ying, the spouse of WU Zhen Shan, under the Pre-IPO Share Option Scheme.
2. The options are granted to FAN Yi Mei, the spouse of WU Zhen Ling, under the Pre-IPO Share Option Scheme.
3. The options are granted to WU Lan Zhi, the spouse of ZHANG Zhen Hai, under the Pre-IPO Share Option Scheme.
4. The options are granted to GU Jing Gai, the spouse of WU Zhen He, under the Pre-IPO Share Option Scheme.

(ii) Interest in associated corporations

Name of Director	Name of associated corporation	Number of shares	Percentage of shareholding
WU Zhen Shan	Neway Enterprises	one	25%
WU Zhen Ling	Neway Enterprises	one	25%
ZHANG Zhen He	Neway Enterprises	one	25%
WU Zhen He	Neway Enterprises	one	25%

(b) Particulars of service contracts

Each of our executive Directors has entered into a service contract with our Company for a term of 36 months commencing from the Listing Date, which may be terminated by not less than three months' notice in writing served by either party on the other.

(c) Directors' remuneration

Each of our executive Directors is entitled to a director's fee. Each executive Director shall be paid a remuneration on the basis of twelve months in a year. In addition, each of the executive Directors is also entitled to bonus as determined by our Board based on the recommendations made by our Remuneration Committee. An executive Director may not vote on any resolution of the Directors regarding the amount of the bonus payable to him. The current annual director's fees and remuneration of our executive Directors for the year ending 31 December 2010 are as follows:

Name	Approximate annual Director's fee (RMB)
WU Zhen Shan	631,000
WU Zhen Ling	631,000
ZHANG Zhen Hai	631,000
WU Zhen He	631,000

Our independent non-executive Directors have been appointed for a term of three years. We intend to pay a director's fee of HK\$50,000 to HK\$80,000 per annum to our independent non-executive Directors.

Under the arrangement currently in force, the aggregate amount of emoluments payable by the Group to the Directors for the year ending 31 December 2010 will be approximately RMB2.6 million.

2. Substantial Shareholders

So far as the Directors are aware, immediately following the completion of the Global Offering, the Capitalisation Issue and the Compulsory Conversion (but without taking into account the Shares to be issued pursuant to the exercise of the Over-allotment Option, options granted under the Pre-IPO Share Option Scheme, options which may be granted under the Share Option Scheme or the exercise of the subscription rights attaching to the Warrants), the following persons (other than the Directors and chief executives of our Company) will have or be deemed or taken to have an interest and/or short position in the Shares or the underlying Shares which would fall to be disclosed under the provisions of Division 2 and 3 of Part XV of the SFO:

Name	Capacity	Based on the low-end of the indicative Offer Price of HK\$1.4		Based on the high-end of the indicative Offer Price of HK\$1.8	
		Number of Shares	Approximate percentage of shareholding	Number of Shares	Approximate percentage of shareholding
Neway Enterprises (<i>note</i>)	Beneficial owner	687,322,000	68.7%	701,250,000	70.1%

Note: Neway Enterprises is a company incorporated in the BVI and is owned as to 25% by WU Zhen Shan, 25% by WU Zhen Ling, 25% by ZHANG Zhen Hai, and 25% by WU Zhen He.

3. Agency fees or commissions received

Save as disclosed in this prospectus, no commissions, discounts, brokerages or other special terms were granted within the two years preceding the date of this prospectus in connection with the issue or sale of any capital of any member of the Group.

4. Disclaimers

Save as disclosed herein:

- (a) none of our Directors or chief executives of our Company has any interest or short position in the Shares, underlying Shares or debentures of our Company or any of its associated corporation (within the meaning of the SFO) which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which will be required to be notified to our Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers of Appendix 10 of the Listing Rules once the Shares are listed;
- (b) none of our Directors or experts referred to in the paragraph headed “D. Other information – 10. Consents of experts” in this Appendix has any direct or indirect interest in the promotion of our Company, or in any assets which have within the two years immediately preceding the date of this prospectus been acquired or disposed of by or leased to any member of our Group, or are proposed to be acquired or disposed of by or leased to any member of our Group;
- (c) none of our Directors is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to the business of the Group taken as a whole;
- (d) none of our Directors has any existing or proposed service contracts with any member of the Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation));

- (e) taking no account of Shares which may be taken up under the Global Offering, none of our Directors knows of any person (not being a Director or chief executive of our Company) who will, immediately following completion of the Global Offering, have an interest or short position in the Shares or underlying Shares of our Company which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of SFO or be interested, directly or indirectly, in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of our Group;
- (f) none of the experts referred to in the paragraph headed “ D. Other information – 10. Consents of experts” in this Appendix has any shareholding in any member of our Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group; and
- (g) so far as is known to our Directors, none of our Directors, their respective associates or shareholders of our Company who are interested in more than 5% of the issued share capital of our Company has any interests in the five largest customers or the five largest suppliers of our Group.

D. OTHER INFORMATION

1. Pre-IPO Share Option Scheme

On 16 June 2010, our Company adopted the Pre-IPO Share Option Scheme. The Pre-IPO Share Option Scheme is intended to recognize the contribution to the growth of our Group, provide the grantees with the opportunity to share the success of our Group and incentive to the future performance of our Group. The principal terms of the Pre-IPO Share Option Scheme are similar to the terms of the Share Option Scheme except the following:

- the subscription price per Share shall be 50% of the Offer Price; and
- save for the options granted under the Pre-IPO Share Option Scheme, no further options will be offered or granted and the Pre-IPO Share Option Scheme will terminate upon Listing.

As at the Latest Practicable Date, options to subscribe for an aggregate of 6,000,000 Shares, representing approximately 0.6% of the Shares in issue immediately following completion of the Global Offering, the Capitalisation Issue and the Compulsory Conversion (taking into no account of the Shares which may be issued pursuant to the exercise of the Over-allotment Option, the options granted under the Pre-IPO Share Option Scheme and any option which may be granted under the Share Option Scheme and the exercise of the subscription rights attaching to the Warrants), have been granted to 83 employees, consultants, executives and officers of our Group and Tianshan Industrial Group for nominal consideration of HK\$1.00 paid by each grantee under the Pre-IPO Share Option Scheme.

The options conditionally granted under the Pre-IPO Share Option Scheme can be exercised for a period of 10 years from the date of grant. During the first six months from the Listing Date, none of the grantees (the “**Grantees**”) to whom options have been conditionally granted under the Pre-IPO Share Option Scheme will be allowed to exercise the options. In each year after the expiry of the first six months from the Listing Date and up to 10 years from the date of the grant of the options, the Grantees are entitled to exercise up to 10% of the Shares that are subject to the options granted to him/her. Options which become exercisable in the relevant year are not exercised can be exercised in any of the subsequent year(s) in whole or in part. If a Grantee ceases to be an employee of our Group or Tianshan Industrial Group, all of his/her outstanding options (including options not exercised and not becoming exercisable) shall lapse automatically upon the date of his/her cessation as employee.

Below is the list of the Grantees:

	Name of Grantees	Number of Shares under the options granted	Residential address
(a)	<i>Grantees who are the senior management as set out in the section headed "Directors, senior management and staff" of this prospectus</i>		
1	GAO Li Xiang (高立香)	150,000	58-5-302 Tian Shan Waterside View 218 Zhufeng Avenue Shijiazhuang, Hebei Province
2	SI Jingxin (司景新)	200,000	61-1-1703, 218 Zhufeng Avenue, Shijiazhuang Hi-Tech Industry Development Zone Shijiazhuang, Hebei Province
3	ZHOU Shuxiao (周書校)	20,000	132-1-102, 777 Zhongshan West Road Shijiazhuang, Hebei Province
4	HAO Hui Guo (郝會國)	200,000	6-2-103, 224 Tangu South Street, Yuhua District Shijiazhuang, Hebei Province
5	CHEUNG Siu Yiu (張少耀)	200,000	Flat G, 20th Floor, Block 10, Park Island 8 Pak Lai Road Ma Wan, New Territories Hong Kong
	Sub-total:	770,000	
(b)	<i>Grantees who are our connected persons:</i>		
6	WU Lan Zhi (吳蘭芝) (elder sister of Mr. WU Zhen Shan, Mr. WU Zhen He and Mr. WU Zhen Hai, and the spouse of Mr. ZHANG Zhen Hai)	191,000	Ershilipu Village, Ershilipu Township Zhengding County, Hebei Province
7	XU Lan Ying (徐蘭英) (spouse of Mr. WU Zhen Shan)	191,000	No.50 Yuyingxi Road, Chinese Liu Village Liu Village Township, Yuhua District Shijiazhuang, Hebei Province
8	FAN Yi Mei (樊玉梅) (spouse of Mr. WU Zhen Ling)	191,000	No.63 Jiuan Street, Chinese Yuyingxi Road Liu Village Liu Village Township, Yuhua District Shijiazhuang, Hebei Province
9	GU Jing Gai (谷景改) (spouse of Mr. WU Zhen He)	191,000	No.59 Jiuan Street, Chinese Yuyingxi Road Liu Village Liu Village Township, Yuhua District Shijiazhuang, Hebei Province
10	WU Lan Ping (吳蘭萍) (younger sister of Mr. WU Zhen Shan, Mr. WU Zhen He and Mr. WU Zhen Hai)	191,000	1-4-102, Government Staff Quarters, Chang'an District 13 Huailing Road, Yuhua District Shijiazhuang, Hebei Province
	Sub-total:	955,000	

	Name of Grantees	Number of Shares under the options granted	Residential address
(c)	<i>Employees who are granted options for 100,000 or above Shares:</i>		
11	WANG Hui Xia (王輝霞)	150,000	4 Wenming Lane, Liucunsi East Road Liucun Township, Yuhua District Shijiazhuang, Hebei Province
12	KANG Li Ping (康利萍)	100,000	58-3-302, 218 Zhufeng Avenue Shijiazhuang Hi-Tech Industry Development Zone Shijiazhuang, Hebei Province
13	CHEN Shi Bin (陳士彬)	200,000	9-2-401, 49 Zhujiang Avenue Shijiazhuang Hi-Tech Industry Development Zone Yuhua District Shijiazhuang, Hebei Province
14	FU Zhi Wei (付志偉)	100,000	3-1-301, Tian Shan Garden 49 Zhujiang Avenue Shijiazhuang Hi-Tech Industry Development Zone Shijiazhuang, Hebei Province
15	LI Zhi Qiang (李志強)*	200,000	10-1-101, 87 Tangu West Street, Chang'an District Shijiazhuang, Hebei Province
16	LIU Zhi Gang (劉志剛)*	100,000	20-2-502, 23 Xueyuan Road, Yuhua District Shijiazhuang, Hebei Province
17	WU Tong Yi (吳同一)	100,000	5 Liacunshuangmiao Street Liucun Township, Yuhua District Shijiazhuang, Hebei Province
18	DU Zhi Hui (杜志輝)	100,000	1-6-302, 23 Xueyuan Road, Yuhua District Shijiazhuang, Hebei Province
19	LI Hui Gai (李會改)	100,000	10-7-401, Zone 1, 卓達書香園 389 Zhaiying Street, Yuhua District Shijiazhuang, Hebei Province
20	ZHAO Zhan Liang (趙占良)*	100,000	14-1-202, 49 Zhujiang Avenue, Shijiazhuang Hi-Tech Industry Development Zone Shijiazhuang, Hebei Province
21	WU Feng Hua (吳風華)	100,000	7-2-302 European Garden 168 Jianshe South Street, Yuhua District Shijiazhuang, Hebei Province
22	RENG Wen Gang (任文綱)	100,000	7-5-701, 77 Ping'an South Street, Qiaodong District Shijiazhuang, Hebei Province
23	YANG Da Zhi (楊達志)	100,000	3-1-201, 33 Jianhua South Street, Chang'an District Shijiazhuang, Hebei Province
24	ZHANG Liang Zi (張良子)	100,000	3-1-201, 33 Jianhua South Street, Chang'an District Shijiazhuang, Hebei Province

	Name of Grantees	Number of Shares under the options granted	Residential address
25	WANG Zhi Qiang (王志強)	100,000	5-6-301, Tian Shan Garden 49 Zhujiang Avenue, Yuhua District Shijiazhuang, Hebei Province
26	YANG Wei (楊威)	100,000	13-102, 西琴園 336 Youyi North Street, Xinhua District Shijiazhuang, Hebei Province
27	LU Hong Ying (呂洪英)	100,000	10-1-101, 87 Tangu West Street, Chang'an District Shijiazhuang, Hebei Province
28	WANG Pei Jia (王佩佳)	100,000	48-1-303, Huayao Staff Quarters Yaojin Road, Chang'an District Shijiazhuang, Hebei Province
29	WANG Hai Yan (王海燕)	100,000	1591 Zhangfu Street, Lisui Township Shunyi District, Beijing
30	MENG Yan (孟岩)*	100,000	16 Shangyi Lane Nanrenzi Street, Qiaodong District Shijiazhuang, Hebei Province
31	HAN Yi (韓一)	100,000	6-1-402, 130 Xinhua West Road, Qiaoxi District Shijiazhuang, Hebei Province
32	PANG Qing Qing (龐青青)	100,000	131 Chaoyang Road, Songying Village, Yuhua District Shijiazhuang, Hebei Province
33	ZHOU Tao (周濤)	100,000	109 Tianshan Avenue, Shijiazhuang Hi-Tech Industry Development Zone Shijiazhuang, Hebei Province
34	MA Rong Bin (馬榮彬)	100,000	32 Guangming Street, Anxian Village Front Dazhang Township, Zhao County Shijiazhuang, Hebei Province
35	LI Jie (李傑)	100,000	12 Changxing Street, Qiaoxi District Shijiazhuang, Hebei Province
36	LEI Ning (雷寧)	100,000	109 Tianshan Avenue, Shijiazhuang Hi-Tech Industry Development Zone Shijiazhuang, Hebei Province
37	LAN Yue Feng (蘭月風)	100,000	29-2-2103, Tianrancheng Community, Yuhua District Shijiazhuang, Hebei Province
	Sub-total:	2,950,000	
(d)	<i>Other 46 grantees:</i>	1,015,000	
	Total:	6,000,000	

* These Grantees are employees of Tianshan Industrial Group.

The remaining 46 Grantees are granted options for an aggregate of 1,015,000 Shares under the Pre-IPO Share Option Scheme, with each Grantee holding options for less than 100,000 Shares. The 1,015,000 options held by these 46 Grantees only represent approximately 22.1% of the total options granted under the Pre-IPO Share Option Scheme and approximately 0.1% of the total issued share capital of our Company upon completion of the Capitalisation Issue, the Global Offering and the Compulsory Conversion. Full disclosure of the details of the Grantees involve sensitive information as to the identity of the Grantees and their respective entitlement and take lengthy disclosure in this prospectus and consents from each Grantee have to be obtained for such disclosure. As such, our Directors are of the view that full disclosure of the details of the Grantees of the options under the Pre-IPO Share Option Scheme will be unduly burdensome.

All material information of the Pre-IPO Share Option Scheme that is reasonably necessary for the potential investors to make an informed assessment of the activities and financial position of our Group has been included in this prospectus. Our Directors are of the view that an exemption from compliance with the disclosure requirement of the Grantees under the Pre-IPO Share Option Scheme will not prejudice the interests of the investing public.

On the above grounds, we have applied for (i) a waiver from the Stock Exchange from strict compliance with the disclosure requirements under paragraph 27 of Appendix 1A to the Listing Rules; and (ii) a certificate of exemption under section 342A of the Companies Ordinance from the SFC from strict compliance with the disclosure requirements under paragraph 10(d) of the Third Schedule to the Companies Ordinance.

The Stock Exchange has granted a waiver to us from strict compliance with the disclosure requirements under paragraph 27 of Appendix 1A to the Listing Rules on the conditions that:

- (a) the details of all the options conditionally granted by our Company under the Pre-IPO Share Option Scheme to the Grantees who are (aa) a Director; (bb) a member of the senior management of our Company as set out in the section headed “Directors, senior management and staff” of this prospectus; (cc) connected persons of our Company; and (dd) granted options for 100,000 Shares or above, and together representing approximately 77.9% of the total options granted under the Pre-IPO Share Option Scheme have been disclosed in this prospectus;

- (b) in respect of the options granted by us under the Pre-IPO Share Option Scheme to Grantees other than those referred to in (a) above, the following details are disclosed in this prospectus:
- (i) the aggregate number of Grantees and the number of Shares subject to the options;
 - (ii) the consideration paid for the grant of the options; and
 - (iii) the exercise period and the exercise price for the options;
- (c) a full list of all the Grantees (including the persons referred to in point (a) above) who have been granted options to subscribe for Shares under the Pre-IPO Share Option Scheme containing all the details as required under paragraph 27 of Appendix IA to the Listing Rules and paragraph 10 of the Third Schedule to the Companies Ordinance (as the case may be) will be made available for public inspection in accordance with the paragraph headed “Documents available for inspection” in Appendix VIII to this prospectus;
- (d) the aggregate number of Shares subject to the outstanding options granted by us under the Pre-IPO Share Option Scheme and the percentage of our issued share capital of which such number represents and the dilution effect and impact on earnings per Share upon full exercise of the options are disclosed in this prospectus.

We have applied for a certificate of exemption from the SFC from strict compliance with the disclosure requirements of paragraph 10(d) of the Third Schedule to the Companies Ordinance and the SFC has issued to us the certificate of exemption on conditions (a) to (c) above.

Save and except as set out above, no other options have been granted or agreed to be granted by us under the Pre-IPO Share Option Scheme.

Exercise in full of the options granted under the Pre-IPO Share Option Scheme will result in an aggregate of 6,000,000 Shares to be issued and allotted, representing approximately 0.6% of the Shares in issue immediately following completion of the Global Offering, the Capitalisation Issue and the Compulsory Conversion (taking into no account of the Shares which may be issued pursuant to the exercise of the Over-allotment Option, the options granted under the Pre-IPO Share Option Scheme, any option which may be granted under the Share Option Scheme and the exercise of the subscription rights attaching to the Warrants), and such increase in issue of Shares will have a dilution effect on the public shareholding of 0.6% and reduce the historical earnings per Share based on 1,000,000,000 Shares in issue by 0.6% from approximately HK\$0.1477 to HK\$0.1468.

No options under the Pre-IPO Share Option Scheme were granted to our Directors. WU Lan Zhi, XU Lan Ying, FAN Yi Mei, GU Jing Gai, WU Lan Ping, being connected persons of our Company, have undertaken not to exercise the options granted under the Pre-IPO Share Option Scheme to the extent that will result the public float of our Company to be less than the minimum requirements under the Listing Rules.

Applications have been made to the Listing Committee for the listing of, and permission to deal in, the 6,000,000 Shares which may be issued pursuant to the exercise of all options granted under the Pre-IPO Share Option Scheme.

2. Share Option Scheme

The following is a summary of the principal terms of the Share Option Scheme conditionally approved and adopted by the written resolutions of the sole shareholder of our Company passed on 16 June 2010.

(a) Purpose

The Share Option Scheme is a share incentive scheme prepared in accordance with Chapter 17 of the Listing Rules and is established to recognise and acknowledge the contributions the Eligible Participants (as defined in paragraph (b) below) had or may have made to the Group. The Share Option Scheme will provide the Eligible Participants an opportunity to have a personal stake in our Company with the view to achieving the following objectives:

- (i) motivate the Eligible Participants to optimise their performance efficiency for the benefit of the Group; and
- (ii) attract and retain or otherwise maintain on-going business relationship with the Eligible Participants whose contributions are or will be beneficial to the long-term growth of the Group.

(b) *Who may join*

The Board may, at its discretion, offer to grant an option to subscribe for such number of new Shares as the Board may determine at an exercise price determined in accordance with paragraph (e) below to:

- (i) any full-time or part-time employees, executives or officers of our Company or any of our subsidiaries or other related entities;
- (ii) any directors (including non-executive directors and independent non-executive directors) of our Company or any of our subsidiaries or other related entities; and
- (iii) any advisers, consultants, suppliers, customers and agents to our Company or any of our subsidiaries or other related entities.

Upon acceptance of the option, the grantee shall pay HK\$1.00 to our Company by way of consideration for the grant. Any offer to grant an option to subscribe for Shares may be accepted in respect of less than the number of Shares for which it is offered provided that it is accepted in respect of a board lot of dealing in Shares on the Stock Exchange or an integral multiple thereof and such number is clearly stated in the duplicate offer document constituting the acceptance of the option. To the extent that the offer to grant an option is not accepted by any prescribed acceptance date, it shall be deemed to have been irrevocably declined.

(c) *Maximum number of Shares*

The maximum number of Shares in respect of which options may be granted under the Share Option Scheme and under any other share option schemes of our Company must not in aggregate exceed 10% of the total number of Shares in issue immediately following completion of the Global Offering, the Capitalisation Issue and the Compulsory Conversion (but taking no account of any Shares which may be allotted or issued pursuant to the exercise of the Over-allotment Option, options granted under the Pre-IPO Share Option Scheme and the exercise of the subscription rights attaching to the Warrants), being 100,000,000 Shares, excluding for this purpose Shares which would have been issuable pursuant to options which have lapsed in accordance with the terms of the Share Option Scheme (or any other share option schemes of our Company). Subject to the issue of a circular by us and the approval of the shareholders in general meeting and/or such other requirements prescribed under the Listing Rules from time to time, our Board may:

- (i) renew this limit at any time to 10% of the Shares in issue as at the date of the approval by the shareholders in general meeting; and/or

- (ii) grant options beyond the 10% limit to Eligible Participants specifically identified by the Board. The circular issued by us to the shareholders shall contain a generic description of the specified Eligible Participants who may be granted such options, the number and terms of the options to be granted, the purpose of granting options to the specified Eligible Participants with an explanation as to how the options serve such purpose, the information required under Rule 17.03(3) and 17.06 and the disclaimer required under Rule 17.02(4) of the Listing Rules.

Notwithstanding the foregoing, the Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes of our Company at any time shall not exceed 30% of the Shares in issue from time to time. No options shall be granted under any schemes of our Company (including the Pre-IPO Share Option Scheme and the Share Option Scheme) if this will result in the 30% limit being exceeded. The maximum number of Shares in respect of which options may be granted shall be adjusted, in such manner as the auditors of our Company or an approved independent financial adviser shall certify to be appropriate, fair and reasonable in the event of any alteration in the capital structure of our Company in accordance with paragraph (q) below whether by way of consolidation, capitalisation issue, rights issue, sub-division or reduction of the share capital of our Company but in no event shall exceed the limit prescribed in this paragraph.

(d) Maximum number of options to any one individual

The total number of Shares issued and which may fall to be issued upon exercise of the options granted under the Share Option Scheme and any other share option schemes of our Company (including both exercised and outstanding options) to each Eligible Participant in any 12-month period up to the date of grant shall not exceed 1% of the Shares in issue as at the date of grant. Any further grant of options in excess of this 1% limit shall be subject to:

- (i) the issue of a circular by us containing the identity of the Eligible Participant, the number of and terms of the options to be granted (and options previously granted to such participant) the information as required under Rules 17.03(4) and 17.06 and the disclaimer required under 17.02(4) of the Listing Rules; and

- (ii) the approval of the shareholders in general meeting and/or other requirements prescribed under the Listing Rules from time to time with such Eligible Participant and his associates (as defined in the Listing Rules) abstaining from voting. The numbers and terms (including the exercise price) of options to be granted to such participant must be fixed before the shareholders' approval and the date of the Board meeting at which the Board proposes to grant the options to such Eligible Participant shall be taken as the date of grant for the purpose of calculating the subscription price of the Shares. The Board shall forward to such Eligible Participant an offer document in such form as the Board may from time to time determine.

(e) *Price of Shares*

The subscription price of a Share in respect of any particular option granted under the Share Option Scheme shall be such price as the Board in its absolute discretion shall determine, save that such price will not be less than the highest of:

- (i) the official closing price of the Shares as stated in the Stock Exchange's daily quotation sheets on the date of grant, which must be a day on which the Stock Exchange is open for the business of dealing in securities;
- (ii) the average of the official closing prices of the Shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of grant; and
- (iii) the nominal value of a Share.

(f) *Granting options to connected persons*

Any grant of options to a director, chief executive or substantial shareholder (as defined in the Listing Rules) of our Company or any of their respective associates (as defined in the Listing Rules) is required to be approved by the independent non-executive Directors (excluding any independent non-executive Director who is the grantee of the Options). If the Board proposes to grant options to a substantial shareholder or any independent non-executive Director or their respective associates (as defined in the Listing Rules) which will result in the number of Shares issued and to be issued upon exercise of options granted and to be granted (including options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of such grant:

- (i) representing in aggregate over 0.1% or such other percentage as may be from time to time provided under the Listing Rules of the Shares in issue; and

- (ii) having an aggregate value in excess of HK\$5 million or such other sum as may be from time to time provided under the Listing Rules, based on the official closing price of the Shares at the date of each grant,

such further grant of options will be subject to the issue of a circular by us and the approval of the shareholders in general meeting on a poll at which all connected persons (as defined in the Listing Rules) of our Company shall abstain from voting in favour, and/or such other requirements prescribed under the Listing Rules from time to time. Any vote taken at the meeting to approve the grant of such options shall be taken as a poll.

The circular to be issued by us to the shareholders pursuant to the above paragraph shall contain the following information:

- (i) the details of the number and terms (including the exercise price) of the options to be granted to each selected Eligible Participant which must be fixed before the shareholders' meeting and the date of Board meeting for proposing such further grant shall be taken as the date of grant for the purpose of calculating the exercise price of such options;
- (ii) a recommendation from the independent non-executive Directors (excluding any independent non-executive Director who is the grantee of the options) to the independent shareholders as to voting;
- (iii) the information required under Rule 17.02(2)(c) and (d) and the disclaimer required under Rule 17.02(4) of the Listing Rules; and
- (iv) the information required under Rule 2.17 of the Listing Rules.

(g) Restrictions on the times of grant of Options

A grant of options may not be made after a price sensitive event has occurred or a price sensitive matter has been the subject of a decision until such price sensitive information has been published pursuant to the requirements of the Listing Rules. In particular, no options may be granted during the period commencing one month immediately preceding the earlier of:

- (i) the date of the Board meeting (as such date to first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of our annual results half-year, quarterly or other interim period (whether or not required under the Listing Rules); and

- (ii) the deadline for us to publish an announcement of our annual results or half year, or quarterly or other interim period (whether or not required under the Listing Rules)

and ending on the date of actual publication of the results announcement for such year, half year, quarterly or interim period (as the case may be), and where the grant of Option is to a director of our Company.

(h) Rights are personal to grantee

An option is personal to the grantee and may be exercised or treated as exercised, as the case may be, in whole or in part. No grantee shall in any way sell, transfer, charge, mortgage, encumber or create any interest (legal or beneficial) in favour of any third party over or in relation to any option or attempt so to do.

(i) Time of exercise of Option and duration of the Share Option Scheme

An option may be exercised in accordance with the terms of the Share Option Scheme at any time after the date upon which the option is deemed to be granted and accepted and prior to the expiry of 10 years from that date. The period during which an option may be exercised will be determined by the Board in its absolute discretion, save that no option may be exercised more than 10 years after it has been granted. No option may be granted more than 10 years after the date of approval of the Share Option Scheme. Subject to earlier termination by our Company in general meeting or by the Board, the Share Option Scheme shall be valid and effective for a period of 10 years from the date of its adoption.

(j) Performance target

A grantee may be required to achieve any performance targets as the Board may then specify in the grant before any options granted under the Share Option Scheme can be exercised.

(k) Rights on ceasing employment or death

If the grantee of an option ceases to be an employee of our Company or any of our subsidiaries:

- (i) by any reason other than death, ill-death, injury, disability and none of which events would be a granted for termination of his employment on the grounds specified in paragraph (1) below, the grantee or his personal representative shall be entitled within a period of 12 months (or such longer period as the Board may determine), from the date of cessation of being an Eligible Participants or death to exercise the option in full

- (ii) by reason of death, his personal representative(s) may exercise the option within a period of 12 months (or such longer period as the Board may determine) from such cessation,

which date shall be the last actual working day with our Company or the relevant subsidiary whether salary is paid in lieu of notice or not, failing which it will lapse.

(l) Rights on dismissal

If the grantee of an option ceases to be an employee of our Company or any of our subsidiaries on the grounds that he has been guilty of serious misconduct, become insolvent, bankrupt or has made arrangements or compositions with his creditors generally or in relation to an employee of the Group (if so determined by the Board) on any other ground on which an employee would be entitled to terminate his employment at common law or pursuant to any applicable laws or under the grantee's service contract with the Group, or has been convicted of any criminal offence involving his integrity or honesty, his option will lapse and not be exercisable after the date of termination of his employment.

(m) Rights on takeover

If a general offer is made to all the shareholders (or all such shareholders other than the offeror and/or any person controlled by the offeror and/or any person acting in concert with the offeror (as defined in the Takeovers Code)) and such offer becomes or is declared unconditional during the option period of the relevant option, the grantee of an option shall be entitled to exercise the option in full (to the extent not already exercised) at any time within 14 days after the date on which the offer becomes or is declared unconditional.

(n) Rights on winding-up

In the event a notice is given by our Company to our members to convene a general meeting for the purposes of considering, and if thought fit, approving a resolution to voluntarily wind-up our Company, we shall forthwith give notice thereof to all grantees and thereupon, each grantee (or his legal personal representative(s)) shall be entitled to exercise all or any of his options (to the extent not already exercised) at any time not later than two business days prior to the proposed general meeting of our Company referred to above by giving notice in writing to our Company, accompanied by a remittance for the full amount of the aggregate subscription price for the Shares in respect of which the notice is given, whereupon we shall as soon as possible and, in any event, no later than the business day immediately prior to the date of the proposed general meeting, allot the relevant Shares to the grantee credited as fully paid.

(o) *Rights on compromise or arrangement between our Company and our members or creditors*

If a compromise or arrangement between our Company and our members or creditors is proposed for the purposes of a scheme for the reconstruction of our Company or amalgamation with any other companies pursuant to the laws of jurisdictions in which we was incorporated, we shall give notice to all the grantees of the options on the same day as we give notice of the meeting to our members or creditors summoning the meeting to consider such a scheme or arrangement and any grantee may exercise the option in whole or in part at any time prior to 12 noon (Hong Kong time) on the business day immediately preceding the date of the meeting directed to be convened by the relevant court for the purposes of considering such compromise or arrangement and if there are more than one meeting for such purpose, the date of the first meeting.

With effect from the date of such meeting, the rights of all grantees to exercise their respective options shall forthwith be suspended. Upon such compromise or arrangement becoming effective, all options shall, to the extent that they have not been exercised, lapse and determine. The Board shall endeavour to procure that the Shares issued as a result of the exercise of options in such circumstances shall for the purposes of such compromise or arrangement form part of the issued share capital of our Company on the effective date thereof and that such Shares shall in all respects be subject to such compromise or arrangement. If for any reason such compromise or arrangement is not approved by the relevant court (whether upon the terms presented to the relevant court or upon any other terms as may be approved by such court) the rights of the grantees to exercise their respective options shall with effect from the date of the making of the order by the relevant court be restored in full) as if such compromise or arrangement had not been proposed by our Company and no claim shall lie against our Company or any of our officers for any loss or damage sustained by any grantee as a result of the aforesaid suspension; and

(p) *Ranking of Shares*

The Shares to be allotted upon the exercise of an option will not be entitled to dividends and carry voting rights until completion of the registration of the grantee (or any other person) as the holder thereof. Subject to the aforesaid, Shares allotted and issued on the exercise of options will rank pari passu in all respects and shall have the same voting, dividend, transfer and other rights, including those arising on liquidation as attached to the other fully-paid Shares in issue on the date of issue.

(q) Effect of alterations to capital

In the event of any alteration in our capital structure whilst any option may become or remains exercisable, whether by way of capitalisation issue, rights issue, open offer, consolidation, sub-division or reduction of share capital of our Company, or otherwise howsoever, such corresponding alterations (if any) shall be made in the number or nominal amount of Shares subject to any options so far as unexercised and/or the subscription price per Share of each outstanding option as our auditors or an independent financial adviser shall certify in writing to the Board to be in their/his opinion fair and reasonable in compliance with Rule 17.03(13) of the Listing Rules and the note thereto and the supplementary guidance issued by the Stock Exchange on 5 September 2005 and any future guidance and interpretation of the Listing Rules issued by the Stock Exchange from time to time.

Any such alterations will be made on the basis that a grantee shall have the same proportion of the issued share capital of our Company for which any grantee of an Option is entitled to subscribe pursuant to the Options held by him before such alteration and the aggregate subscription price payable on full exercise of any option is to remain as nearly as possible the same (and in any event not greater than) as it was before such event. No such alteration will be made the effect of which would be to enable a Share to be issued at less than its nominal value.

(r) Expiry of option

An option shall lapse automatically and not be exercisable (to the extent not already exercised) on the earliest of:

- (i) the date of expiry of the option as may be determined by the Board;
- (ii) the expiry of any of the periods referred to in paragraphs (k), (l), (m), (n) or (o);
- (iii) the date on which the scheme of arrangement of our Company referred to in paragraph (o) becomes effective;
- (iv) subject to paragraph (n), the date of commencement of the winding-up of our Company;
- (v) the date on which the grantee ceases to be an Eligible Participant by reason of such grantee's resignation from the employment of our Company or any of our subsidiaries or the termination of his or her employment or contract on any one or more of the grounds that he or she has been guilty of serious misconduct, or has been convicted of any criminal offence involving his or her integrity or honesty, that he or she has become insolvent, bankrupt or has made arrangements or compositions with his or her creditors generally, or in relation to an employee of the Group (if so determined by the Board) or any other ground on which an employee would be entitled to terminate

his employment at common law or pursuant to any applicable laws or under the grantee's service contract with the Group. A resolution of the Board to the effect that the employment of a grantee has or has not been terminated on one or more of the grounds specified in this paragraph shall be conclusive; or

- (vi) the date on which the grantee ceases to be an Eligible Participant by reason of such grantee becoming insolvent, bankrupt or has been made arrangement or compositions with his creditors generally; or
- (vii) the date on which the Board shall exercise our right to cancel the option at any time after the grantee commits a breach of paragraph (h) above or the options are cancelled in accordance with paragraph (t) below.

(s) Alteration of the Share Option Scheme

The Share Option Scheme may be altered in any respect by resolution of the Board except that:

- (i) any alteration to the advantage of the grantees or the Eligible Participants (as the case may be) in respect of the matters contained in Rule 17.03 of the Listing Rules; and
- (ii) any material alteration to the terms and conditions of the Share Option Scheme or any change to the terms of options granted,

must first be approved by the shareholders in general meeting provided that if the proposed alteration shall adversely affect any option granted or agreed to be granted prior to the date of alteration, such alteration shall be further subject to the grantees' consent in accordance with the terms of the Share Option Scheme. The amended terms of the Share Option Scheme shall still comply with Chapter 17 of the Listing Rules and any change to the authority of the Board in relation to any alteration to the terms of the Share Option Scheme must be approved by shareholders in general meeting.

(t) Cancellation of Options

Subject to paragraph (h) above, any cancellation of options granted but not exercised must be approved by the grantees of the relevant options in writing.

(u) *Termination of the Share Option Scheme*

We may by resolution in general meeting or the Board at any time terminate the Share Option Scheme and in such event no further option shall be offered but the provisions of the Share Option Scheme shall remain in force to the extent necessary to give effect to the exercise of any option granted prior thereto or otherwise as may be required in accordance with the provisions of the Share Option Scheme. Options granted prior to such termination but not yet exercised at the time of termination shall continue to be valid and exercisable in accordance with the Share Option Scheme.

(v) *Administration of the Board*

The Share Option Scheme shall be subject to the administration of the Board whose decision as to all matters arising in relation to the Share Option Scheme or its interpretation or effect (save as otherwise provided herein) shall be final and binding on all parties.

(w) *Condition of the Share Option Scheme*

The Share Option Scheme is conditional on:

- (i) the Listing Committee of the Stock Exchange granting the listing of and permission to deal in the Shares which may fall to be issued pursuant to the exercise of options to be granted under the Share Option Scheme;
- (ii) the obligations of the Underwriter under the Underwriting Agreements becoming unconditional (including, if relevant, as a result of the waiver(s) of any such condition(s) by the Sole Global Coordinator) and not being terminated in accordance with the terms of the Underwriting Agreements or otherwise;
- (iii) the approval of the rules of the Share Option Scheme by the shareholders;
and
- (iv) the commencement of dealings in the Shares on the Stock Exchange.

(x) *Disclosure in annual and interim reports*

We will disclose details of the Share Option Scheme in our annual and interim reports (including the number of options, date of grant, exercise price, exercise period and vesting period during the financial year/period in the annual/interim reports) in accordance with the Listing Rules in force from time to time.

(y) *Present status of the Share Option Scheme*

As at the Latest Practicable Date, no option had been granted or agreed to be granted under the Share Option Scheme.

Application has been made to the Listing Committee of the Stock Exchange for the listing of and permission to deal in the Shares which may fall to be issued pursuant to the exercise of the options to be granted under the Share Option Scheme, being 100,000,000 Shares in total.

3. Tax and other indemnities

The Founders and Neway Enterprises have entered into a deed of indemnity with and in favour of the Company (for itself and as trustee for each of its present subsidiaries) (being the contract referred to in paragraph (c) of the sub-section headed “Summary of material contracts” in this Appendix) to provide indemnities on a joint and several basis in respect of, among other matters, taxation paid or required to be paid by any member of our Group resulting from or by references to any income, profits, gains, transactions, events, matters or things earned, accrued, received, entered into or occurring on or before the Listing Date.

Our Directors have been advised that no material liability for estate duty is likely to fall on the Company or any member of the Group.

4. Litigation

As at the Latest Practicable Date, no member of the Group was engaged in any litigation or arbitration of material importance and, so far as the Directors are aware, no litigation or claim of material importance is pending or threatened by or against any member of the Group.

5. Sponsor

The Sponsor has made an application on our behalf to the Listing Committee of the Stock Exchange for a listing of, and permission to deal in, all the Shares in issue and to be issued as mentioned in this prospectus (including any Shares which may fall to be issued pursuant to the Compulsory Conversion, the exercise of the Over-allotment Option, options granted under the Pre-IPO Share Option Scheme or options which may be granted under the Share Option Scheme or the exercise of the subscription rights attaching to the Warrants).

6. Preliminary expenses

The estimated preliminary expenses incurred by our Company are approximately HK\$15,000 and are payable by our Company.

7. Promoter

Our Company has no promoter for the purposes of the Listing Rules. Within the two years immediately preceding the date of this prospectus, no cash, securities or other benefit has been paid, allotted or given nor are any proposed to be paid, allotted or given to any promoters in connection with the Global Offering and the related transactions described in this prospectus.

8. Taxation of holders of Shares

(a) *Hong Kong*

The sale, purchase and transfer of Shares registered with our Company's Hong Kong branch register of members will be subject to Hong Kong stamp duty, the current rate charged on each of the purchaser and seller is 0.1% of the consideration of, if higher, of the fair value of the Shares being sold or transferred. Profits from dealings in the Shares arising in or derived from Hong Kong may also be subject to Hong Kong profits tax.

(b) *Cayman Islands*

Under present Cayman Islands law, there is no stamp duty payable in the Cayman Islands on transfers of Shares.

(c) *Consultation with professional advisers*

Intending holders of the Shares are recommended to consult their professional advisers if they are in doubt as to the taxation implications of subscribing for, purchasing, holding or disposing of or dealing in the Shares. It is emphasised that none of our Company, our Directors or the other parties involved in the Global Offering can accept responsibility for any tax effect on, or liabilities of, holders of Shares resulting from their subscription for, purchase, holding or disposal of or dealing in Shares or exercise of any rights attaching to them.

9. Qualification of experts

The following are the qualifications of the experts who have given opinion or advice which are contained in this prospectus:

Name	Qualifications
China Everbright Capital Limited	a licensed corporation under the SFO to engage in type 1 (dealing in securities), type 4 (advising on securities) and type 6 (advising on corporate finance) regulated activities
KPMG	Certified public accountants
Commerce & Finance Law Offices	PRC lawyer
Appleby	Cayman Islands lawyer
Jones Lang LaSalle Sallmanns Limited	Property valuer

10. Consents of experts

Each of the experts named in paragraph 9 of this Appendix has given and has not withdrawn its written consent to the issue of this prospectus with the inclusion of its report and/or letter and/or valuation certificate and/or opinion and/or the references to its name appeared herein in the form and context in which it is respectively appeared.

11. Interests of experts in our Company

None of the persons named in paragraph 9 of this Appendix is interested beneficially or otherwise in any Shares or shares of any member of our Group or has any right or option (whether legally enforceable or not) to subscribe for or nominate persons to subscribe for any shares or securities in any member of our Group.

12. Binding effect

This prospectus shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all of the provisions (other than the penal provisions) of Sections 44A and 44B of the Companies Ordinance so far as applicable.

13. Miscellaneous

Save as disclosed in this prospectus, within the two years immediately preceding the date of this prospectus:

- (i) no share or loan capital of our Company or any of our subsidiaries has been issued or agreed to be issued or is proposed to be fully or partly paid either for cash or a consideration other than cash;
- (ii) no share or loan capital of our Company or any of our subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;
- (iii) no commissions, discounts, brokerages or other special terms have been granted or agreed to be granted in connection with the issue or sale of any share or loan capital of our Company or any of our subsidiaries;
- (iv) no commission has been paid or is payable for subscription, agreeing to subscribe, procuring subscription or agreeing to procure subscription of any share in our Company or any of our subsidiaries;
- (v) there are no founder, management or deferred shares nor any debentures in our Company or any of our subsidiaries;
- (vi) our Directors confirm that there has been no material adverse change in the financial or trading position or prospects of our Group since 31 December 2009 (being the date to which the latest audited consolidated financial statements of our Group were made up);
- (vii) there has not been any interruption in the business of our Group which may have or has had a significant effect on the financial position of our Group in the 12 months preceding the date of this prospectus;
- (viii) the principal register of members of our Company will be maintained in the Cayman Islands by Apple Trust (Cayman) Ltd. and a branch register of members of our Company will be maintained in Hong Kong by Tricor Investor Service Limited. Unless our Directors otherwise agree, all transfer and other documents of title of Shares must be lodged for registration with and registered by our Company's branch share registrar in Hong Kong and may not be lodged in the Cayman Islands. All necessary arrangements have been made to enable the Shares to be admitted to CCASS;

- (ix) no company within our Group is presently listed on any stock exchange or traded on any trading system; and
- (x) our Directors have been advised that, under the Companies Law, the use of a Chinese name by our Company does not contravene the Companies Law.

14. Bilingual Prospectus

The English language and Chinese language versions of this prospectus are being published separately in reliance upon the exemption provided by Section 4 of the Companies Ordinance (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

**APPENDIX VIII DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES
AND AVAILABLE FOR PUBLIC INSPECTION IN HONG KONG**

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG

The documents attached to the copy of this prospectus delivered to the Registrar of Companies in Hong Kong for registration were copies of the white, yellow and green application forms, the written consents referred to in sub-paragraph headed “Consents of experts” in the paragraph headed “Other information” in Appendix VII to this prospectus, and copies of the material contracts referred to in sub-paragraph headed “Summary of material contracts” in the paragraph headed “Further information about the business” in Appendix VII to this prospectus.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the offices of Sidley Austin, Level 39, Two International Finance Centre, 8 Finance Street, Central, Hong Kong during normal business hours up to and including 15 July 2010:

- (a) the Memorandum and Articles of Association of our Company;
- (b) the audited financial statements of each of the companies comprising our Group for the three years ended 31 December 2009;
- (c) the accountants’ report of the Company prepared by KPMG, the text of which is set out in Appendix I to this prospectus;
- (d) the letter prepared by KPMG on the unaudited pro-forma financial information, the text of which is set out in Appendix II to this prospectus;
- (e) the letter, summary of values and valuation certificate relating to property interests of the Group prepared by Jones Lang LaSalle Sallmanns Limited, the texts of which are set out in Appendix III to this prospectus;
- (f) the letter of advice prepared by the Appleby, summarizing certain aspects of the Companies Law referred to in Appendix VI to this prospectus;
- (g) the Companies Law;

**APPENDIX VIII DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES
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- (h) the material contracts referred to in sub-paragraph headed “Summary of material contracts” in the paragraph headed “Further information about the business” in Appendix VII to this prospectus;
- (i) the rules of the Pre-IPO Share Option Scheme;
- (j) the rules of the Share Option Scheme;
- (k) the written consents referred to in sub-paragraph headed “Consents of experts” in the paragraph headed “Other information” in Appendix VII to this prospectus;
- (l) the service contracts referred to in sub-paragraph headed “Particulars of service contracts” in the paragraph headed “Further information about Directors and substantial Shareholders” in Appendix VII to this prospectus;
- (m) the legal opinions issued by our PRC Legal Advisers; and
- (n) a list of all grantees of the options granted by our Company under the Pre-IPO Share Option Scheme providing information required under paragraph 27 of part A of Appendix I to the Listing Rules and paragraph 10 to the Third Schedule of the Companies Ordinance.



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