



China New Town Development Company Limited 中國新城鎮發展有限公司

(incorporated as a business company limited by shares under the laws of the British Virgin Islands)
Stock Code: 1278

Listing by Introduction



Sponsor
**Standard
Chartered** 

IMPORTANT

If you are in any doubt about any of the contents of this document, you should consult your stockbrokers, bank managers, solicitors, professional accountants or other independent professional advisors.



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LISTING BY WAY OF INTRODUCTION ON THE MAIN BOARD OF THE STOCK EXCHANGE OF HONG KONG LIMITED

Sponsor



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This document is published in connection with the listing by way of introduction on the Main Board of the Stock Exchange of all issued shares of China New Town Development Company Limited, a company presently listed on the Singapore Exchange Securities Trading Limited.

This document contains particulars given in compliance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the Securities and Futures (Stock Market Listing) Rules (Chapter 571V of the Laws of Hong Kong) for the purpose of giving information with regard to the Company and its subsidiaries.

This document does not constitute an offer of, nor is it calculated to invite offers for, the shares or other securities of the Company, nor have any such shares or other securities been allotted with a view to any of them being offered for sale to or subscription by members of the public. No shares of the Company will be allotted and issued in connection with, or pursuant to, the publication of this document.

Information regarding the proposed arrangement for the listing and registration of, and for dealings and settlement of dealings in, the shares in the Company following the introduction of the Shares on the Stock Exchange is set out in the section headed "Listings, Registration, Dealings and Settlement" of this document.

October 18, 2010

EXPECTED TIMETABLE

Daily announcement on the Stock Exchange and the SGX-ST, disclosing previous day closing price of our Shares on the SGX-ST, and development and updates, if any, with regard to the bridging arrangements described in the section headed “Listings, Registration, Dealings and Settlement – Bridging Arrangements” of this document is expected to be released on:

October 19, 20 and 21, 2010, and not later than 9:00 a.m. on October 22, 2010

Dealings in our Shares on the Stock Exchange is expected to commence at:

9:30 a.m. on Friday, October 22, 2010 (Hong Kong time)

and details of the Introduction are set out in the section headed “Information About this Document and the Introduction” of this document.

If there is any change in the above expected timetable of the Introduction, we will publish an announcement in South China Morning Post (in English) and Hong Kong Economic Times (in Chinese) in Hong Kong.

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The Company has not authorized anyone to provide you with information that is different from what is contained in this document. Any information or representation not made in this document must not be relied on by you as having been authorized by the Company, the Sponsor, any of their respective directors, or any other person or party involved in the Introduction.

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SUMMARY

The following summary highlights information contained elsewhere in this document. This summary may not contain all of the information that you should consider before deciding to invest in our Shares. We urge you to read this entire document carefully, especially the sections entitled “Risk Factors,” “Financial Information” and “Business,” as well as our consolidated financial statements and related notes thereto, each appearing elsewhere in this document, before deciding to invest in our Shares.

OVERVIEW

Our Company is an established non state-owned new town developer in the PRC. Since the commencement of our Luodian Project in Shanghai in 2002, we have built a strong track record of planning, managing and operating new towns in the PRC.

We focus on planning and developing large-scale new town projects in the suburbs of some of PRC’s largest cities, with each current project covering an area of at least six million sq.m. New town projects are typically initiated by local governments who set forth general parameters such as location and size and invite potential new town developers to conduct feasibility studies and produce a master plan for their review. Upon securing a mandate, we will develop the project through a majority-owned joint venture project company that we form with affiliates of the local government. Once the governmental authority and we have agreed on a basic deal structure, we then enter into a binding co-development agreement setting out our respective duties and responsibilities. As overall project manager, we are involved in every aspect of the development process, from drawing up detailed development plans, selecting sites, obtaining project financing, preparing and clearing the land, relocating and resettling incumbent residents and businesses at our cost, setting up the new town infrastructure and public facilities, to building commercial properties. In addition, we may also own, operate and manage certain commercial properties in the completed new town.

RISKS IN RELATION TO SALE OF LAND USE RIGHTS

Substantially all of our revenue is derived from the proceeds from the sale of land use rights in the new towns we develop. We have been receiving a portion of the sale proceeds, the amount of which has been authorized and approved by the relevant governmental authority. However, the exact timing of the sale in any particular year is determined by local governmental authorities. We also provide the local governmental authorities with our opinion on the Base Price. The final prices at which land use rights are sold are ultimately determined by market forces through the bidding process. Although our joint venture partners are affiliates of the local governments of the areas in which the projects are located, the exact timing and the Base Price of the sale of land use rights are decided by higher echelons of governmental authorities than those owning and controlling our joint venture partners.

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There can be no assurance about the exact timing of the sale of land use rights or the final price at which land use rights are sold. For example, during 2005, the relevant local governmental authority did not sell any residential land use rights in Shanghai, including the Baoshan district where the Luodian Project is located, in an effort to implement a PRC Government policy aimed at slowing growth in the real estate market. As a result, our revenue from land development decreased significantly in 2005. Although we do not anticipate there would be a suspension of land sale under the current government policies on land supply, failure or delays in selling land may have a seasonal and material adverse impact upon our business, financial condition and results of operations.

Proceeds from the sale of land use rights are allocated by PRC governmental authorities in accordance with relevant laws, regulations and policies. These authorities are in higher echelons of governmental authorities than those owning and controlling our joint venture partners. The Proceeds Percentage for the Luodian Project has been adjusted once, from approximately 84% for the period between 2003 and 2006 to approximately 64% during the Track Record Period and thereafter, due to the issue of a new government regulation. Although the absolute amount of proceeds from the sale of land use rights we actually receive may increase with rising local land prices, there can be no assurance that this can be continually maintained, and the decrease in the Proceeds Percentage due to a change in law, regulation or government policy could have a material adverse effect on our financial condition and results of operations.

Our business activities are extensively regulated by planning policies and other laws and regulations of the PRC Government. New town developments and the development and operation of commercial properties require approvals, licenses or permits from the relevant central and local governmental authorities, some of which may take longer to obtain than others. In addition, from time to time, the relevant governmental authorities may impose new regulations on these activities. Notwithstanding that the State Council is promoting urbanization to facilitate the long-term stable development of the PRC economy, the PRC Government may adopt further measures to slow down growth in the property sector, which in turn may affect the new town development industry. At any point in the planning or development of a new town project, we could face, among other things, regulatory changes, an inability to procure required government approvals or required changes in our project development practice that could delay, increase the cost of or prevent the completion of any such new town project.

In addition, should any of our existing projects be terminated, there is no agreement on any compensation to be paid by the local government counterparties to us.

Please refer to the section headed “Risk Factors” of this document for further details on the risks involved in investing in our Shares.

We recorded a loss of RMB987.4 million in 2008 and a loss of RMB272.0 million in 2007 as compared to a profit of RMB243.5 million in 2009. For the six months ended June 30, 2010, we also recorded a loss of RMB117.6 million as compared to a profit of RMB20.5 million for

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the six months ended June 30, 2009. However, we consider that our semi-annual results may not properly reflect our results of operations as sale of land parcels usually take place only a few times a year and timing may not be evenly distributed throughout the year. For example, though we recorded a loss during the six months ended June 30, 2010, our results of operations will improve significantly in the second half of 2010 by the land sale in Luodian in August 2010. For an analysis of our results, please refer to the section headed “Financial Information – Our Results of Operations” of this document. In addition, our Group’s property leasing operations, hotel operations and golf operations incurred net losses for the majority of the Track Record Period. For an analysis of our operating segment results, please refer to note 5 of the section headed “Notes to Financial Information” of the Accountants’ Report set out in Appendix I to this document.

We expect to incur significant initial capital expenditures during the early stage of the construction period in our new town projects, including significant expenditures for clearing and levelling land and the building of the necessary infrastructure. As a result, we do not anticipate generating net operating cash inflow during the construction period. For example, in 2007, the project companies for the Wuxi Project and the Shenyang Project were set up and began their respective relocation processes, which led to negative operating cash flow of approximately RMB538.3 million of our Group for the year ended December 31, 2007. Moreover, we had net operating cash outflows of RMB21.0 million and RMB327.6 million for the six months ended June 30, 2009 and 2010, respectively. Please refer to the section headed “Risk Factors – We do not anticipate generating positive operating cash flow during the early stage of the construction period of our projects and will need further financing for future projects” of this document.

New town development is capital intensive. As of June 30, 2010, we had total capital commitments and commitments in respect of land development for sale of RMB10,404 million. These commitments are largely for the township development projects in Wuxi and Shenyang. They relate mainly to the costs to be incurred for the relocation of the present occupiers of the land, the construction of infrastructure and the construction of housing for residents that are going to be relocated. We intend to finance these commitments through internal cash flows, and if necessary, from borrowings from third parties. Please refer to the section headed “Financial Information – Contractual Obligations, Capital Commitments and Commitments in respect of Land Development for Sale” of this document for further details on our contractual obligations, capital commitments and commitments in respect of land development for sale as of the dates indicated.

MITIGATION OF RISKS IN RELATION TO SALE OF LAND USE RIGHTS AND LIQUIDITY MANAGEMENT

As part of our business and as disclosed in the sections headed “Risk Factors – We do not decide on the exact timing of the sale of land use rights in new towns we develop, and the selling price of such land use rights is subject to market forces through the bidding process.” and “Risk Factors – Proceeds from the sale of land use rights are allocated by PRC governmental authorities in accordance with relevant laws, regulations and policies.”, we do not decide on the exact timing of the sale of land use rights, nor do we decide on the allocation of proceeds from the sale of land use rights. We have taken the measures below to mitigate the risks in relation thereto.

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Timing of the sale of land use rights

If for any reason we are unable to sell the anticipated volume of land use rights in any given year, our business, financial condition and result of operations may be adversely impacted. However, alternative forms of financing may be available to bridge any liquidity gaps:

- *Cash in hand*

Cash reserves are usually generated and accumulated from the sale of land use rights produced by our Group's development efforts and other fund raising activities. We retained cash reserves to the amount of RMB852.3 million as at June 30, 2010. We expect, in the absence of unforeseen circumstances, approximately RMB1,215.9 million of cash will be collected by the end of year 2010 pursuant to the recent sale of land use rights in Luodian from a land auction.

- *Cash collection from sale of properties*

We also have revenue generation capability from our other lines of business, including the operation and sale of commercial properties. Based on our current estimates, cash collection from the sale of commercial office properties in the Luodian Project is expected to be RMB374 million, to be collected throughout a twelve-month period from August 2011 to August 2012. We are planning to develop low-density commercial office properties next to the golf course to be used as corporate headquarters. We have the land use rights to the relevant land plots, but are still in the process of getting the plans approved by the government. Based on our current estimates, cash collection from the sale of properties of the corporate headquarter project in the Luodian Project is expected to make a total net cash contribution of not less than RMB1.5 billion starting from year 2012.

- *Net operating cash inflow from commercial properties*

Operating cash inflow from golf operations is also available to supplement the liquidity needs of our Group. Average net cash flow generated from golf operations of our Group for the three years ended December 31, 2007, 2008 and 2009 and the six months ended June 30, 2010 was approximately RMB8.6 million per annum. Average net cash flow generated from the other commercial properties (including the hotel and convention center and the retail street) was immaterial during the three years ended December 31, 2007, 2008 and 2009 and the six months ended June 30, 2010. Nevertheless, with the continuous development of the new town projects and the resulting increase in population, net cash inflow from the other commercial properties is expected to increase.

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- *Bank borrowings*

Bank borrowings, with their relatively short launch timeframe, lower cost of funding, immediate availability of funds and lower sensitivity to market fluctuations, also serve as a possible channel via which cash can be obtained to bridge any liquidity gaps. In order to maximize our funding options, we also have existing banking relationships with a number of PRC banks, including the Agricultural Bank of China, the Industrial and Commercial Bank of China and China Minsheng Banking Corp., Ltd.

As at June 30, 2010, our gearing ratio was 31.7%, which our management regards as healthy. We believe that we have the capacity to increase borrowings to support our operations if and when required. In order to minimize finance costs and to maximize leverage, we generally focus on obtaining collateralized bank borrowings. As at August 31, 2010, we owned uncollateralized assets valued at an aggregate of RMB725.5 million, which included investment properties at the retail street in the Wuxi Project valued at RMB180.5 million, the land use rights of the hotel and a parcel of residential land in the Wuxi Project valued at RMB345.0 million and the office hub in the Luodian Project valued at RMB200.0 million. Based on a loan-to-value ratio of 50% (which is reasonable based on our management's experience), a further facility amount of approximately RMB362.8 million may be obtainable upon the collateralization of such investment properties. Recently, we have also been actively exploring the possibility of obtaining non-collateralized loans of RMB350 million from the China Construction Bank in the context of a project facility in support of the construction of an Ecological Park of Culture and Sports in the Wuxi Project. As at the Latest Practicable Date, our unutilized bank facilities amounted to RMB50 million. Our management expects that, as and when our Group's golf and hotel operations grow and begin generating increasing cash flows, the leveraging ability of our Group will correspondingly increase. Further, we will also continue to engage in proactive liability management to optimize the funding structure for our business needs. Moreover, we have historically been able to either meet our obligations under banking facilities as and when they fell due or negotiate maturity extensions to such loans, which demonstrates our Group's relationship with our bankers.

- *Equity and debt capital markets*

We have been listed on the SGX-ST since November 2007, with a proven ability to access the equity and debt capital markets. For example, in 2007, we raised RMB1,376.3 million for our initial public offering, and in the same year we placed RMB1,239.6 million worth of convertible bonds to four investors. As at the Latest Practicable Date, the funds raised through our initial public offering had been fully utilized. In the current context, these successful fund raising exercises demonstrate investor's confidence in the feasibility of our business model, and at the same time evidence our ability to effectively market our securities to willing investors. Further, upon our successful Listing, we will become dual-listed in Singapore and Hong Kong, two prominent Asian exchanges, which we believe would contribute to the likelihood of success of any future capital raising exercises.

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Please refer to the sections headed “Financial Information – Cash Flow Management” and “Financial Information – Liquidity and Capital Resources” for further details.

Pricing of the sale of land use rights

As the land use rights of land parcels produced by our Group are sold to the open market through public auction, tender or listing, we believe competition among potential bidders will result in a transaction price which reflects the actual market value of the land use rights concerned.

As an illustration of the above, as disclosed in the section headed “Business – Residential Area” of this document, the average selling price to third party developers (buyers of land use rights) per site area in the Luodian Project has steadily increased from approximately RMB2,902.3 per sq.m. in 2007 to approximately RMB12,568.9 per sq.m. from January to August 2010, representing a very significant increase of approximately 333.1%, while over the same period, the weighted average starting bid rose from RMB2,902.3 per sq.m. in 2007 to RMB9,750.6 per sq.m. from January to August 2010, representing a rather more modest 236.0% increase. This divergence demonstrates that our Company has been able to achieve a sizeable premium above the starting bid.

Moreover, the cost of land development for the Luodian Project was approximately RMB1,128.7 per sq.m. in 2007 and RMB2,057.0 per sq.m. from January to August 2010, which shows that historically, we have been able to procure a starting bid price which provides a substantial buffer above the cost of land development.

We have also sought written confirmations from the local governmental authorities which confirm the practice whereby the relevant joint venture entity will provide its opinion on the Base Price based on, inter alia, land development costs and a reasonable return for developing the land. Therefore, so long as there is an eligible bidder, we are likely to be able to cover our costs for developing the relevant piece of land and achieve a reasonable return.

Proceeds Percentage

Allocation of the proceeds from the sale of land use rights is regulated by PRC governmental authorities in accordance with relevant laws, regulations and policies. As the method for determining the Proceeds Percentage has been laid out in the “Method of Management of Land Sale Proceeds” (《本市土地出讓金管理辦法》) promulgated jointly by Shanghai Municipal Development & Reform Commission, Shanghai Municipal Finance Bureau and Shanghai Municipal Bureau of Housing and Land Resources in 2001, and the “Method of implementation of the Opinion regarding the Promotion of Town Development in Shanghai” (《關於上海市促進城鎮發展試點意見實施細則的操作辦法》) promulgated jointly by Shanghai Municipal Development & Reform Commission, Shanghai Construction and Administration Commission, Shanghai Municipal Finance Bureau and Shanghai Municipal Bureau of Housing and Land Resources in 2002, both of which preceded the co-development

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agreement of the Luodian Project, the co-development agreement of the Luodian Project did not specify the Proceeds Percentage. The co-development agreements of each of the Wuxi Project and the Shenyang Project specified the indicative Proceeds Percentage applicable to each of these projects. The indicative Proceeds Percentages specified in the co-development agreements of each of the Wuxi Project and the Shenyang Project were determined as a result of communication between us and the relevant government authorities prior to the establishment of the project companies. As part of our efforts to ensure a steady revenue stream, the co-development agreements for the Wuxi Project and the Shenyang Project have been witnessed by the relevant local government, which shows that the relevant local government was aware of the execution of the co-development agreements, and one of the provisions of such co-development agreements is that the relevant local government will promote the development and economic interests of the Wuxi JV and the Shenyang JV, and included therein are indicative Proceeds Percentages.

Our PRC legal advisor, Jingtian & Gongcheng, is of the view that one possible recourse that we may have against any significant deviation from the indicative Proceeds Percentage would be to submit any such case of significant deviation to arbitration against the joint venture partners in accordance with the relevant agreement. Moreover, our PRC legal advisor, Jingtian & Gongcheng, is of the view that we may have creditor's rights against the local governments, such that if for any reason a certain piece of saleable land cannot be sold, we may have the right to claim against the local government the costs we have incurred in the clearing and levelling of the saleable land as well as for the construction of ancillary public facilities. However, we cannot assure you that our claim will be successful. Please refer to the section headed "Risk Factors – Notwithstanding that we may have creditor's rights against local governments for our costs incurred for the clearing and levelling of saleable land as well as the construction of ancillary public facilities, should for any reason a certain piece of land developed by us cannot be sold, we cannot assure you that our claim will be successful." of this document for further details.

Moreover, we have also sought written confirmations from the local governmental authorities responsible for the channeling of land sale proceeds funds to the relevant joint venture entities that the relevant local government authorities will determine the Proceeds Percentage in accordance with the applicable co-development agreement and the then applicable laws, regulations and policies, and pay over such funds to the relevant joint venture entity. Depending on the applicable co-development agreement, factors to be considered in determining the Proceeds Percentage may include land development costs incurred by our Group, services rendered by our Group as overall project manager as well as prevailing government policies.

Cash flow management

Prior to commencing a new project, we conduct a feasibility analysis that includes a cash flow analysis. Once we move forward on a project, the subsidiary in charge of the project will prepare an annual cash flow forecast. Actual cash flows are compared with the forecast on a monthly basis to ensure that control is retained over cash flows. This, together with the regular monitoring of expenses and cash outflow by our management, constitutes the overarching system by which our cash inflows and outflows are planned, monitored and controlled.

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We exercise a certain degree of control over our cash outflows because of the inherent flexibility of major components of our cash flows, including relocation costs, construction costs and capital expenditures. For example, so far as relocation costs for the Luodian Project are concerned, although the relevant relocation contract provides for relocation costs to be paid within 7 days of the finalization of the relevant plan for the disbursement of relocation costs, we have been able to obtain extensions of payment from the relevant local governmental authority without incurring any penalty, as in the case of the agreement entered into pursuant to negotiations between SGLD and the Luodian township government to defer the payment of the payable balance of relocation costs totaling approximately RMB349.2 million as at June 30, 2010 until July 26, 2013. An amount totaling approximately RMB2,590.8 million has been settled by us as of June 30, 2010. For the Wuxi Project, the relevant relocation agreements do not stipulate any particular payment arrangement. As at June 30, 2010, we owed the Wuxi Hongshan township government approximately RMB261.6 million of relocation costs. For the Shenyang Project, there is currently no outstanding compensation payable to the Shenyang Dongling district government.

Construction costs and capital expenditures are paid in accordance with the progress of construction or in installments set out in the payment schedule listed in the relevant agreements. So far as the former payment arrangements are in place, we have a certain degree of control over our cash outflow through regulation of the progress of construction work in accordance with our cash flow situation.

We rely predominantly on cash provided by operating activities, bank loans, and debt and equity financing in the capital markets to fund our cash flows. We believe that our sources of cash are sufficient to fund our capital commitments and capital expenditures. In particular, in accordance with a facility agreement dated July 20, 2010 entered into between us and China Minsheng Banking Corp., Ltd., Shanghai Branch, we have secured a RMB200 million project facility, which is repayable in three tranches from 2011 to 2013 in accordance with the repayment terms in the facility agreement.

Prospective investors should refer to the section headed “Financial Information – Liquidity and Capital Resources” of this document for further details.

DISTINCTIVE BUSINESS MODEL

We operate on a distinctive business model. We do not normally acquire the land use rights to the land underlying our new town projects, except for land on which we intend to develop commercial properties and a parcel of residential land in the Wuxi Project acquired by our Group for self-development purposes in 2008. While the local government generally retains title to the land, we have been receiving a portion of the proceeds from the sale of land use rights, the amount of which is authorized and approved by the relevant governmental authority. Such sale proceeds account for a major part of our revenue.

Each new town project primarily comprises residential and commercial land parcels cleared and ready for sale. The relevant land authorities typically sell residential land and commercial land through public auction, tender or listing to real estate property developers,

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which may include our project companies, which in turn own, operate and may manage commercial properties such as hotels, convention centers and retail facilities. In addition, we enter into agreements with the relevant local government to build, manage and operate public amenities, such as recreational parks.

Generally, in respect of the determination of the Proceeds Percentage, we communicate with the relevant local PRC governmental authorities.

Our co-development agreement in respect of the Luodian Project did not specify the Proceeds Percentage. Our co-development agreements in respect of each of the Wuxi Project and the Shenyang Project specified the indicative Proceeds Percentage applicable to each of these projects. The indicative Proceeds Percentages specified in the co-development agreements of each of the Wuxi Project and the Shenyang Project were determined as a result of communication between us and the relevant government authorities prior to the establishment of the project companies.

The relevant local PRC government authority will determine the actual Proceeds Percentage in accordance with the applicable co-development agreement and the then applicable laws, regulations and policies.

In our Luodian Project, currently approximately 64% of the proceeds from the sale of land use rights are recognized as revenue by SGLD, the joint venture project company we formed with the local government affiliate. In our Wuxi Project and Shenyang Project, the Wuxi JV and the Shenyang JV have each recognized revenue equal to approximately 83% and 70%, respectively, of the proceeds from the sale of land use rights for the Track Record Period.

With our expertise and quality execution, we have demonstrated the ability to effectively turn land sites from bare land into valuable residential and commercial sites. In relation to a new town development project, our primary focus is site selection, master planning and design of the new town and construction of supporting infrastructure. We are responsible for all development costs, planning and relocation costs while the local government deals with the actual relocation process. With efficient cost control, we were able to achieve a high gross profit margin for the Track Record Period: 44.1%, 34.6%, 60.0% and 19.0% for the years ended December 31, 2007, 2008 and 2009 and for the six months ended June 30, 2010, respectively.

As at the Latest Practicable Date, we had developed a substantial amount of high-quality saleable land. We believe that due to the scarcity of land and the value-added services that we provide through our new town projects, our saleable land has significant potential for value appreciation. Further, we believe that our business will benefit from the increased rate of urbanization in China and the demand for more new towns to meet the housing needs of a growing urban population.

In addition, as a new town developer, we are not directly involved in land sales, which are handled by the local PRC land authorities, and therefore, are not subject to land appreciation tax or policy clamp-downs from land hoarding.

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COMPETITIVE STRENGTHS

We believe that the following principal competitive strengths allow us to compete effectively in the PRC new town development market:

Strong reputation and proven track record as a quality and pioneering new town developer in the PRC

Designing, planning and developing an entire new town in China is usually carried out by state-owned enterprises or business entities affiliated with the PRC Government. Our Company is one of the first non state-owned companies to plan and develop new towns in the PRC. We believe that our success in securing and developing new town projects reflects our valuable experience, expertise and know-how gained in the execution of past projects, such as the Luodian Project, which is progressing towards substantial completion.

We have established a strong reputation and proven track record as a quality new town developer of choice among local governments, suppliers and contractors. Our expertise and track record in new town development have instilled a high level of confidence among local governments. We have become an attractive joint venture partner to local governments who wish to develop new towns and carry out infrastructure planning, as demonstrated by the invitation from the local governments of Wuxi and Shenyang to develop new towns in their respective cities in 2007. We possess town planning and design capabilities that enable us to produce quality land, attract various property developers and new residents as well as form strategic partnerships with renowned suppliers and management companies. Our Luodian New Town with its European style architecture has attracted developers such as China Enterprise, Landsea, Sino-Ocean Land and Vanke to develop residential projects. The quality of our Luodian Project has enabled us to attract prestigious schools and hospital to set up their operations in our Luodian New Town. We collaborate with the Hotel Manager to manage our hotel to international standards. SGLD has entered into an agreement with IMG, a diversified sports, media and entertainment company, for hosting international golf tournaments. With our extensive experience in working with local governments and our social awareness, we are able to achieve a win-win solution with them through discussions. In addition, our past investments have begun to generate significant profits since 2009. We believe that these core capabilities give us a significant competitive advantage as we expand into the other parts of the PRC.

Close and successful cooperation with local governments

We collaborate closely with local governments and their affiliates throughout the development and operation of a new town project. We are currently engaged in three projects in Shanghai, Wuxi and Shenyang. We form a joint venture project company with an affiliate of the local government of each of the abovementioned cities.

When entering into joint ventures with local governments, we typically obtain exclusive development and management rights over the areas where the new towns are to be built. We believe such exclusive rights enhance our business in a variety of ways, such as by allowing us to prioritize project development in a cost-efficient manner and by reducing competitive pressures.

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Our extensive experience in working with local governments gives us an edge over our competitors in the private sector as it enables us to understand the particular requirements of the local governments and therefore, further enhances our planning and execution capability. We believe that we are also attractive to the local governments as their joint venture partner because we are likely to be able to enhance the long-term potential of these new towns.

Substantial saleable land with high potential for value appreciation

Our current projects are expected to generate saleable residential land of approximately 15.56 million sq.m. of GFA (excluding land already sold) in attractive locations with potential for value appreciation. Our project sites in Shanghai, Wuxi and Shenyang are in desirable locations conveniently situated near public transportation hubs and major highways. In addition, our Wuxi and Shenyang project sites are near major tourist attractions, such as the Taibo Tomb District and the Meteorite Park. Our Luodian and Wuxi new towns are near major business and industrial centers, such as the Wuxi technology and industrial parks. We believe that the desirable location of our projects, high-quality town planning, the improved infrastructure and the maturing communities in our new towns will contribute to land price increases. Given the size of our current saleable land, we believe we are well positioned to achieve significant growth at a sustainable pace.

As at the Latest Practicable Date, the development status of saleable residential land for the Luodian Project, the Wuxi Project and the Shenyang Project was as follows:

	Total residential site area (sq.m.)	Residential site area available for future sale (sq.m.)	Percentage of total residential site area available for future sale (%)
Luodian Project	2,231,174	772,192	34.6
Wuxi Project	3,606,669	3,234,083	89.7
Shenyang Project	11,634,300	11,194,429	96.2

Proactive marketing and promotion activities

Our proactive marketing and promotion activities highlight ourselves as an established new town developer in the PRC. In addition to traditional mass media marketing, we also promote ourselves through hosting special events, arranging visits for local governments of other cities and organizing marketing events for specific land plots prior to their sale, all of which maximize our exposure and enhance our brand image. In particular, in 2010, we have

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co-hosted with the NDRC the China New Town Investment International Forum (中國城鎮投資國際高峰論壇) at the Convention Center within the Luodian Project. Through hosting the forum, we are able to showcase the success of Luodian New Town to mayors and senior government officials from various cities in the PRC.

Experienced management team

Our management team has a broad network of contacts and extensive experience in the PRC real estate development industry. Our executive chairman, Mr. Shi Jian, and our vice chairman and chief executive officer, Mr. Li Yao Min, who are responsible for formulating our overall business strategies, have over 20 years and 16 years of experience in business management and the property development industry respectively, including approximately eight years' experience in new town development in the PRC. In addition, some of our senior management, such as our non-independent non-executive Director and co-vice chairman, Mr. Yue Wai Leung Stan, and our executive Director and chief financial officer, Ms. Song Yiqing, have worked with major international financial and accounting institutions before joining us. Their financial expertise and experience allow us to accurately monitor our financial performance and efficiently manage our financial position.

In addition, our team has over the years acquired the specific skill set related to new town development such as master planning, infrastructure establishment and the development of value-added facilities. These, together with our social awareness, have and will enable us to achieve the maximum potential of the land we develop.

BUSINESS STRATEGIES

Our goal is to become the leading and largest new town developer in the PRC. We aim to achieve this goal by adopting the following strategies:

Focus on improving our profitability

We intend to remain focused on the development of our existing new town projects. The total site area of the Wuxi Project and the Shenyang Project is in each case larger than the site area of the Luodian Project. We will continue to enhance our development of quality products and implement strict quality standards which we believe are the core to enhancing the value of the land we produce. With our considerable expertise and existing saleable land, we believe long-term sustainable growth will be achieved.

We will continue to improve our profitability through implementing efficient cost control policies, for example, by strictly controlling our development and construction costs in connection with resettling and relocating incumbent residents and businesses, preparing raw land and constructing roads and other public infrastructure. We will remain disciplined in our capital commitments and seek long-term financing opportunities.

SUMMARY

Emphasize on world class standards of new town planning and design

We intend to build our projects to world class standards by adhering to international best practices in design, development, management and operations. We intend to collaborate with reputable domestic and international professionals in our pursuit of product innovation and professional designs. In addition to managing our commercial properties on our own, we also intend to hire additional experts to help us manage them.

Our goal is to benchmark our products against world class development standards through enhanced international cooperation. We will continue to implement strict quality control to monitor our product quality and workmanship throughout the development process. We will continue to target middle to higher-end customer segments with our quality products and intend to replicate our success story of Luodian New Town in future new town developments.

Leverage our expertise and track record to grow our business

We intend to continue to pursue business opportunities through careful market research and feasibility studies based on selection criteria such as proximity to major cities and transportation infrastructure, vibrancy of the local economy, support from local government and attractive rate of return. Currently, we operate primarily in the Pan Bohai Region and the Yangtze River Delta, both of which are economic centers with high potential for growth. We co-host with the NDRC the annual China New Town Investment International Forum and invite government officials from various cities in the PRC to attend the conference at our conference center in Luodian New Town. We also visit various PRC cities to meet with local governments to promote our business model and experience. We are continually in discussions with local governmental authorities throughout the PRC in connection with proposals to undertake additional new town development projects.

CONTROLLING SHAREHOLDERS

Our Controlling Shareholders are SRE and Sinopower. SRE, the ultimate parent of our Group, is a limited company incorporated in Bermuda which shares are listed on the Main Board of the Stock Exchange (Stock Code: 1207). Sinopower, a wholly-owned subsidiary of SRE and the immediate holding company of our Company, was interested in approximately 61.54% of the issued Shares as at the Latest Practicable Date. Such 61.54% interest comprised approximately 50.04% of the total number of issued Shares held directly by Sinopower, approximately 9.5% of the total number of issued Shares lent to J.P. Morgan Securities pursuant to the Stock Borrowing and Lending Agreement and approximately 2% of the total number of issued Shares deemed acquired by Sinopower pursuant to the Sale and Repurchase Agreement.

The SRE Group is an integrated property developer and is primarily engaged in the development and sale of residential and commercial properties in Shanghai, Shenyang and Haikou, the PRC with a focus on middle to high-end residential properties.

As at the Latest Practicable Date, SRE was owned as to approximately 34.64% by SREI. Mr. Shi Jian, the executive chairman of our Company and his spouse own in aggregate 63% of the issued share capital of SREI whereas Mr. Li Yao Min, an executive Director and Mr. Yue Wai Leung Stan, a non-independent non-executive Director, respectively own 5% and 2% of the issued share capital of SREI.

SUMMARY

RISK FACTORS

Investment in our Shares involves significant risks. Prospective investors should consider carefully, together with all other information contained in this document, the risk factors described in the section headed “Risk Factors” before deciding to invest in our Shares. These risk factors can be broadly classified as follows:

Risks relating to our business

- We do not decide on the exact timing of the sale of land use rights in the new towns we develop, and the selling price of such land use rights is subject to market forces through the bidding process.
- Proceeds from the sale of land use rights are allocated by PRC governmental authorities in accordance with relevant laws, regulations and policies.
- Notwithstanding that we may have creditor’s rights against local governments for our costs incurred for the clearing and levelling of saleable land as well as the construction of ancillary public facilities, should for any reason a certain piece of land developed by us cannot be sold, we cannot assure you that our claim will be successful.
- We do not anticipate generating positive operating cash flow during the early stage of the construction period of our projects and will need further financing for future projects.
- We may not have adequate capital resources to fund our projects.
- Notwithstanding that the State Council is promoting urbanization to facilitate the long-term stable development of the PRC economy, the PRC Government may adopt further measures to slow down growth in the property sector, which in turn may affect the new town development industry.
- We may not be able to complete or deliver our new town development projects on time, or on budget.
- We may not be able to complete successfully new town development projects that we are currently developing or plan to develop.
- If any of our new town development projects are unsuccessful, our results of operations may be adversely affected.
- Our business operations are subject to extensive government regulation.
- The relocation of incumbent residents and businesses on the sites where our new town projects are built may result in delays in our new town development and/or increase our operating costs.

SUMMARY

- Certain land use rights in the Wuxi Project owned by us may be revoked and penalties may be imposed because the land premiums were paid by us after the respective payment date stated in the relevant land use right grant contracts, and the delay in commencement of the construction of the hotel and the residential area may result in penalties.
- Our distinctive business model and limited operating history may make it difficult for you to evaluate our business and prospects.
- Our business model depends on maintaining good working relationships with PRC governmental entities, including our joint venture partners, which we may be unable to maintain.
- Any economic slowdown may adversely affect our business and our ability to obtain necessary financing for our operations.
- Our business is dependent on the performance of the property sector in Shanghai, Wuxi and Shenyang.
- We may have difficulty enforcing the SGLD Golf Course Lease.
- We did not obtain the approval for SGLD's incorporation and expansion of its business scope to include golf course operation from MOFCOM as required under PRC law.
- We did not obtain the approval for SLMGC's establishment from the Shanghai Foreign Investment Commission as required under relevant PRC regulations.
- Increases in the cost of labor may have an adverse impact on our results of operations.
- Our five largest suppliers accounted for a substantial proportion of our total purchases during the Track Record Period.
- We rely on independent contractors to fulfill their contractual responsibilities to complete their work or supply their materials on time and up to the specified quality standards.
- A loss of key personnel may adversely affect our business and prospects and members of our management team have management obligations with other companies.
- We face increasing competition that could adversely affect our business and financial position.
- Our property valuation is based on certain assumptions which, by their nature, are subjective and uncertain and may materially differ from actual results.
- The fair value of our investment properties is likely to fluctuate from time to time and may decrease significantly in the future, which may materially adversely impact our profitability.
- Dividends declared by us in the past may not be indicative of our dividend policy in the future.

SUMMARY

- We may not have insurance to cover certain potential losses and claims.
- Failure to comply with our environmental responsibilities may adversely affect our operations and profitability.
- Failure to comply with restrictive covenants arising out of our debt financing may adversely affect our operations, cash flow and profitability.
- The industry data in this document have not been independently verified.
- Registration of our logo as a trademark in Hong Kong is pending approval.

Risks relating to our operations in the PRC

- Our business could be affected by changes in China's economic, political or social conditions or government policies.
- The PRC Government may adopt various restrictive measures regarding construction plans and development timeframe for land granted to property developers which may affect our property development.
- The PRC legal system is still maturing and the interpretation and application of PRC laws and regulations involves uncertainty.
- There is foreign exchange control in the PRC.
- There is a lack of reliable and up-to-date information on property market conditions in the districts where our new town developments are located and in the PRC generally.
- We are subject to risks in relation to interest rate movements.
- Fluctuation of the Renminbi could materially affect our financial condition and results of operations.
- Inflation in China could materially and adversely affect our profitability and growth.
- We utilize dividends paid by our subsidiaries for funds to make distributions, if any, to our Shareholders. If they are unable to pay us sufficient dividends due to statutory or contractual restrictions on their abilities to distribute dividends to us, our ability to make distributions to our Shareholders may be limited.
- The PRC Enterprise Income Tax Law could affect tax exemptions on dividends received by us and increase our enterprise income tax rate.
- Under the PRC Enterprise Income Tax Law, dividends payable by us and gains on the disposition of our Shares may be subject to PRC taxation.
- We face risks related to health epidemics and other outbreaks.

SUMMARY

Risks relating to ownership of our Shares

- The market price of our Shares may be volatile.
- The interests of the Controlling Shareholders may not be aligned with those of our other Shareholders.
- Future sales of our Shares by us or our existing Shareholders may affect our Share price.
- The liquidity of our Shares on the Stock Exchange may be limited and the effectiveness of the bridging arrangements is subject to limitations.
- You may experience difficulties in enforcing your shareholder rights because we are incorporated in the BVI, and the laws of the BVI for minority shareholders protection may be different from those under the laws of Hong Kong and other jurisdictions.

Risks relating to the dual primary listing of our Company

- There are different characteristics between the Singapore stock market and the Hong Kong stock market.
- We will be concurrently subject to Hong Kong and Singapore listing and regulatory requirements.
- The time lag for the transfer of Shares between the Hong Kong and Singapore markets may be longer than expected, and Shareholders may not be able to settle or effect any share sale during this period.

Before deciding to invest in our Shares, prospective investors should seek professional advice from their relevant advisors regarding their prospective investment in the context of their particular circumstances.

COMPLIANCE AND INTERNAL CONTROLS

There were incidents in the past where non-compliance of laws and regulations have taken place in relation to our business. Details of incidents where the relevant PRC laws and regulations have not been fully complied with are summarized in the section headed “Business – Compliance and Internal Controls” of this document.

SUMMARY HISTORICAL FINANCIAL INFORMATION

The following is a summary of our audited consolidated results for the 2007, 2008 and 2009 financial years and the six months ended June 30, 2010 as extracted from the Accountants’ Report set out in Appendix I to this document. Potential investors should read this summary with the Accountants’ Report and not merely rely on the information contained in this summary. This summary and the Accountants’ Report have been prepared in accordance with the IFRS.

SUMMARY

Consolidated Statement of Comprehensive Income

(All amounts expressed in RMB'000 unless otherwise specified)

	Year ended December 31, 2007	Year ended December 31, 2008	Year ended December 31, 2009	Six months ended June 30, 2009 (unaudited)	2010
Revenue					
Land development	267,454	466,446	991,132	295,988	129,376
Property leasing	5,255	558	6,061	2,977	2,107
Hotel operations	32,265	32,194	29,744	13,015	24,399
Golf operations	56,889	61,210	56,176	22,967	18,291
Others	1,331	3,688	4,242	2,137	2,030
	<u>363,194</u>	<u>564,096</u>	<u>1,087,355</u>	<u>337,084</u>	<u>176,203</u>
Total revenue	363,194	564,096	1,087,355	337,084	176,203
Cost of sales	(203,061)	(369,101)	(435,048)	(170,880)	(142,703)
	<u>160,133</u>	<u>194,995</u>	<u>652,307</u>	<u>166,204</u>	<u>33,500</u>
Gross profit	160,133	194,995	652,307	166,204	33,500
Other income	72,919	16,159	8,419	6,909	5,556
Selling and distribution costs	(37,752)	(35,891)	(119,669)	(24,044)	(23,277)
Administrative expenses	(106,455)	(165,911)	(133,523)	(59,965)	(86,625)
Other expenses	(45,567)	(36,162)	(1,720)	(494)	(10,632)
Gain on the repurchase of Senior Notes	-	-	24,744	-	-
Loss on convertible bonds other than interest cost, net	(79,445)	(287,826)	-	-	-
Impairment loss on property, plant and equipment	-	(136,773)	(8,810)	(6,810)	-
Fair value gain/(loss) on completed investment properties	38,948	(488,160)	(14,163)	(25,690)	(613)
Fair value gain on investment properties under construction	-	-	39,036	40,687	(146)
	<u>2,781</u>	<u>(939,569)</u>	<u>446,621</u>	<u>96,797</u>	<u>(82,237)</u>
Operating profit/(loss)	2,781	(939,569)	446,621	96,797	(82,237)
Finance costs	(293,564)	(193,696)	(104,352)	(57,124)	(47,663)
	<u>(290,783)</u>	<u>(1,133,265)</u>	<u>342,269</u>	<u>39,673</u>	<u>(129,900)</u>
Profit/(loss) before tax	(290,783)	(1,133,265)	342,269	39,673	(129,900)
Income tax	18,772	145,915	(98,809)	(19,180)	12,251
	<u>(272,011)</u>	<u>(987,350)</u>	<u>243,460</u>	<u>20,493</u>	<u>(117,649)</u>
Profit/(loss) after tax	(272,011)	(987,350)	243,460	20,493	(117,649)
Other comprehensive income	-	-	-	-	-
	<u>(272,011)</u>	<u>(987,350)</u>	<u>243,460</u>	<u>20,493</u>	<u>(117,649)</u>
Total comprehensive income for the year/period	<u>(272,011)</u>	<u>(987,350)</u>	<u>243,460</u>	<u>20,493</u>	<u>(117,649)</u>
Profit/(loss) attributable to:					
Owners of the parent	(287,353)	(845,543)	166,630	8,771	(92,281)
Non-controlling interests	15,342	(141,807)	76,830	11,722	(25,368)
	<u>(272,011)</u>	<u>(987,350)</u>	<u>243,460</u>	<u>20,493</u>	<u>(117,649)</u>
Total comprehensive income attributable to:					
Owners of the parent	(287,353)	(845,543)	166,630	8,771	(92,281)
Non-controlling interests	15,342	(141,807)	76,830	11,722	(25,368)
	<u>(272,011)</u>	<u>(987,350)</u>	<u>243,460</u>	<u>20,493</u>	<u>(117,649)</u>

SUMMARY

Consolidated Statements of Financial Position

(All amounts expressed in RMB'000 unless otherwise specified)

	December 31, 2007	December 31, 2008	December 31, 2009	June 30, 2010
Assets				
Non-current assets				
Investments in associates	200	200	200	200
Property, plant and equipment	1,276,038	1,255,185	1,235,292	1,179,317
Completed investment properties	845,000	497,010	489,000	489,000
Investment properties under construction	85,336	39,740	170,710	288,000
Prepaid land lease payments	326,070	320,273	390,823	388,782
Non-current trade receivables	78,043	124,841	93,655	86,212
Deferred tax assets	3,157	129,816	128,607	148,761
Other assets	40,768	50,749	50,652	49,533
Total non-current assets	<u>2,654,612</u>	<u>2,417,814</u>	<u>2,558,939</u>	<u>2,629,805</u>
Current assets				
Land development for sale	2,633,604	3,470,967	3,640,398	3,764,434
Properties under development for sale	–	–	–	4,904
Prepaid land lease payments	–	–	162,588	165,515
Inventories	3,781	3,459	3,820	3,901
Amounts due from related parties	1,755	1,757	47,003	3,040
Prepayments	2,260	9,442	6,155	43,949
Other receivables	24,933	22,418	354,983	430,783
Trade receivables	553,017	290,012	337,168	247,735
Cash and bank balances	1,750,256	184,253	1,509,371	852,337
Total current assets	<u>4,969,606</u>	<u>3,982,308</u>	<u>6,061,486</u>	<u>5,516,598</u>
Total assets	<u><u>7,624,218</u></u>	<u><u>6,400,122</u></u>	<u><u>8,620,425</u></u>	<u><u>8,146,403</u></u>

SUMMARY

	December 31, 2007	December 31, 2008	December 31, 2009	June 30, 2010
Equity and liabilities				
Equity				
Equity attributable to owners of the parent:				
Share capital	1,891,080	2,115,240	2,497,385	2,786,673
Treasury shares	–	(180)	(37,294)	(34,533)
Other reserves	435,976	604,670	749,001	604,869
Accumulated profit/(losses)	(157,253)	(1,002,796)	(836,166)	(980,728)
	<u>2,169,803</u>	<u>1,716,934</u>	<u>2,372,926</u>	<u>2,376,281</u>
Non-controlling interests	500,908	359,101	436,231	411,363
Total equity	<u>2,670,711</u>	<u>2,076,035</u>	<u>2,809,157</u>	<u>2,787,644</u>
Non-current liabilities				
Senior Notes	–	518,809	–	–
Convertible bonds – host debts	–	–	142,406	–
Interest-bearing bank borrowings	–	–	1,847,000	1,827,000
Deferred income from sale of golf club membership	487,224	591,165	562,675	548,644
Deferred tax liabilities	103,788	–	–	–
Total non-current liabilities	<u>591,012</u>	<u>1,109,974</u>	<u>2,552,081</u>	<u>2,375,644</u>
Current liabilities				
Senior Notes	–	–	84,363	86,208
Interest-bearing bank borrowings	1,640,000	1,137,000	310,000	230,000
Trade payables	832,167	1,036,291	1,265,252	1,123,971
Other payables and accruals	105,458	301,616	596,434	468,349
Amounts due to related parties	1,017	117,437	12	3,729
Advances from customers	2,571	89,161	4,568	4,114
Deferred income arising from land development	141,849	271,443	639,940	700,015
Other borrowings	350,000	–	–	–
Convertible bonds – host debts	1,101,860	–	–	–
Convertible bonds – embedded derivatives	10,900	–	–	–
Current income tax liabilities	176,673	261,165	358,618	366,729
Total current liabilities	<u>4,362,495</u>	<u>3,214,113</u>	<u>3,259,187</u>	<u>2,983,115</u>
Total liabilities	<u>4,953,507</u>	<u>4,324,087</u>	<u>5,811,268</u>	<u>5,358,759</u>
Total equity and liabilities	<u>7,624,218</u>	<u>6,400,122</u>	<u>8,620,425</u>	<u>8,146,403</u>
Net current assets	<u>607,111</u>	<u>768,195</u>	<u>2,802,299</u>	<u>2,533,483</u>
Total assets less current liabilities	<u>3,261,723</u>	<u>3,186,009</u>	<u>5,361,238</u>	<u>5,163,288</u>

SUMMARY

DUAL PRIMARY LISTING

Our Shares have been listed on the SGX-ST since November 14, 2007. We seek a dual primary listing, by way of the Introduction, on the Stock Exchange pursuant to this document. Details of the Introduction are contained in the section headed “Information about this Document and the Introduction” of this document.

REASONS FOR THE INTRODUCTION AND DUAL PRIMARY LISTING

Our Directors believe that the Introduction will enhance our profile in Hong Kong and in the PRC, facilitate investment by Hong Kong investors in us and enable us to gain access to the investor base in Hong Kong’s capital markets and to benefit from exposure to a wider range of private and institutional investors. This could potentially increase the liquidity of our Shares. Our Directors consider that this is important for our growth and long-term development, particularly bearing in mind that our operations are principally located in the PRC.

BRIDGING ARRANGEMENTS

In connection with the Introduction, the Bridging Dealer has been appointed as bridging dealer and intends to implement the bridging arrangements described in the section headed “Listings, Registration, Dealings and Settlement – Bridging Arrangements” of this document. The bridging arrangements are intended to facilitate the migration of Shares to the Hong Kong Share Register in order for an open market in Shares to develop in Hong Kong following the Introduction.

In connection with the bridging arrangements, J.P. Morgan Securities, an affiliate of the Bridging Dealer, entered into: (i) a Sale and Repurchase Agreement with Sinopower (as vendor) under which the Bridging Dealer purchased from Sinopower a total of approximately 2% of our Shares in issue, and Sinopower shall repurchase the equivalent number of Shares it sold at the same price as such Shares were sold, shortly after the expiry of the Bridging Period (being the 30-day period from and including the Listing Date); and (ii) a Stock Borrowing and Lending Agreement with Sinopower under which Sinopower will make available to J.P. Morgan Securities Share lending facilities up to the number of Shares it holds at the time of such request to J.P. Morgan Securities, on one or more occasions, subject to the applicable laws, rules and regulations in Singapore and Hong Kong, including without limitation that the lending and the subsequent acceptance of redelivery of any Shares by Sinopower, and the borrowing and the subsequent redelivery of any Shares by J.P. Morgan Securities, will not lead to either party being obliged to make a mandatory general offer under the Takeovers Code and/or the Singapore Code. Such Shares will be used for settlement in connection with the arbitrage trades carried out by the Bridging Dealer in Hong Kong. Prospective investors should refer to the section headed “Listings, Registration, Dealings and Settlement – Bridging Arrangements” of this document for further details.

SHARES

As at the date of incorporation, our Company was authorized to issue 50,000 shares. On September 25, 2007, our Company approved, amongst others, the increase in the maximum number of shares which our Company was authorized to issue to 10,000,000,000 Shares and the Share Split, being the sub-division of one ordinary share into 75,000 Shares which took effect on October 16, 2007.

SUMMARY

LISTING RULES AND LISTING MANUAL

A summary of the principal differences between the continuing obligations pursuant to the Listing Rules and the Listing Manual is set out in the section headed “Summary of Salient Provisions of the Laws of Singapore – Principal differences between the continuing obligations applicable to listed companies under the Listing Rules and the Listing Manual” in Appendix V to this document.

TAKEOVER OBLIGATIONS UNDER THE SFO, SFA, TAKEOVERS CODE AND SINGAPORE CODE

A comparison of the principal requirements of the takeover obligations applicable to listed companies under the SFO, SFA, Takeovers Code and Singapore Code is set out in the section headed “Summary of Salient Provisions of the Laws of Singapore – Takeover Obligations – Comparison of principal requirements of the takeover obligations applicable to listed companies under the SFO, SFA, Takeovers Code and Singapore Code” in Appendix V to this document.

DISCLOSURE OF SUBSTANTIAL INTEREST REQUIREMENTS UNDER THE ARTICLES AND THE LISTING MANUAL

The Articles provide that, for so long as our Shares are listed on the SGX-ST, any Shareholder (other than CDP or a clearing house recognized by the laws of the jurisdiction in which our Shares are listed or quoted on a stock exchange in such jurisdiction) is required to give the secretary of our Company a notice in writing within two business days:

- (a) after the Shareholder becomes a substantial Shareholder;
- (b) for so long as the Shareholder remains a substantial Shareholder after the date of a change in the percentage level of his interest or interests in our Company; or
- (c) after the date the Shareholder ceases to be a substantial Shareholder.

For the purposes of this requirement, a substantial Shareholder is a person who holds or acquires not less than 5% (whether deemed or direct) in the issued Shares.

Pursuant to the Listing Manual, our Company is required to immediately announce any notice of substantial Shareholders’ interests in our Company’s securities or changes thereof received by our Company.

DEFINITIONS

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

2008 Option Scheme	the share option scheme approved and adopted by our Company on April 23, 2008, which was terminated on September 3, 2010
affiliate	any person, directly or indirectly, controlling or controlled by or under direct or indirect common control with a specified person
Articles of Association or Articles	the articles of association of our Company, approved by our Shareholders on September 3, 2010 and as amended from time to time, a summary of which is set out in Appendix III to this document
Base Price	the land reserve price for land use right sales through public auction, tender or listing
Board	the board of Directors of our Company
Bridging Dealer	J.P. Morgan Broking (Hong Kong) Limited (and/or its affiliates authorized to carry out arbitrage activities)
Bridging Period	the 30-day period from and including the Listing Date
business day	any day (other than a Saturday, Sunday or public holiday) on which banks are generally open for business in Hong Kong
BVI	the British Virgin Islands
BVI BC Act	BVI Business Companies Act, 2004 (as amended)
BVI Principal Share Registrar	Tricor Services (BVI) Limited
CB1	the US\$12,173,833.93 zero coupon convertible notes issued by our Company to Sinopower on December 20, 2006
CB2	the 5.0% US dollar settled convertible bonds due 2010 in the aggregate principal amount of RMB1,239,600,000 issued by our Company on February 13, 2007

DEFINITIONS

CB3	the RMB275,994,230 in aggregate principal amount of 2% Renminbi settled convertible bonds due 2016 issued by our Company on September 9, 2009
CBRC	China Banking Regulatory Commission
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
CCASS Participant	a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant
CCASS Rules	General Rules of CCASS and CCASS Operational Procedures in effect from time to time
CDP	The Central Depository (Pte) Limited, a wholly-owned subsidiary of Singapore Exchange Limited, the central clearing and settlement system for securities traded on the SGX-ST
Changchun Automobile New Town	the new town originally planned to locate in Changchun Auto Industry Development Zone (長春汽車產業開發區)
Changchun Committee	長春汽車產業開發區管理委員會 (Changchun Auto Industry Development Zone Administrative Committee*), an independent third party
Changchun JV	長春新城汽車產業建設有限公司 (Changchun New Town Automobile Industry Construct Co., Ltd.*), a company incorporated in the PRC with limited liability and an 80%-owned subsidiary of our Company

DEFINITIONS

China or PRC	the People's Republic of China excluding, for the purpose of this document, Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
China Enterprise	中華企業股份有限公司 (China Enterprise Company Limited), a company incorporated in the PRC, the issued shares of which are listed on the Shanghai Stock Exchange and which is an independent third party
CNTD (Changchun)	China New Town Development (Changchun) Company Limited, a company incorporated in the BVI with limited liability and a wholly-owned subsidiary of our Company
CNTD (Shenyang)	China New Town Development (Shenyang) Company Limited, a company incorporated in the BVI with limited liability and a wholly-owned subsidiary of our Company
CNTD (Wuxi)	China New Town Development (Wuxi) Company Limited, a company incorporated in the BVI with limited liability and a wholly-owned subsidiary of our Company
Companies Ordinance	the Companies Ordinance, Chapter 32 of the Laws of Hong Kong, as amended, supplemented or otherwise modified from time to time
Company	China New Town Development Company Limited (中國新城鎮發展有限公司), a business company incorporated with limited liability by shares in the BVI on January 4, 2006 which has been listed on the SGX-ST since November 14, 2007
Controlling Shareholder(s)	has the meaning ascribed to it under the Listing Rules and, in the case of our Company, means SRE and Sinopower
Convention Center	Lake Malaren Convention Center of Luodian New Town
Daiying Modern	大盈現代農業股份有限公司 (Daiying Modern Agriculture Holdings Co., Ltd.*), an independent third party
Director(s)	the director(s) of our Company

DEFINITIONS

Dongchang	上海東昌投資發展有限公司 (Shanghai Dongchang Investment Development Co., Ltd.*), a company incorporated in the PRC with limited liability and an independent third party
Entitled Persons	the persons entitled to the award of Shares pursuant to the Management Grant, namely Mr. Li Yao Min, Mr. Yue Wai Leung Stan, Ms. Gu Biya, Mr. Cheng Wai Ho, Mr. Mao Yiping, Mr. Yang Yonggang, Mr. Tai Kuo-Lin, Mr. Ma Da Yu, Mr. Sun Xiaomeng and Ms. Zhang Qiong
Final Completion Date	the date when the land use rights over all residential land parcels in relation to a new town development project are sold
GDP	gross domestic product
GFA	gross floor area
Golf Clubhouse	Lake Malaren Golf Club of the Luodian Project
Group, we, our or us	our Company and our subsidiaries or, where the context so requires, the present subsidiaries of our Company and the businesses carried on by such subsidiaries or (as the case may be) their predecessors
GWR	Grand Wealth Resources Limited, a company incorporated in the BVI with limited liability and an independent third party
HK\$	Hong Kong dollars, the lawful currency of Hong Kong
HKSCC	Hong Kong Securities Clearing Company Limited
HKSCC Nominees	HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC
HKU	the University of Hong Kong
Hong Kong	the Hong Kong Special Administrative Region of the PRC
Hong Kong Branch Share Registrar	Tricor Investor Services Limited

DEFINITIONS

Hong Kong Share Register	our register of members in Hong Kong operated by the Hong Kong Branch Share Registrar
Hotel Manager	Holiday Inns (China) Ltd., an independent third party
IFRS	International Financial Reporting Standards promulgated by the International Accounting Standards Board, including the International Accounting Standards and their interpretations
IMG	IMG Sports Development (Shanghai) Limited, a sports, entertainment and media company which is an independent third party
independent third party	an individual or a company who or which is not connected with (within the meaning of the Listing Rules) any directors, chief executives or substantial shareholders of our Company, any of our subsidiaries or any of their respective associates
Introduction	the listing of all issued shares of our Company on the Main Board by way of an introduction pursuant to the Listing Rules
Jiatong	上海嘉通實業有限公司 (Shanghai Jiatong Enterprises Co., Ltd.*), a company incorporated in the PRC with limited liability and a wholly-owned subsidiary of our Company
J.P. Morgan Securities	J.P. Morgan Securities Ltd., an affiliate of the Bridging Dealer
Landsea	南京朗詩置業股份有限公司 (Nanjing Landsea Property Co., Ltd.*), an independent third party
Latest Practicable Date	October 11, 2010, being the latest practicable date for the purpose of ascertaining certain information contained in this document prior to its publication
Listing	listing of our Shares on the Main Board
Listing Committee	the Listing Committee of the Stock Exchange

DEFINITIONS

Listing Date	the date, expected to be on or about October 22, 2010, on which our Shares are listed and from which dealings in our Shares first commence on the Stock Exchange
Listing Manual	the Listing Manual of the SGX-ST which sets out the requirements applicable to issuers listed or to be listed on the SGX-ST relating to, inter alia: (i) the manner in which securities are to be offered; and (ii) the continuing obligations of issuers
Listing Rules	the Rules Governing the Listing of Securities on the Stock Exchange, as amended, supplemented or otherwise modified from time to time
Lock-Up Period	the period commencing on the date of this document and ending on the date which is 6 months from the Listing Date
LRC	land reserve center
Luodian JV Partner	上海羅店資產經營投資有限公司 (Shanghai Luodian Asset Management & Investment Co., Ltd.*), a company incorporated in the PRC with limited liability, and an independent third party save for its 27.37% equity interest in SGLD
Luodian New Town	the new town located in Shanghai Luodian District
Luodian Project	the new town project of our Group located in Shanghai Luodian District
Main Board	the main board of the Stock Exchange
Management Grant	the management grant approved and adopted by our Company on July 5, 2007, the principal terms of which are summarized in the section headed “Share Schemes – Management Grant” in Appendix VI to this document
Meeko	Meeko Investment Limited, a company incorporated in the BVI with limited liability and a wholly-owned subsidiary of our Company
MLR	Ministry of Land and Resources of the PRC (中華人民共和國國土資源部)
MOFCOM	Ministry of Commerce of the PRC (中華人民共和國商務部)

DEFINITIONS

MOHURD	Ministry of Housing and Urban-Rural Development of the PRC (中華人民共和國住房和城鄉建設部)
NDRC	the National Development and Reform Commission of the PRC (國家發展和改革委員會)
New Town (China) Trading	New Town (China) Trading Co., Ltd., a company incorporated in the BVI with limited liability and a wholly-owned subsidiary of our Company
OZ Funds	OZ Master Fund, Ltd., OZ Asia Master Fund, Ltd. and other funds managed by OZM and/or OZM's wholly-owned subsidiary
OZCM	Och-Ziff Capital Management Group, LLC
OZH	Och-Ziff Holding Corporation
OZM	OZ Management L.P.
PBOC	the People's Bank of China (中國人民銀行), the central bank of the PRC
Performance Share Plan	the performance share plan approved and adopted by our Company on April 23, 2008, which was terminated on September 3, 2010
PGA	the Professional Golfers' Association
PRC Government	the central government of China, including all governmental subdivisions (including provincial, municipal and other regional or local government entities)
Principal Share Register	our register of members in the BVI operated by the Singapore Share Transfer Agent who acts on behalf of the BVI Principal Share Registrar
Proceeds Percentage	the percentage of proceeds allocated to us from the sale of land use rights in a new town development project
Property Management Agreement	the agreement dated July 10, 2010 entered into by SGLD and Shanghai Lake Malaren Property Management

DEFINITIONS

Property Management Transaction	the transaction under the Property Management Agreement
Protex	Protex Investment Limited, a company incorporated in the BVI with limited liability and a wholly-owned subsidiary of our Company
RMB or Renminbi	Renminbi, the lawful currency of China
S\$	Singapore dollars, the lawful currency of Singapore
SAFE	the State Administration of Foreign Exchange of the PRC (國家外匯管理局), the PRC governmental agency responsible for matters relating to foreign exchange administration
Safewell Investment	Safewell Investment Limited, a company incorporated in the BVI with limited liability and a wholly-owned subsidiary of our Company
Sale	the sale of 77,896,098 Shares (representing approximately 2% of our Shares in issue by Sinopower as vendor to J.P. Morgan Securities on or before the Bridging Period), at a sale price of S\$0.170 per Share, being the closing price of our Shares quoted on the SGX-ST on the date of the Sale and Repurchase Agreement
Sale and Repurchase Agreement	the sale and repurchase agreement dated October 8, 2010 as specifically described in the section headed “Listings, Registration, Dealings and Settlement – Bridging Arrangements – Intended Arbitrage Activities during the Bridging Period” of this document
Senior Notes	17.75% US dollar settled senior secured guaranteed notes due 2011 issued by our Company on September 12, 2008
SFC	the Securities and Futures Commission of Hong Kong
SFO	Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong, as amended, supplemented or otherwise modified from time to time

DEFINITIONS

SGLD	上海金羅店開發有限公司 (Shanghai Golden Luodian Development Co., Ltd.*), the joint venture company in the Luodian Project, a company incorporated in the PRC with limited liability and a 72.63%-owned subsidiary of our Company
SGLD Golf Course Lease	the lease agreement entered into by SGLD and the Luodian township government in connection with the two golf courses developed in the Luodian Project on September 15, 2006
SGX-ST	Singapore Exchange Securities Trading Limited
Shanghai CNTD Management Consulting	上海智源管理諮詢有限公司 (Shanghai CNTD Management Consulting Co., Ltd.*), a company incorporated in the PRC with limited liability and a wholly-owned subsidiary of our Company
Shanghai Golden Luodian Infrastructure Development	上海金羅店建設發展有限公司 (Shanghai Golden Luodian Infrastructure Development Co., Ltd.*), a company incorporated in the PRC with limited liability and a non-wholly owned subsidiary of our Company
Shanghai Golden Luodian International Travel Services	上海金羅店國際旅行社有限公司 (Shanghai Golden Luodian International Travel Services Co., Ltd.*), a company incorporated in the PRC with limited liability and a non-wholly owned subsidiary of our Company
Shanghai Good Property Management	上海上置物業管理有限公司 (Shanghai Good Property Management Co., Ltd.*), a company incorporated in the PRC with limited liability and a subsidiary of SRE
Shanghai Junyihui Entertainment	上海君逸會娛樂有限公司 (Shanghai Junyihui Entertainment Co., Ltd.*), a company incorporated in the PRC with limited liability and a non-wholly owned subsidiary of our Company
Shanghai Lake Malaren Hotel Management	上海美蘭湖酒店經營管理公司 (Shanghai Lake Malaren Hotel Management Co., Ltd.*), a company incorporated in the PRC with limited liability and a non-wholly owned subsidiary of our Company

DEFINITIONS

Shanghai Lake Malaren Property Management	上海美蘭湖物業管理有限公司 (Shanghai Lake Malaren Property Management Co., Ltd.*), a company incorporated in the PRC with limited liability and a wholly-owned subsidiary of SRE
Shanghai Lake Malaren Tourism Development	上海美蘭湖旅遊發展有限公司 (Shanghai Lake Malaren Tourism Development Co., Ltd.*), a company incorporated in the PRC with limited liability and a non-wholly owned subsidiary of our Company
Shanghai Luonan	上海羅南房地產有限公司 (Shanghai Luonan Real Estate Co., Ltd.*), a company incorporated in the PRC with limited liability and an independent third party
Shanghai Luonan Economic Development	上海羅南經濟發展公司 (Shanghai Luonan Economic Development Co., Ltd.*), a company incorporated in the PRC with limited liability and an independent third party
Shanghai Residential	上海住宅科技投資股份有限公司 (Shanghai Residential Technology Holdings Co., Ltd.*), a company incorporated in the PRC with limited liability and an independent third party
Shanghai Zhongheng	上海中衡房地產網絡營銷有限公司 (Shanghai Zhongheng Property Network Co., Ltd.*), a company incorporated in the PRC with limited liability and an independent third party
Share(s)	ordinary share(s) of no par value of our Company after the Share Split
Share Option Scheme	the share option scheme conditionally approved and adopted by our Shareholders on September 3, 2010, the principal terms of which are summarized in the section headed “Share Schemes – Share Option Scheme” in Appendix VI to this document
Share Split	the sub-division of each ordinary share of no par value in our Company into 75,000 Shares, which took effect on October 16, 2007
Shareholder(s)	holder(s) of our Share(s)

DEFINITIONS

Shenyang JV	瀋陽李相新城置業有限公司 (Shenyang Lixiang New Town Development Co., Ltd.*), a company incorporated in the PRC with limited liability and a 90%-owned subsidiary of our Company
Shenyang JV Partner	瀋陽市東陵區國有資產經營有限公司 (Shenyang Lixiang Dongling State-owned Asset Management Co., Ltd.*), a company incorporated in the PRC with limited liability and an independent third party save for its 10% equity interest in Shenyang JV
Shenyang Lake Malaren Country Club	瀋陽美蘭湖鄉村(體育健身)俱樂部有限公司 (Shenyang Lake Malaren Country Club Co., Ltd.*), a company incorporated in the PRC with limited liability and a wholly-owned subsidiary of our Company
Shenyang Meteorite Park Tourism Development	瀋陽隕石山旅遊開發建設有限公司 (Shenyang Meteorite Park Tourism Development Co., Ltd.*), a company incorporated in the PRC with limited liability and a non-wholly owned subsidiary of our Company
Shenyang New Town	the new town located in Shenyang Lixiang District
Shenyang Project	the new town project of our Group located in Shenyang Lixiang District
Singapore Code	The Singapore Code on Take-overs and Mergers
Singapore Companies Act	the Companies Act (Chapter 50) of Singapore, as amended, supplemented or otherwise modified from time to time
Singapore Share Transfer Agent	Tricor Barbinder Share Registration Services
Sino-Ocean Land	遠洋地產控股有限公司 (Sino-Ocean Land Holdings Limited), an independent third party
Sinopower	Sinopower Investment Limited, a company incorporated in the BVI with limited liability and a wholly-owned subsidiary of SRE, which is our Controlling Shareholder
SLMGC	上海美蘭湖高爾夫俱樂部有限公司 (Shanghai Lake Malaren Golf Club Co., Ltd.*), a company incorporated in the PRC with limited liability and a non-wholly owned subsidiary of our Company

DEFINITIONS

Sponsor	Standard Chartered Securities (Hong Kong) Limited, an entity incorporated in Hong Kong and licensed under the SFO for type 1 (dealing in securities), type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities
sq.m.	square meters
SRE	SRE Group Limited, a company incorporated in Bermuda with limited liability, the issued shares of which are listed on the Stock Exchange and which is our Controlling Shareholder
SRE Group	SRE and its subsidiaries other than our Group
SREI	SRE Investment Holding Limited, a company incorporated in the BVI and the controlling shareholder of SRE
State Council	State Council of the PRC (中華人民共和國國務院)
Stock Borrowing and Lending Agreement	the stock borrowing and lending agreement dated October 8, 2010 as specifically described in the section headed “Listings, Registration, Dealings and Settlement – Bridging Arrangements – Intended Arbitrage Activities during the Bridging Period” of this document
Stock Exchange	The Stock Exchange of Hong Kong Limited
Takeovers Code	the Hong Kong Code on Takeovers and Mergers
Termination Agreement	the termination agreement dated December 23, 2009 as specifically described in the section headed “Business – Other Projects” of this document
Track Record Period	the three years ended December 31, 2007, 2008 and 2009 and the six months ended June 30, 2010
U.S. or United States	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
US\$	United States dollars, the lawful currency of the United States

DEFINITIONS

Vanke	萬科企業股份有限公司 (China Vanke Co., Ltd.*), an independent third party
Weblink	Weblink International Limited, a company incorporated in the BVI with limited liability and a wholly-owned subsidiary of our Company
Wuxi Hongshan New Town Commercial Operation and Management	無錫鴻山新城鎮商業經營管理有限公司 (Wuxi Hongshan New Town Commercial Operation and Management Co., Ltd.*), a company incorporated in the PRC with limited liability and a non-wholly owned subsidiary of our Company
Wuxi Hongshan New Town Virescence Environmental Protection Construction	無錫鴻山新城鎮綠化環保建設有限公司 (Wuxi Hongshan New Town Virescence Environmental Protection Construction Co., Ltd.*), a company incorporated in the PRC with limited liability and a non-wholly owned subsidiary of our Company
Wuxi Hongqing Real Estate Development	無錫鴻慶房地產開發有限公司 (Wuxi Hongqing Real Estate Development Co., Ltd.*), a company incorporated in the PRC with limited liability and a non-wholly owned subsidiary of our Company
Wuxi JV	無錫鴻山新城鎮開發有限公司 (Wuxi Hongshan New Town Development Co., Ltd.*), a company incorporated in the PRC with limited liability and a 90%-owned subsidiary of our Company
Wuxi JV Partner	無錫市新區城市投資發展有限公司 (Wuxi New District Municipal Investment and Development Co., Ltd.*), a company incorporated in the PRC with limited liability and an independent third party save for its 10% equity interest in Wuxi JV
Wuxi New Town	the new town located in Wuxi Hongshan District
Wuxi Project	the new town project of our Group located in Wuxi Hongshan District

In this document, the terms “associate(s)”, “connected person(s)”, “connected transaction(s)”, “subsidiary(ies)” and “substantial shareholder(s)” shall have the meanings given to such terms in the Listing Rules, unless the context otherwise requires.

DEFINITIONS

Certain amounts and percentage figures included in this document 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 document, if there is any inconsistency between the Chinese names of the entities or enterprises established in China and their English translations, the Chinese names shall prevail. English translations of company names in Chinese or another language which are marked with “*” and Chinese translations of company names in English which are marked with “*” are for identification purposes only.

This document has both English and Chinese versions. Should there be any inconsistency between the Chinese and English versions, the English version shall prevail.

Unless otherwise indicated, all financial data, whether presented on a consolidated basis or by segment, is presented net of inter-segment transactions (i.e., inter-segment and other inter-company transactions have been eliminated).

FORWARD-LOOKING STATEMENTS

We have included in this document forward-looking statements that state our intentions, beliefs, expectations or predictions for the future, in particular under the sections headed “Financial Information” and “Business” in this document.

The forward-looking statements include, without limitation, statements relating to:

- future developments in the industry;
- the industry regulatory environment as well as the industry outlook generally;
- the amount and nature of, and potential for, future development of our business;
- our operations and business prospects, including development plans for our existing and new businesses and products; and
- our dividend policy.

When used in this document, the words “anticipate,” “believe,” “estimate,” “expect,” “plans,” “prospects” and similar expressions, as they relate to our business, are intended to identify forward-looking statements. All statements other than statements of historical fact included in this document, including, without limitation, statements regarding our strategy, projected costs and plans and objectives of management for future operations, are forward-looking statements. Such statements reflect our current beliefs with respect to future events and are subject to risks, uncertainties and various assumptions, including the risk factors described in this document. Should one or more of these risks or uncertainties materialize, or should any of the underlying assumptions or information prove incorrect, actual results may diverge significantly from the forward-looking statements in this document. We do not intend to update these forward-looking statements in addition to on-going disclosure obligations pursuant to the Listing Rules or other requirements of the Stock Exchange.

RISK FACTORS

You should carefully consider all of the information set out in this document, including the risks and uncertainties described below before you decide to purchase our Shares. You should pay particular attention to the fact that we are incorporated in the BVI and that we conduct substantially all our operations in China under a legal and regulatory environment that in many respects differ from those in other countries. Our business, financial condition or results of operations could be affected materially and adversely by any of these risks. In addition, the trading price of our Shares could decline as a result of the occurrence of any of these risks, and you may lose all or part of your investment. The risks set out below may not be exhaustive; we operate in an emerging and evolving environment and new risk factors emerge from time to time that are impossible for us to predict. Additional risks and uncertainties not presently known to us or that we currently deem immaterial could also harm our business, financial condition or results of operations.

RISKS RELATING TO OUR BUSINESS

We do not decide on the exact timing of the sale of land use rights in the new towns we develop, and the selling price of such land use rights is subject to market forces through the bidding process.

Substantially all of our revenue is derived from the proceeds from the sale of land use rights in the new towns we develop. We have been receiving a portion of the sale proceeds, the amount of which has been authorized and approved by the relevant governmental authority. Each year, we select land parcels which meet the conditions for sale and propose them to local governmental authorities for inclusion in the annual land sales plan prepared by them. Once the annual land sales plan is approved by the relevant municipal government, the local governmental authorities will arrange for land parcels to be sold through public auction, tender or listing in accordance with the annual land sales plan. However, the exact timing of the sale in any particular year is determined by local governmental authorities. We also provide the local governmental authorities with our opinion on the Base Price. The final prices at which land use rights are sold are ultimately determined by market forces through the bidding process. Although our joint venture partners are affiliates of the local governments of the areas in which the projects are located, the exact timing and the Base Price of the sale of land use rights are decided by higher echelons of governmental authorities than those owning and controlling our joint venture partners.

There can be no assurance about the exact timing of the sale of land use rights or the final price at which land use rights are sold. For example, during 2005, the relevant local governmental authority did not sell any residential land use rights in Shanghai, including the Baoshan district where the Luodian Project is located, in an effort to implement a PRC Government policy aimed at slowing growth in the real estate market. As a result, our revenue from land development decreased significantly in 2005. Although we do not anticipate there would be a suspension of land sale under the current government policies on land supply, failure or delays in selling land may have a seasonal and material adverse impact upon our business, financial condition and results of operations.

RISK FACTORS

Proceeds from the sale of land use rights are allocated by PRC governmental authorities in accordance with relevant laws, regulations and policies.

Allocation of the proceeds from the sale of land use rights is regulated by PRC governmental authorities in accordance with relevant laws, regulations and policies. These authorities are higher echelons of governmental authorities than those owning and controlling our joint venture partners. In Shanghai, for example, allocation of the proceeds from the sale of land use rights is regulated by, among others, the Shanghai Municipal Bureau of Planning and Land Resources (上海市規劃和國土資源管理局), the Shanghai Municipal Finance Bureau and the Shanghai Municipal Development and Reform Commission, which are all senior to the Baoshan district government, which controls our joint venture partner in SGLD. Other municipalities also have similar regulations in respect of the allocation of proceeds from the sale of land use rights. The Proceeds Percentage for under the Luodian Project has been adjusted once, from approximately 84% for the period between 2003 and 2006 to approximately 64% during the Track Record Period and thereafter, due to the issue of a new government regulation. Although proceeds from the sale of land use rights we actually receive may increase with rising local land prices, there can be no assurance that this can be continually maintained, and the decrease in the Proceeds Percentage due to a change in law, regulation or government policy could have a material adverse effect on our financial condition and results of operations.

Notwithstanding that we may have creditor's rights against local governments for our costs incurred for the clearing and levelling of saleable land as well as the construction of ancillary public facilities, should for any reason a certain piece of land developed by us cannot be sold, we cannot assure you that our claim will be successful.

As the overall project manager, we are responsible for the costs incurred in the clearing and levelling of saleable land as well as the construction of ancillary public facilities, and receive a significant portion of the land sale proceeds from the relevant governmental authorities when these land use rights are sold by them to third party property developers through public auction, tender or listing. Our PRC legal advisor, Jingtian & Gongcheng, is of the view that we may have creditor's rights against the local governments, such that if for any reason a certain piece of saleable land cannot be sold, we may have the right to claim against the local government the costs we have incurred in the clearing and levelling of the saleable land as well as for the construction of ancillary public facilities. However, there is no assurance that such a claim can be made successfully, or that any compensation so obtained would cover our costs incurred. Any inability to make such claims successfully may materially affect our financial condition and results of operations.

RISK FACTORS

We do not anticipate generating positive operating cash flow during the early stage of the construction period of our projects and will need further financing for future projects.

We expect to incur significant initial capital expenditures during the early stage of the construction period in our new town projects, including significant expenditures for clearing and levelling land and the building of the necessary infrastructure. As a result, we do not anticipate generating net operating cash inflow during the construction period. For example, in 2007, the project companies for the Wuxi Project and the Shenyang Project were set up and began their respective relocation processes, which led to negative operating cash flow of approximately RMB538.3 million of our Group for the year December 31, 2007. Moreover, we had net operating cash outflows of RMB21.0 million and RMB327.6 million for the six months ended June 30, 2009 and 2010, respectively.

To the extent we engage in additional projects in the future, and to the extent we do not have sufficient internal financial resources to fund capital expenditures associated with such projects, we will need to obtain additional financing to fund such capital expenditures from third party sources, including via bank loans and from the capital markets.

Additional debt financing may include restrictive covenants that limit our ability to, among other things, pay dividends or incur additional indebtedness and may also require us to set aside cash for interest and principal repayments. Limitations imposed by such restrictive covenants on our financial and business operations and the expense associated with such interest and principal repayments may increase our vulnerability to adverse economic conditions. Furthermore, our access to third party sources of capital depends on a number of factors, including the market's perception of our growth potential and our current and potential future earnings. If we are unable to obtain third party sources of capital on acceptable terms or at all, our business, financial condition and results of operations could be materially adversely affected, including, but not limited to, a curtailment of our operations, which could result in a decline in our market value.

We may not have adequate capital resources to fund our projects.

New town development is capital intensive. In the past, we have financed our Luodian Project primarily through bank borrowings, debt securities issuances as well as income from operating activities. We expect to continue to finance our projects primarily through borrowings from financial institutions, income from operating activities and other sources. Our ability to procure adequate financing for new town development depends on a number of factors that are beyond our control, in particular in the PRC.

Certain PRC government actions and policy initiatives may limit our ability to use bank loans to finance our new town development projects and therefore we may need to maintain a higher level of internally sourced cash for the expansion of our business in the PRC. We cannot assure you that we will be able to continue to secure financing on commercially viable terms or that our business, results of operations and financial position will not be materially adversely affected as a result of such and other government actions and policy initiatives.

RISK FACTORS

Notwithstanding that the State Council is promoting urbanization to facilitate the long-term stable development of the PRC economy, the PRC Government may adopt further measures to slow down growth in the property sector, which in turn may affect the new town development industry.

Notwithstanding that the State Council is promoting urbanization to facilitate the long-term stable development of the PRC economy, speed up the transformation of the country's economic structure, and as one of the catalysts for boosting domestic consumption, in response to concerns over the increase in property investments, from 2004 to 2010, the PRC Government intermittently introduced various policies and measures to curtail property speculation. According to the 《國務院辦公廳關於促進房地產市場平穩健康發展的通知》 (“Notice of the General Office of the State Council on Promoting Sustainable and Healthy Development of the Real Estate Market”) promulgated and effective on January 7, 2010 and the 《國務院關於堅決遏制部分城市房價過快上漲的通知》 (“Notice of the State Council on Resolutely Curbing the soaring of Housing Prices in Some Cities”) promulgated and effective on April 17, 2010, the government would firmly restrain the speculative demands and strengthen market supervision to better control the overheating of the PRC real estate market.

The various restrictive measures taken by the PRC Government may limit property developers' access to capital resources, reduce market demand for their products and increase their operating costs in complying with these measures, which in turn may adversely impact upon the progress of land use right sales in our new town development projects. We cannot assure you that the PRC Government will not adopt additional and more stringent measures, which could further slow down property development in China and adversely affect our business and prospects.

We may not be able to complete or deliver our new town development projects on time, or on budget.

The progress and costs of a new town development project can be adversely affected by many factors, including:

- delays in obtaining necessary licenses, permits or approvals from governments;
- delays in obtaining necessary financings;
- changes to the original master plan (including changes to the plot ratio);
- delays in relocation of existing residents and/or demolition of existing buildings;
- natural catastrophes and adverse weather conditions;
- changes in government policies or relevant laws or regulations; and
- adverse economic conditions.

RISK FACTORS

Construction delays or the failure to complete the construction of a new town development project according to our plans, schedule or budget as a result of the above factors may affect our results of operations and financial position and may also adversely affect our reputation. As at the Latest Practicable Date, we had not experienced any significant delay in completion or delivery of our new town development projects which would have had a material adverse impact on our financials or operations. However, we cannot assure you that we will not experience any significant delays in the completion or delivery of our new town development projects, or that we will not be subject to any liabilities to relevant governmental authorities or purchasers for any such delays. Liabilities arising from any delays in the completion or delivery of our new town development projects could have a material adverse effect on our business, results of operations and financial position.

We may not be able to complete successfully new town development projects that we are currently developing or plan to develop.

On December 23, 2009, we entered into an agreement to terminate the development of Changchun Automobile New Town, details of which are set out in the section headed “Business – Other Projects” of this document. We may not be able to complete successfully the new town development projects that we are currently developing or plan to develop. At any point in the planning or development of a new town project, we could face, among other things, regulatory changes, an inability to procure required government approvals or required changes in our project development practice that could delay, increase the cost of or prevent the completion of such new town project. Should any of our existing projects be terminated, there is no agreement on any compensation to be paid by the local government counterparties to us. We may commit significant time and resources on a new town project before determining that we are unable to complete it successfully and we may also be required to pay compensation and be subject to other potential liabilities if we fail to complete a new town project in accordance with the original plan and/or specifications, which may result in a loss of a part or all of our investment on such project and may have a material adverse effect on our business, reputation, financial condition, results of operations and business prospects going forward.

If any of our new town development projects are unsuccessful, our results of operations may be adversely affected.

We cannot assure you that each of our existing or future new town developments will be successful or that any such development will not encounter difficulties that may adversely affect our business, financial condition and results of operations. Due to the amount of capital required and costs incurred or to be incurred in each development, we are financially exposed and, in the event that any of our existing or future new town developments is unsuccessful, our business, financial condition and results of operations may be adversely affected.

Our business operations are subject to extensive government regulation.

Our business activities are extensively regulated by planning policies and other laws and regulations of the PRC Government. New town developments and the development and operation of commercial properties require approvals, licenses or permits from the relevant

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central and local governmental authorities, some of which may take longer to obtain than others. In addition, from time to time, the relevant governmental authorities may impose new regulations on these activities. For example, our Shenyang JV had paid an administrative fine of approximately RMB14.7 million to the Liaoning Department of Land and Resources in relation to an alleged occupation of a portion of agricultural land on which a sports and recreation park and club facilities were built. The abovementioned facilities generated revenue of approximately RMB0.5 million and RMB0.1 million for the years ended December 31, 2008 and 2009, respectively. Based on agreements we entered into with our third party contractors, we will recover the full amount of the fine from such third party contractors. The club facility with a carrying value of approximately RMB26.5 million as at December 31, 2009 was written off and the agricultural land was reinstated at a cost of approximately RMB4.1 million, most of the costs of which will also be recovered from such third party contractors pursuant to the aforesaid agreement. As a result, a net loss of RMB4.3 million has been recorded in our profit and loss account for the six months ended June 30, 2010. As of the Latest Practicable Date, RMB6.0 million had been recovered pursuant to the aforesaid agreement. On June 30, 2010, Shenyang JV received an official letter from the Liaoning Department of Land and Resources stating that the case was officially closed. We consider that there will be no substantial negative effect on the construction of Shenyang New Town.

Our ability to increase our pipeline of new town projects and to develop and manage commercial properties is contingent upon, among other things, receipt of all required licenses, permits and authorizations, including, but not limited to, land use rights, building and zoning permits and environmental permits. 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 new town planning industry in general or the particular processes with respect to the granting of the approvals. Changes or concessions required by regulatory authorities could also involve significant costs and delay or prevent the completion of our new town projects or could result in the loss of existing licenses, permits or authorizations, any of which may have a material adverse effect on our business, financial condition and results of operations.

The relocation of incumbent residents and businesses on the sites where our new town projects are built may result in delays in our new town development and/or increase our operating costs.

Incumbent residents and businesses on our project sites in Shanghai, Wuxi and Shenyang, as well as sites on which our future new town projects will be developed, will need to be relocated. If any incumbent resident or business is dissatisfied with the relocation compensation and refuses to move, the relevant entity of the township government will seek to resolve the dispute by negotiating with the relevant resident or business to reach a mutually acceptable relocation compensation arrangement, or apply to the relevant land authority for its determination on whether the relocation compensation and relocation timetable is in compliance with PRC law. The relevant land authority will then make a decision as to the proper relocation compensation and timetable. There can be no guarantee that the relocation of

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incumbent residents or businesses in Shenyang and Wuxi will proceed smoothly or that they will agree to the compensation. In addition, the amount of compensation to be paid is subject to PRC governmental regulation and can be changed at any time. Accordingly, any delays in effecting such relocations of these incumbent residents or businesses may result in delays in our construction schedules and/or increase our operating costs, any of which could have a material adverse effect on our business, financial condition and results of operations.

Certain land use rights in the Wuxi Project owned by us may be revoked and penalties may be imposed because the land premiums were paid by us after the respective payment date stated in the relevant land use right grant contracts, and the delay in commencement of the construction of the hotel and the residential area may result in penalties.

As advised by our PRC legal advisor, Jingtian & Gongcheng, the land premiums of the hotel area and the residential area in the Wuxi Project were paid by us after the respective payment dates in the relevant land use right grant contracts. So far as the hotel area is concerned, we paid a penalty of RMB729,370 for late payment of the land premium of the hotel area on July 12, 2010, as a result of which our PRC legal advisor is of the view that the land use right of the hotel area and the relevant land grant deposits will not be revoked by the government. So far as the residential area is concerned, according to the land use right grant of the residential area, the government has the right to revoke the land use rights and keep the land grant deposits of the residential area and require us to pay compensation amounting to 20% of the land premium of the residential area, being RMB20,000,000.

In addition, the construction of the hotel and the residential area did not commence before the respective commencement dates stated in the relevant land use right grant contracts and their supplemental contracts because there was a delay in the provision of the land to us by the government. We plan to commence the construction of the hotel and residential area as soon as practicable and in any event not later than the end of 2010 and in the first quarter of 2011, respectively, and we are now applying for permits for the delayed construction of the hotel and the residential area. Our PRC legal advisor, Jingtian & Gongcheng, is of the view that there will be no material legal impediment for us to obtain the permits once application has been made in accordance with applicable laws and procedures. According to the land use right grant contracts and the relevant laws and regulations, in the event that the projects do not commence within one year after May 30, 2010 and August 30, 2010, respectively, rectification would have to be by way of the payment of a fine in the sum of approximately 20% of the land premium, and in the event that the projects do not commence within two years after May 30, 2010 and August 30, 2010, respectively, the government has the right to revoke the land use rights granted to us over the hotel area and the residential area.

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Our distinctive business model and limited operating history may make it difficult for you to evaluate our business and prospects.

Our business model is distinctive; there are not many comparable listed companies focusing on developing new towns and deriving a substantial proportion of their revenue from proceeds from the sale of land use rights over land that they develop but do not own. In addition, because the sale of land use rights do not occur at regular intervals, our results of operations for any period may not be directly comparable with any corresponding period and, therefore, may not be a useful indicator of our business performance. Accordingly, the lack of comparability and the fluctuation of our financial results during the periods under review, may make it difficult for you to evaluate the prospects of our business.

Moreover, we have a limited operating history. We commenced construction of the Luodian Project in 2002 (the only new town project we had substantially completed as at the Latest Practicable Date), the Wuxi Project in 2007 and the Shenyang Project in 2007. Furthermore, due to the fact that sales of land use rights do not occur at regular intervals, our results of operations for any period may not be directly comparable with any corresponding period and, therefore, may not be a useful indicator of our business performance.

Accordingly, as a result of our limited operating history and the lack of comparability of our financial results during the periods under review, long-term trends and developments in our business are difficult to identify and prospective investors will have limited information available to them on which to evaluate our business and prospects.

Our business model depends on maintaining good working relationships with PRC governmental entities, including our joint venture partners, which we may be unable to maintain.

We collaborate with PRC governmental authorities and their affiliates in developing new towns. Although we believe that we currently have good, constructive working relationships with all of the governmental authorities relevant to our business, if we are unable to maintain our relationships with these governmental authorities, our business, financial condition and results of operations could be materially adversely affected.

Moreover, we have, and expect to continue to have, interests in PRC joint venture entities in connection with our new town development plans with affiliates of PRC governmental authorities as joint venture partners. If there are disagreements between us and our joint venture partners regarding the business and operations of the joint ventures, we cannot assure you that we will be able to resolve them in a manner that will be in our best interests or which will maintain the business relationship with our joint venture partners. In addition, our joint venture partners may (i) have economic or business interests or goals that are inconsistent with ours; (ii) take actions contrary to our instructions, requests, policies or objectives; (iii) be unable or unwilling to fulfill their obligations; (iv) have financial difficulties; or (v) have disputes with us as to the scope of their responsibilities and obligations. Any of these and other factors may materially and adversely affect our business relationships with our joint venture partners, which may in turn materially and adversely affect the performance of our joint ventures, which may in turn materially and adversely affect our financial condition and results of operations.

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Any economic slowdown may adversely affect our business and our ability to obtain necessary financing for our operations.

The financial crisis that unfolded in 2008 and continued during 2009 resulted in a marked slowdown in world economic growth, economic contractions in certain markets, more commercial and consumer delinquencies, weakened consumer confidence and increased market volatility worldwide. The market volatility and uncertainty caused by the global financial crisis also contributed to a lower demand for properties and a decline in their rents, or lower selling prices of land. While there are signs that the economies of Hong Kong, China and other countries have begun to recover, we cannot assure you that such recovery will be sustained. Any global economic slowdown or financial market turmoil in the future may adversely affect the business of the tenants of our commercial properties and potential purchasers of land use rights, which may lead to a decrease in the general demand for land and properties, a decrease in the rents of our commercial properties or the selling prices of land use rights and may adversely affect our ability to obtain necessary financing for our operations.

Our business is dependent on the performance of the property sector in Shanghai, Wuxi and Shenyang.

All of our current new town development projects are located in Shanghai, Wuxi and Shenyang. Our business is thus dependent on the continuing growth of the PRC economy generally and, in particular, the growth in the property sector of each of Shanghai, Wuxi and Shenyang. The PRC property sector may be adversely affected by changes in inflation and interest rates, taxation or other regulatory, political, social or economic factors affecting these municipalities. Our business is also subject to the cyclical nature of the property industry and is thus vulnerable to any downturn in the residential and commercial property development market.

We may have difficulty enforcing the SGLD Golf Course Lease.

We work with local PRC governmental authorities or their affiliates under contracts, such as co-development agreements and joint venture agreements governed by PRC law, which pose enforcement risks and other risks. For example, the lease agreement entered into by SGLD and the Luodian township government in connection with the two golf courses in the Luodian Project that have already been completed (the “SGLD Golf Course Lease”) may be difficult to enforce continually. For the three years ended December 31, 2007, 2008, and 2009 and the six months ended June 30, 2010, these golf courses generated revenue of approximately RMB56.9 million, RMB61.2 million, RMB56.2 million, and RMB18.3 million, which accounted for approximately 15.7%, 10.9%, 5.2% and 10.4% of our Group’s total revenue for the same periods, respectively. The Luodian township government may not possess the authority to grant us the rights specified in the SGLD Golf Course Lease because it has not provided to us the required documents, including the PRC Government approvals and land use rights certificates. We have not demanded documentary proof from the Luodian township government as we believe that it is not appropriate to do so in light of its status as a municipal government entity. Although we have been advised by our PRC legal advisor, Jingtian & Gongcheng, and have

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obtained written confirmation from the Luodian township government, that if our Group is not able to use the golf courses according to the SGLD Golf Course Lease due to land use right issues, our Group is entitled to claim compensation in accordance with the SGLD Golf Course Lease and if any liabilities arise out of the construction of the golf courses, or if a third party brings tort claims against us in connection with the use of the golf courses, such liabilities and claims will be borne by the Luodian township government. If we are unable to enforce the contracts that we enter into with the relevant local PRC governmental authorities or their related entities, including the SGLD Golf Course Lease, our business, financial condition and results of operations may be adversely affected.

We did not obtain the approval for SGLD’s incorporation and expansion of its business scope to include golf course operation from MOFCOM as required under PRC law.

SGLD was established on September 26, 2002. It expanded its business scope to include “golf course and golf course for practice purposes” on October 13, 2003. Under PRC laws in effect at the time, any total investment of foreign direct investment in China exceeding US\$100 million, or any such investment in a restricted industry (as defined in the Guidance Catalog for Foreign Investment (《外商投資產業指導目錄》)) exceeding US\$50 million, must be approved by MOFCOM. Our total investment in SGLD was RMB1,170,070,000 or US\$141,364,021 based on the basic exchange rate as published by the PBOC on September 26, 2002 when SGLD was established. Accordingly, under PRC laws in effect at the time, MOFCOM’s approval was required for the incorporation of SGLD and its subsequent expansion of business scope to include golf course operation. We followed the designated procedures by submitting our project proposal to the local branch of MOFCOM in Shanghai, which approved our investment in SGLD and SGLD’s incorporation as well as the expansion of SGLD’s business scope. The local branch of MOFCOM in Shanghai, however, did not provide us with the relevant documentation for transferring our proposal to the head office of MOFCOM. The procedures for seeking government approval were revised in March 2009, and we are no longer required to obtain any approval from the head office of MOFCOM for SGLD’s incorporation under current PRC laws. We had consulted with the local branch of MOFCOM in Shanghai, whereby it was noted to us that, among other things, given the fact that they approved SGLD’s incorporation at the time and subsequently approved reorganizations of SGLD, and that approval of the head office of MOFCOM is not required under current PRC laws, it is unlikely that MOFCOM authorities would request the subsequent obtaining of approval for incorporation. We have also been advised by our PRC legal advisor, Jingtian & Gongcheng, that such approval is no longer required for SGLD’s incorporation under current PRC laws and it is unlikely that SGLD’s business license will be revoked, and therefore, the lack of such approval does not adversely affect SGLD’s legal existence and ability to operate as an independent legal person under PRC law.

SGLD’s expansion of its business scope to include “golf course and golf course for practice purposes” requires the approval of the head office of MOFCOM under PRC laws then in effect. Therefore, the relevant authorities, including the head office of MOFCOM, may require SGLD to seek supplemental approval from the head office of MOFCOM. If SGLD fails

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to obtain such supplemental approval, the relevant authorities may order the cessation of its operation of golf course and golf course for practice purposes through voiding the local approval granted by the Shanghai authorities. As SGLD's application for expansion of its business scope to the Shanghai Foreign Investment Commission was made in accordance with the then prevailing rules, SGLD and our Group will not be subject to any administrative penalty in this regard. However, we cannot assure you that the PRC Government, including MOFCOM, will not take action to revoke SGLD's business license or order SGLD to cease its operations of its golf course and golf course for practice purposes through voiding the local approval granted by the Shanghai authorities. Such actions may materially and adversely affect our financial condition and results of operations.

We did not obtain the approval for SLMGC's establishment from the Shanghai Foreign Investment Commission as required under relevant PRC regulations.

SLMGC was established on July 6, 2004 with SGLD holding a 95% interest. Pursuant to relevant PRC regulations then in effect, "the construction and operation of golf course" belongs to the "restricted" category for foreign investment. Therefore, the establishment of SLMGC requires approval from the Shanghai Foreign Investment Commission (now known as the Shanghai Commission of Commerce). We followed the designated procedures by submitting our application for the establishment of SLMGC to the Shanghai Administration of Industry and Commerce, which registered our application and issued a business license to SLMGC but did not require us to obtain the approval of the Shanghai Foreign Investment Commission at the time. As a result, we did not apply to obtain the approval for SLMGC's establishment from the Shanghai Foreign Investment Commission. Our Group may be required to apply for an approval from the Shanghai Commission of Commerce for SLMGC, and if the Shanghai Commission of Commerce refuses to issue such approval or if the relevant government authorities consider that there is a deficiency in SLMGC's establishment procedures, it may take action to revoke SLMGC's business license or order SLMGC to cease its operations. As of the Latest Practicable Date, the Shanghai Commission of Commerce or other relevant governmental authority had not required us to obtain such approval, nor taken any action against us in connection with the absence of such approval. Since SLMGC's establishment has been registered with the Shanghai Administration of Industry and Commerce, and our Company confirms that as at the time of establishment of SLMGC, its shareholders acted in good faith and did not make any false, misleading or inaccurate statements, our PRC legal advisor, Jingtian & Gongcheng, is of the view that it is unlikely for SLMGC or our Group to be punished in this regard. However, we cannot assure you that the relevant governmental authority will not require us to obtain such approval. As such, failure to obtain the approval may cause disruption to the business operations of SLMGC.

Revenue generated by SLMGC for the three years ended December 31, 2007, 2008 and 2009 and the six months ended June 30, 2010 were approximately RMB46.4 million, RMB44.7 million, RMB40.0 million and RMB10.1 million, which accounted for approximately 12.8%, 7.9%, 3.7% and 5.8% of our Group's total revenue for the same period, respectively.

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Increases in the cost of labor may have an adverse impact on our results of operations.

If the costs of labor increase significantly, and we cannot offset such increase by reducing other costs or cannot pass on such increase to the buyers or tenants of our commercial properties, our business, results of operations and financial position may be materially and adversely affected.

Our five largest suppliers accounted for a substantial proportion of our total purchases during the Track Record Period.

For each of the three years ended December 31, 2007, 2008 and 2009 and the six months ended June 30, 2010, purchases from our single largest supplier accounted for approximately 20.1%, 23.0%, 48.2% and 33.5% respectively, of our total purchases, while purchases from our five largest suppliers accounted for approximately 60.0%, 48.9%, 82.2% and 69.1% respectively, of our total purchases. The majority of our total purchases payable to our five largest suppliers relate to our utilization of services of relocation offices to deal with the relocation and resettlement of incumbent residents and businesses, and construction work.

Due to the nature of our business, our projects require the services of a relocation office to deal with the relocation and resettlement of incumbent residents and businesses. Each of SGLD, Wuxi JV and Shenyang JV have separately executed relocation and resettlement commission agreements with the Luodian township government, the Wuxi Hongshan township government and the Shenyang Dongling district government, and the relevant local governments have delegated the responsibility to implement the actual relocation process to the relevant relocation office, a government operation division which carries out the instructions of the local government in relation to relocation matters. If the relocation offices fail to perform their contractual obligations, this may lead to delays in the relocation and resettlement process, which in turn may adversely affect the pace of development of our projects and our results of operations.

So far as construction work is concerned, we generally outsource construction work to independent construction companies that specialize in different aspects of new town development, such as facilities construction, power transmission and ecological protection, and typically invite competitive bids in relation thereto. We cannot assure you that we will be able to find satisfactory contractors for our construction work, or that the services rendered by our contractors will always be timely, match our requirements for quality, or be at a cost acceptable to us. Any failure on our part to secure construction services on such terms may materially and adversely affect the construction progress and cost of our projects, which in turn may have a material adverse effect on our operations and financial condition.

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We rely on independent contractors to fulfill their contractual responsibilities to complete their work or supply their materials on time and up to the specified quality standards.

We engage independent contractors, vendors and suppliers to provide various materials and services, including design, construction, engineering, mechanical and electrical installation and utilities installation. We cannot assure you that the services rendered or materials supplied by any of these independent contractors will always be satisfactory or meet our quality requirements. Moreover, the completion of our new town development projects may be delayed, and we may incur additional costs due to a contractor's financial or other difficulties. Any of these factors could have a material adverse effect on our business, financial condition and results of operations.

A loss of key personnel may adversely affect our business and prospects and members of our management team have management obligations with other companies.

Our success depends to a significant extent upon the experience and contacts of our executives. In particular, we depend significantly on Mr. Shi Jian, our executive chairman, and Mr. Li Yao Min, our chief executive officer. Mr. Shi and Mr. Li have more than 20 years and 16 years of experience, respectively, in business management and the property development industry, including approximately eight years of experience in new town development. Through these years in the industry, Messrs. Shi and Li have developed extensive experience and contacts with government officials and other important persons in the property and new town development industries. If we were to lose the services of either Mr. Shi or Mr. Li, our relationships with government officials, lenders and industry personnel and our business and prospects could be adversely affected.

In addition, Mr. Shi is the executive chairman of SRE and Mr. Li is the vice chairman of SRE. The outside business interests of Messrs. Shi and Li may restrict their ability to devote their full time to our business and affairs, which could have a material adverse effect on our business, financial condition and results of operations.

We face increasing competition that could adversely affect our business and financial position.

In recent years, property developers have begun to undertake land development projects similar to our new town projects. In addition, there is no assurance that additional property developers or other companies will not begin to undertake new town developments. Many of these property developers may have significant financial, managerial, marketing and other resources, as well as experience in property and land development. Competition with these property developers may be intense and may result in, among other things, increased costs to acquire new town development rights, oversupply of new town developers in certain parts of China, a reduction in the rate at which new town developments will be approved and/or reviewed by the relevant governmental authorities, an increase in construction costs and difficulty in obtaining high quality contractors and qualified employees. Any such consequences may adversely affect our business, results of operations and financial position.

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Our property valuation is based on certain assumptions which, by their nature, are subjective and uncertain and may materially differ from actual results.

Valuations of our property interests as at August 31, 2010 prepared by DTZ Debenham Tie Leung Limited are contained in Appendix II to this document. The valuations are based on certain assumptions which, by their nature, are subjective and uncertain and may differ from actual results. Accordingly, these valuations are not a prediction of the actual value expected to be achieved by us. Unanticipated results of, or changes in, particular new town development projects, or changes in general or local economic conditions or other relevant factors, could affect such values.

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

We are required to reassess the fair value of our investment properties at every balance sheet date for which we issue financial statements. Under the IFRS, gains or losses arising from changes in the fair value of our investment properties are included in our income statements in the period in which they arise.

The investment properties owned by our Group include but are not limited to retail spaces and comprise both completed investment properties and investment properties under construction. We recognized the aggregate fair market value of our investment properties on our consolidated balance sheets, and recognized fair value gains or losses on investment properties and the relevant deferred tax on our consolidated income statements.

Fair value gains or losses do not, however, change our cash position as long as the relevant investment properties are held by us and, therefore, do not impact our liquidity in spite of the impact on profit. The amount of revaluation adjustments has been, and will continue to be, subject to market fluctuations. We cannot assure you that changes in the market conditions will continue to create fair value gains on our investment properties at the previous levels or at any level at all, or that the fair value of our investment properties will not decrease in the future. In particular, the fair value of our investment properties could decline in the event that our industry experiences a downturn as a result of PRC government policies aimed at “cooling-off” the PRC property market, or the global economic downturn and financial market crisis since mid-2008. Any significant decreases in the fair value of our investment properties may materially and adversely impact our profitability.

Dividends declared by us in the past may not be indicative of our dividend policy in the future.

Any proposal by our Directors for the declaration of dividends and amount of any dividends to be paid will depend on various factors, including, but not limited to, our results of operations, future profits, financial position, regulatory capital requirements, working capital requirements, general economic conditions and any other factors that our Directors may

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consider relevant from time to time. Accordingly, our historical dividend distributions are not indicative of our future dividend distribution policy and potential investors should be aware that the amount of dividends paid previously should not be used as a reference or basis for predicting future dividends.

We may not have insurance to cover certain potential losses and claims.

We do not carry insurance for any liability arising from any allegedly tortious acts committed on our construction sites in our development projects. We cannot assure you that we will not be sued or held liable for damages due to such tortious acts. For some of our construction sites, insurers may specifically carve out certain natural hazards from their all risks insurance policies and specific insurance for such hazards may not be available on what we consider to be commercially practicable terms. If we suffer losses and damages from such uninsured hazards, we may not have sufficient funds to cover the same or to rectify or replace any land or new town development that has been damaged or destroyed. In addition, any payment we make to cover any losses, damages or liabilities could have a material adverse effect on our business, financial condition and results of operations.

Failure to comply with our environmental responsibilities may adversely affect our operations and profitability.

We are subject to extensive and increasingly stringent environmental protection laws, regulations and decrees that impose fines for violation of such laws, regulations or decrees and provide for the shutdown by governmental authorities of any construction sites not in compliance with governmental orders requiring the cessation or cure of certain activities causing environmental damage. In addition, there is a growing awareness of environmental issues and we may sometimes be expected to meet a standard which is higher than the requirement under the prevailing environmental laws and regulations. We have adopted environmental protection measures, including conducting environmental assessments on our property construction projects, hiring construction contractors who have good environmental protection and safety track records and requiring them to comply with the relevant laws and regulations on environmental protection and safety. In addition, there is no assurance that more stringent environmental protection requirements will not be imposed by relevant governmental authorities in the future. If we fail to comply with existing or future environmental laws and regulations or fail to meet public expectations in relation to environmental matters, our reputation may be damaged or we may be required to pay penalties or fines or take remedial actions or cease operations, any of which could have a material adverse effect on our business, results of operations and financial position.

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Failure to comply with restrictive covenants arising out of our debt financing may adversely affect our operations, cash flow and profitability.

Restrictive covenants arising out of our debt financing may limit our ability to, among other things, pay dividends or incur additional indebtedness and may also require us to set aside cash for interest and principal repayments. Failure to comply with such restrictive covenants may adversely affect our operations, cash flow and profitability. For example, in 2009 certain restrictive covenants of our Senior Notes were breached by us, as a result of which noteholders became entitled to require immediate payment of the outstanding principal and unpaid interest. For details of the restrictive covenants involved, please refer to the section headed “Financial Information – Material Indebtedness and Other Liabilities” in this document.

The industry data in this document have not been independently verified.

This document includes industry data that we obtained from various government publications. There can be no assurance as to the accuracy or completeness of information obtained from such government publications. We have not independently verified any of the data from such sources, nor have we ascertained the underlying economic assumptions relied upon in such sources. While we are not aware of any misstatements regarding our industry data presented in this document, our estimates involve risks and uncertainties and are subject to change based on various factors, including those discussed elsewhere in this “Risk Factors” section.

Registration of our logo as a trademark in Hong Kong is pending approval.

We are in the process of registering our logo as a trademark in Hong Kong, details of which are set out in the section headed “Statutory and General Information – Further Information about the Business of our Group – Intellectual Property Rights of our Group” in Appendix VI to this document.

We have been using our logo since November 5, 2007, and as at the Latest Practicable Date we had not received any objections to the use of our logo from third parties. However, we cannot assure you that we will not receive any objections to the pending trademark application, or that the usage of our logo by us in this document will not infringe the intellectual property rights of any third parties or otherwise be in breach of the laws of Hong Kong. Any liability claim against us in relation to the use of our logo, regardless of its merits, may result in costly litigation and have an adverse impact on our administrative and financial resources.

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RISKS RELATING TO OUR OPERATIONS IN THE PRC

Our business could be affected by changes in China's economic, political or social conditions or government policies.

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

- structure;
- amount of government involvement;
- level of development;
- growth rate;
- control of foreign exchange;
- capital reinvestment;
- rate of inflation;
- trade balance position; and
- allocation of resources.

While the PRC economy has grown significantly in the past 30 years, such growth has been uneven, both geographically and among various sectors of the economy. The PRC Government has implemented various economic reforms and measures to encourage economic growth and to guide the allocation of resources. Some of these reforms and measures benefit the overall PRC economy, but may also have a material adverse effect on us. For example, our financial condition and results of operation may be materially and adversely affected by the government control over capital investments or changes in tax regulations that are applicable to our Group.

The PRC economy has been transitioning from a planned economy to a more market-oriented economy. Although in recent years the PRC Government has implemented measures emphasizing the utilization of market forces for economic reform, the reduction of state ownership of productive assets and the establishment of sound corporate governance in business enterprises, a substantial portion of the productive assets in China is still owned by the PRC Government. The continued control of these assets and other aspects of the national economy by the PRC Government could materially and adversely affect our business. The PRC Government continues to play a significant role in regulating the industry development by imposing relevant policies. It also exercises significant control over PRC economic growth through allocation of resources, controlling payment of foreign currency-denominated obligations, setting monetary policy and providing preferential treatment to particular industries or companies.

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The PRC Government may adopt various restrictive measures regarding construction plans and development timeframe for land granted to property developers which may affect our property development.

We do not normally acquire land use rights to the land underlying our new town projects, except for land on which we intend to develop commercial properties and a parcel of residential land in the Wuxi Project acquired by our Group for self-development purposes in 2008. PRC laws and regulations contain restrictions regarding construction plans and development timeframe for land granted to property developers. For example, the 《國務院關於促進節約集約用地的通知(國發【2008】3號)》 (Notice on Promoting Economization of Land Use (Guo Fa [2008] No. 3)) promulgated on January 3, 2008 re-states the PRC Government's strict enforcement policy regarding the forfeiture of idle land rule. In particular, a land idle fee equivalent to 20 per cent. of the land premium will be imposed if construction does not commence within one year of the construction commencement date specified in a land grant contract, and the land may be subject to forfeiture if construction does not commence within two years of the entering into of a land grant contract. The land will also be classified as idle land if the developed GFA is less than one-third of the total GFA of the project, if the expenditure is less than 25% of the stipulated total investment, or if development is suspended without government approval for more than one year.

The various restrictive regulations applicable to property developers on forfeiture of idle land and land grant deposits resulted in some companies having their land and land grant deposits forfeited. Although we are currently not in breach of the abovementioned forfeiture of idle land rule, the rule adversely impacts upon our commercial property development projects in the future, so far as it limits the flexibility in terms of the timing of development. We cannot assure you that the PRC Government will not adopt additional and even tighter enforcement measures for forfeiture of idle land and/or land grant deposits, which may further potentially adversely affect our flexibility in determining the pace of our commercial property development projects.

The PRC legal system is still maturing and the interpretation and application of PRC laws and regulations involves uncertainty.

Our operations in the PRC are subject to the laws and regulations promulgated by the PRC Government. The PRC legal system is a codified legal system made up of the PRC constitution, written laws, regulations, circulars, directives and other government orders. The PRC Government is still in the process of refining its legal system and adjusting its policies with respect to foreign investment.

Generally, the PRC economy is developing at a faster pace than its legal system. Therefore, some degree of uncertainty exists in connection with the application of existing laws and regulations to certain events or circumstances. In addition, unlike common law jurisdictions such as Hong Kong and Singapore, decided cases have no binding effect. Furthermore, the administration of PRC laws and regulations may be subject to a certain degree of discretion by the executive authorities. This has resulted in the outcome of dispute resolutions not being consistent or predictable as compared to more developed jurisdictions.

RISK FACTORS

It may be difficult to effect service of process on or enforce judgments obtained from non-PRC courts against our Company, our Directors or our executive officers who live in the PRC.

As at the Latest Practicable Date, most of our Directors and senior management personnel resided within the PRC, and a significant proportion of our assets and the assets of such persons were located in the PRC. The PRC does not have treaties or arrangements providing for the recognition and enforcement of civil judgments of the courts of the United Kingdom, the United States, most other western countries or Singapore. As a result, recognition and enforcement in the PRC of judgments obtained in such jurisdictions may be impossible. For this reason, it may not be possible for investors to effect service of process on or enforce judgments obtained from non-PRC courts against us, our Directors or our executive officers who live in the PRC.

There is foreign exchange control in the PRC.

Our PRC subsidiaries are subject to PRC laws and regulations on currency conversion. In the PRC, SAFE regulates the conversion of RMB into foreign currencies. Currently, foreign-invested enterprises (“FIEs”) are required to apply to SAFE for “Foreign Exchange Registration Certificates for FIEs.” With such registration certifications, FIEs are allowed to open foreign currency accounts including the “basic account” and “capital account.” Currently, conversion within the scope of the “basic account,” for current account type purposes such as the remittance of foreign currencies for payment of dividends, can be effected without the approval of SAFE. However, the conversion of currency in the “capital account,” for capital items such as direct investments, loans and securities, still requires the approval of SAFE.

Our PRC subsidiaries are FIEs and the ability of our PRC subsidiaries to pay dividends or make other distributions to us may be restricted by, among other things, the availability of funds, and statutory and other legal restrictions including PRC foreign exchange control restrictions. To the extent that the ability of our subsidiaries to distribute to our Company is restricted, it may have an adverse effect on our ability to distribute dividends to our Shareholders in the future.

There is a lack of reliable and up-to-date information on property market conditions in the districts where our new town developments are located and in the PRC generally.

Currently, reliable and up-to-date information such as the amount and nature of new town and property development and investment activities, the demand for such development, the supply of new properties being developed or the availability of land and buildings suitable for development and investment is not generally available in respect of the PRC generally or in relation to the districts in which our new town developments are located. Consequently, our investment and business decisions may not always have been, and may not in the future be, based on accurate, complete and up-to-date information. Inaccurate information may adversely affect the business decisions we take which could materially and adversely affect our results of operations and financial condition.

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We are subject to risks in relation to interest rate movements.

We face risks in relation to interest rate movements as a result of the borrowing undertaken by us to finance our developments. Changes in interest rates will affect our interest income and interest expense from short-term deposits and other interest-bearing financial assets and liabilities. This could in turn have a material and adverse effect on our net profits as well as short-term cash flows. Furthermore, an increase in interest rates could also adversely affect our ability to service loans and our ability to raise and service long-term debt.

Fluctuation of the Renminbi could materially affect our financial condition and results of operations.

We collect most of our revenues in Renminbi, some of which need to be converted into foreign currencies to pay out dividends to our Shareholders. The value of the Renminbi against the U.S. dollar and other currencies fluctuates and is affected by, among other things, changes in China's and international political and economic conditions and the PRC Government's fiscal policies. Since 1994, the conversion of the Renminbi into foreign currencies, including Singapore dollars and U.S. dollars, has been based on rates set by the PBOC, which are set daily based on the previous business day's inter-bank foreign exchange market rates and current exchange rates in the world financial markets. The official exchange rate for the conversion of Renminbi to U.S. dollars has generally remained stable during the past decade.

On July 21, 2005, the PRC Government started to allow the value of the Renminbi to fluctuate within a regulated band based on market supply and demand and by reference to a basket of currencies. On the same day, the value of the Renminbi appreciated by approximately 2% against the U.S. dollar. Further appreciation of the Renminbi against the U.S. dollar or any other foreign currencies would result in a decrease in the Renminbi-equivalent value of our foreign currency-denominated assets. Conversely, any devaluation of the Renminbi may adversely affect the value of, and any dividends payable on, our Shares in foreign currency terms.

Our Shares are quoted in Singapore dollars on the SGX-ST and will be quoted in Hong Kong dollars on the Stock Exchange. Dividends (if any) in respect of our Shares will be paid in Singapore dollars in Singapore and Hong Kong dollars in Hong Kong. Fluctuations in the exchange rate between the Singapore dollar, the Hong Kong dollar (whichever is applicable) and other currencies (including the Renminbi and U.S. dollar) will affect, among other things, the foreign currency value of the proceeds which a Shareholder would receive upon sale in Singapore and/or Hong Kong of our Shares and the foreign currency value of any dividend distributions. Our financial condition and results of operations may also be affected by changes in the value of certain currencies other than the Renminbi, in which our earnings and obligations are denominated.

RISK FACTORS

Inflation in China could materially and adversely affect our profitability and growth.

While the PRC economy has grown rapidly, the growth has been uneven among various sectors of the economy and in different geographical areas of the country. Rapid economic growth can lead to growth in the money supply and rising inflation. If prices for our products and services rise at a rate that is insufficient to compensate for the rise in our costs, our business may be materially and adversely affected. In order to control inflation in the past, the PRC Government has imposed controls on bank credits, limits on loans for fixed assets and restrictions on state bank lending. Such an austerity policy can lead to a slowing of economic growth. A slowdown in the PRC economy could also materially and adversely affect our business and prospects.

We utilize dividends paid by our subsidiaries for funds to make distributions, if any, to our Shareholders. If they are unable to pay us sufficient dividends due to statutory or contractual restrictions on their abilities to distribute dividends to us, our ability to make distributions to our Shareholders may be limited.

We are a holding company, and we utilize the dividends paid by our operating subsidiaries in the PRC for the funds necessary to inter alia, pay any dividends and other distributions to our Shareholders. The payment of dividends in China is subject to limitations. Regulations in the PRC currently permit payment of dividends by our PRC subsidiaries only out of accumulated profits as determined in accordance with accounting standards and regulations in China. Our subsidiaries in China are required to set aside, at the discretion of their respective boards of directors, a portion of their after-tax profits to their reserve fund, enterprise development fund and employee welfare and bonus funds. These funds are not distributable in cash dividends. In addition, if our subsidiaries incur debt on their own behalf, the instruments governing the debt may restrict their ability to pay dividends or make other distributions to us.

The PRC Enterprise Income Tax Law could affect tax exemptions on dividends received by us and increase our enterprise income tax rate.

We are incorporated under the laws of the BVI. As a foreign legal person, dividends derived from our subsidiaries in the PRC were exempt from income tax under PRC law before January 1, 2008. Under the PRC Enterprise Income Tax Law promulgated on March 16, 2007 and in force on January 1, 2008 and its implementation rules promulgated by the State Council on December 6, 2007, if we are deemed as a non-PRC tax resident enterprise without an office or premises in the PRC, withholding tax at the rate of 10% will be applicable to dividends received by us from our PRC subsidiaries, unless the tax is entitled to reduction or elimination in accordance with any future PRC laws or regulations or an applicable tax treaty between the PRC and the BVI, or the jurisdiction of our intermediate holding company directly owning our interest in our subsidiaries. As of the date of this document, the BVI has not entered into any such tax treaties with the PRC.

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In addition, the PRC Enterprise Income Tax Law provides that, if an enterprise incorporated outside the PRC has its “de facto management organization” located within the PRC, such enterprise may be recognized as a PRC tax resident enterprise and thus may be subject to enterprise income tax at the rate of 25% on its worldwide income. Under the Implementation Rules of the PRC Enterprises Income Tax Law, “de facto management organization” means the organization which is essentially in charge of overall management and control with respect to the operation, personnel, books and accounts, and assets of the enterprise in question. Substantially all members of our management are located in the PRC. As substantially all members of our management continue to be located in the PRC after January 1, 2008, the effective date of the PRC Enterprise Income Tax Law and its implementation rules, we may be deemed a PRC tax resident enterprise and therefore be subject to an enterprise income tax rate of 25% on our worldwide income, although the dividends that we receive from our PRC subsidiaries would be exempt from PRC withholding tax if we are recognized as a PRC tax resident.

Under the PRC Enterprise Income Tax Law, dividends payable by us and gains on the disposition of our Shares may be subject to PRC taxation.

If we were considered a PRC resident enterprise under the PRC Enterprise Income Tax Law, our Shareholders who are deemed non-resident enterprises may be subject to PRC enterprise income tax at the rate of 10% upon the dividends payable by us or upon any gains realized from the transfer of our Shares, if such income is deemed derived from China, provided that (i) such foreign enterprise investor has no establishment or premises in China, or (ii) it has an establishment or premises in China but its income derived from China has no real connection with such establishment or premises. If we were required under the PRC Enterprise Income Tax Law to withhold PRC income tax on our dividends payable to our non-PRC enterprise shareholders, or if any gains realized from the transfer of our Shares by our non-PRC enterprise shareholders were subject to enterprise income tax, such Shareholders’ investment in our Shares would be materially and adversely affected.

We face risks related to health epidemics and other outbreaks.

Our business could be materially and adversely affected by the effects of Severe Acute Respiratory Syndrome (or SARS), avian influenza, Influenza A (H1 N1, or widely known as swine influenza) or another epidemic or outbreak on the economic and business climate. China reported a number of cases of SARS in April 2004, avian influenza was reported in western China and several countries in Southeast Asia in 2005 and swine influenza resulted in numerous human deaths in several provinces in the PRC in 2005. The recent outbreak of Influenza A has caused deaths worldwide. Restrictions on travel resulting from a reoccurrence of SARS, avian influenza, swine influenza or another epidemic or outbreak could adversely affect our business operations.

Our business operations could be disrupted if one of our employees is suspected of contracting SARS, avian influenza, swine influenza or another epidemic or outbreak, since it could require us to quarantine some or all of our employees and/or disinfect our offices. In addition, our results of operations could be adversely affected in the event that SARS, avian influenza, swine influenza or another epidemic or outbreak harms the Chinese economy in general.

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RISKS RELATING TO OWNERSHIP OF OUR SHARES

The market price of our Shares may be volatile.

The trading price of our Shares on the SGX-ST may not be indicative of the expected market price for our Shares on the Stock Exchange following the Introduction. Further, the trading price of our Shares on the SGX-ST has been, and may continue to be subject to large fluctuations. The trading price of our Shares may increase or decrease in response to a number of events and factors, including:

- valuations of properties held by us;
- changes in estimates and recommendations by securities analysts;
- developments affecting us or our competitors; and
- changes in general economic conditions.

The volatility may adversely affect the trading price of our Shares regardless of our operating performance. Also for these reasons amongst others, our Shares may trade at prices that are higher or lower than the attributable net asset value of our Shares. In addition, there is no guarantee that investors can regain the amount invested. It is possible that investors may lose all or a part of their investment in our Shares.

The interests of the Controlling Shareholders may not be aligned with those of our other Shareholders.

The Controlling Shareholders hold approximately 61.54% of our issued Shares. The Controlling Shareholders will be able to significantly influence most matters requiring our Shareholders' approval, including the election of Directors and the approval of significant corporate transactions. They will also have an effective veto with respect to certain shareholder actions or approvals requiring a majority vote except where it is required to abstain from voting by the rules of the Listing Manual, or the Listing Rules after our Shares are listed on the Stock Exchange. Such concentration of ownership could have the effect of delaying or preventing a change in control of our Company or otherwise discouraging a potential acquirer from attempting to obtain control of us through corporate actions such as merger or takeover, which could in turn reduce the market price of our Shares and the voting and other rights of our other Shareholders. In view of the concentration of share ownership, there is a possibility that a sale of our Company or some or all of our assets may not maximize value for some Shareholders. There can be no assurance that the Controlling Shareholders will exercise their influence over our Company in ways that are in the best interests of our other Shareholders.

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Future sales of our Shares by us or our existing Shareholders may affect our Share price.

Any future sale or offering of our Shares in the public market may exert a downward pressure on our Share price. The sale of a significant amount of Shares in the public market or the perception that such sale may occur, could materially and adversely affect the market price of our Shares. These factors could also affect our ability to issue additional equity securities in the future. There are no restrictions on existing Shareholders to dispose of their Shares under BVI and Singapore laws and regulations. Under Hong Kong law and regulations, apart from the restrictions under Rules 10.07 (1)(a) and 9.09 of the Listing Rules of which waivers have been sought from the Stock Exchange, there are no other restrictions on existing Shareholders in relation to the disposal of Shares. Please refer to the section headed “Waivers from Strict Compliance with the Listing Rules” in this document for more details.

The liquidity of our Shares on the Stock Exchange may be limited and the effectiveness of the bridging arrangements is subject to limitations.

Our Shares have not been traded on the Stock Exchange before the Introduction and there may be limited liquidity in our Shares on the Stock Exchange. Although Shareholders will be able to transfer the registration of our Shares from Singapore to Hong Kong, and vice versa, there is no certainty as to the number of Shares that Shareholders may elect to transfer to Hong Kong. This may adversely affect investors’ ability to purchase or liquidate Shares on the Stock Exchange. Accordingly, there is no guarantee that the price at which Shares are traded on the Stock Exchange will be substantially the same as or similar to the price at which Shares are traded on the SGX-ST or that any particular volume of Shares will trade on the Stock Exchange.

Throughout the Bridging Period (being the 30-day period from and including the Listing Date), the Bridging Dealer intends to carry out arbitrage activities between the Singapore and Hong Kong markets (as set out in the section headed “Listings, Registration, Dealings and Settlement – Bridging Arrangements” of this document). Such arbitrage activities are intended to contribute to the liquidity of our Shares on the Hong Kong market by facilitating the migration of Shares to the Hong Kong Share Register to develop an open market in our Shares in Hong Kong following the Introduction. You should be aware, however, that the bridging arrangements are subject to the Bridging Dealer’s ability to sell our Shares or obtain sufficient number of Shares for settlement on the Hong Kong market, as well as the existence of adequate price differentials between the Hong Kong and Singapore markets.

There is no guarantee that the bridging arrangements will attain and/or maintain liquidity in our Shares at any particular level on the Stock Exchange, nor is there assurance that an open market will in fact develop. The bridging arrangements will also terminate and cease to continue beyond the Bridging Period (being the 30-day period from and including the Listing Date).

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The bridging arrangements do not create any obligation on the Bridging Dealer to undertake any arbitrage or other transactions in our Shares. Accordingly, there is no guarantee that the price at which our Shares are traded on the Stock Exchange will be substantially the same as or similar to the price at which our Shares are traded on the SGX-ST or that any particular volume of our Shares will trade on the Stock Exchange. The bridging arrangements being implemented in connection with the Introduction are not equivalent to the price stabilization activities which may be undertaken in connection with an initial public offering. In addition, the Bridging Dealer is not acting as a market maker and does not undertake to create or make a market in our Shares on the Stock Exchange.

You may experience difficulties in enforcing your shareholder rights because we are incorporated in the BVI, and the laws of the BVI for minority shareholders protection may be different from those under the laws of Hong Kong and other jurisdictions.

We are a company incorporated in the BVI with limited liability, and the laws of the BVI differ in some respects from those of Hong Kong or other jurisdictions where investors may be located.

Our corporate affairs are governed by our memorandum and articles of association, the BVI BC Act and the common law of the BVI. The laws of the BVI relating to the protection of the interests of minority shareholders differ in some respects from those established under statutes and judicial precedents in existence in other jurisdictions. This may mean that the remedies available to our Company's minority Shareholders may be different from those they would have under the laws of other jurisdictions.

RISKS RELATING TO THE DUAL PRIMARY LISTING OF OUR COMPANY

There are different characteristics between the Singapore stock market and the Hong Kong stock market.

Our Shares have been listed and dealing on the SGX-ST has commenced since November 14, 2007. Following the Listing, it is our current intention that our Shares will continue to be traded on the SGX-ST. Our Shares traded on the Stock Exchange will be registered by the Hong Kong Branch Share Registrar. As there is no direct trading or settlement between the stock markets of Singapore and Hong Kong, time required to shunt shares between CDP and the Hong Kong Branch Share Registrar may vary and there is no certainty when shunted shares will be available for trading or settlement.

The SGX-ST and the Stock Exchange have different trading hours, trading characteristics (including trading volume and liquidity), trading and listing rules and investor bases (including different levels of retail and institutional participation). As a result, the trading price of our Shares on the SGX-ST and the Stock Exchange may not be the same.

Further, fluctuations in the price of our Shares on the SGX-ST could materially and adversely affect the price of our Shares on the Stock Exchange, and vice versa. Moreover, fluctuations in the exchange rate between Singapore dollars and Hong Kong dollars could also

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materially and adversely affect the trading prices of our Shares on the SGX-ST and the Stock Exchange. Due to the different characteristics of the stock markets of Singapore and Hong Kong, the historical prices of our Shares on the SGX-ST may not be indicative of the performance of our Shares on the Stock Exchange after the Listing. You should therefore not place undue reliance on the prior trading history of our Shares on the SGX-ST when evaluating an investment in our Shares through the Stock Exchange.

We will be concurrently subject to Hong Kong and Singapore listing and regulatory requirements.

As we are listed on the SGX-ST and will be listed on the Stock Exchange, we will be required to comply with the listing rules (where applicable) and other regulatory regimes of both jurisdictions, unless otherwise agreed by the relevant regulators. Accordingly, we may incur additional costs and resources in complying with the requirements of both jurisdictions.

The time lag for the transfer of Shares between the Hong Kong and Singapore markets may be longer than expected, and Shareholders may not be able to settle or effect any share sale during this period.

There is no direct trading or settlement between the stock exchanges of Singapore and Hong Kong. To enable the migration of Shares between the two stock exchanges, Shareholders are required to comply with specific procedures and bear the necessary costs. Under normal circumstances and assuming that there are no deviations from the usual share transfer procedures, Shareholders can expect a normal transfer to complete within 15 business days from CDP to the Hong Kong Share Register and 15 business days from the Hong Kong Share Register to CDP depending on whether our Shares are registered under CCASS or in the name of our Shareholders. However, there is no assurance that the transfer of Shares will be completed in accordance with this timeline. There may be unforeseen market circumstances or other factors which delay the transfer, thereby preventing Shareholders from settling or effecting the sale of their Shares.

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

SHARE DISPOSAL RESTRICTION WAIVER

Pursuant to Rule 10.07(1) of the Listing Rules, SRE and Sinopower shall not in the period commencing on the date of this document and ending on the date which is 6 months from the Listing Date (“Lock-Up Period”), dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of those securities of our Company in respect of which it is shown by this document to be the beneficial owner.

Sinopower and J.P. Morgan Securities have entered into the Stock Borrowing and Lending Agreement pursuant to which Sinopower shall upon request by J.P. Morgan Securities lend up to the number of Shares it holds at the time of such request to J.P. Morgan Securities, on one or more occasions, and an equivalent number of Shares shall be returned to Sinopower within a specified period after the expiry of the Bridging Period (being the 30-day period from and including the Listing Date), subject to applicable laws, rules and regulations in Singapore and Hong Kong, including without limitation that the lending and the subsequent acceptance of redelivery of any Shares by Sinopower, and the borrowing and the subsequent redelivery of any Shares by J.P. Morgan Securities, will not lead to either party being obliged to make a mandatory general offer under the Takeovers Code and/or the Singapore Code. Additionally, Sinopower and J.P. Morgan Securities have also entered into the Sale and Repurchase Agreement for the Sale. Conditional upon J.P. Morgan Securities acquiring our Shares under the Sale, J.P. Morgan Securities shall sell and Sinopower shall repurchase the equivalent number of Shares it sold under the Sale, at the same price as such Shares were sold, shortly after the expiry of the Bridging Period (being the 30-day period from and including the Listing Date). Further particulars of such stock borrowing arrangements and the Sale and Repurchase Agreement are set out in the section headed “Listings, Registration, Dealings and Settlement – Bridging Arrangements – Intended Arbitrage Activities during the Bridging Period” in this document.

We have applied to the Stock Exchange for a waiver from strict compliance with Rule 10.07(1) of the Listing Rules to allow Sinopower to dispose of its interests in our Company during the Lock-Up Period pursuant to the Stock Borrowing and Lending Agreement and the Sale and Repurchase Agreement and the Stock Exchange has granted such waiver on condition that:

- (a) the arrangements under the Stock Borrowing and Lending Agreement and the Sale and Repurchase Agreement are fully disclosed in this document and are solely for facilitating arbitrage trades to be carried out by J.P. Morgan Securities for the purposes as mentioned in the section headed “Listings, Registration, Dealings and Settlement – Bridging Arrangements – Intended Arbitrage Activities during the Bridging Period” in this document;
- (b) any Shares which may be made available to J.P. Morgan Securities under the stock borrowing arrangements shall be returned to Sinopower within a specified period after the expiry of the Bridging Period (being the 30-day period from and including the Listing Date), subject to there being no unforeseeable market circumstances and/or other circumstances beyond the reasonable control of J.P. Morgan Securities;

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

- (c) the maximum number of Shares to be sold by Sinopower to J.P. Morgan Securities is up to 2% of our Shares in issue, and such Shares will be repurchased by Sinopower shortly after the expiry of the Bridging Period (being the 30-day period from and including the Listing Date);
- (d) the stock borrowing arrangements and the Sale and Repurchase Agreement will comply with all applicable laws, rules and regulations;
- (e) no payment will be made to Sinopower by J.P. Morgan Securities in relation to the stock borrowing arrangements; and
- (f) Sinopower will not dispose of its Shares during the Lock-Up Period other than under the stock borrowing arrangements and the Sale and Repurchase Agreement or as a result of the waivers from strict compliance with Rules 10.08 and 10.07(1)(a) of the Listing Rules regarding the deemed disposal of Shares by Sinopower upon any issue of Shares by our Company within the first six months from the Listing Date.

SHARE ISSUE RESTRICTION WAIVER

We have applied to the Stock Exchange for a waiver from strict compliance with the restrictions on further issue of securities within the first 6 months from the Listing Date under Rule 10.08 of the Listing Rules, and a consequential waiver from Rule 10.07(1) of the Listing Rules in respect of the deemed disposal of Shares by the Controlling Shareholders upon any issue of securities by our Company within the first 6 months from the Listing Date, and the Stock Exchange has granted such waiver on condition that:

- (a) any issue of Shares (or convertible securities) by our Company during the first 6 months after the Listing Date must be either for cash to fund a specific acquisition or as part or full consideration for the acquisitions;
- (b) the acquisitions as mentioned in (a) above must be for asset or business that will contribute to the growth of our Group's operation; and
- (c) SRE and Sinopower will not cease to be Controlling Shareholders upon the issue of any Shares within the first 12 months of the Listing.

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

The reasons for the application for waiver from strict compliance with Rule 10.08 and the consequential waiver from strict compliance with Rule 10.07(1)(a) of the Listing Rules by our Company are, inter alia, as follows:

- (1) our Company is deemed to be a new listing applicant only by reason of the Introduction whereas our Shareholders remain the same and there is no change to their shareholdings, save that our Shares will be listed on the Main Board of the Stock Exchange as well as on the SGX-ST. Our existing Shareholders should have already gained awareness and knowledge in our Company;
- (2) it is essential for our Company to have the flexibility to raise funds by way of further issue of Shares in either the Hong Kong or the Singapore equity markets or enter into further acquisitions for share consideration should an appropriate opportunity arise. Any issue of new Shares by our Company will enhance our Shareholder base and increase the trading liquidity of our Shares, and the interests of our existing Shareholders and prospective Hong Kong investors would be prejudiced if our Company could not raise funds for our expansion due to the restrictions under Rule 10.08 of the Listing Rules;
- (3) the Listing by way of introduction will not result in any dilution of our Shareholders' interests in our Company;
- (4) the interests of our Shareholders are well protected since any further issue of Shares by our Company would be (i) made under general mandate; or (ii) subject to Shareholders' approval as required under Rule 13.36 of the Listing Rules; and
- (5) since the listing of our Company on the SGX-ST in November 2007, the Controlling Shareholders have at all times maintained more than 30% interest in our Company and remained strongly committed to our Company.

DEALINGS BY CONNECTED PERSONS WAIVER

Rule 9.09(b) of the Listing Rules provides that there must be no dealing in the securities for which listing is sought by any connected person of our Company from 4 clear business days before the expected hearing date for the Introduction until the Listing is granted (the "Relevant Period").

To the best of our Company's knowledge, as at the Latest Practicable Date, OZ Master Fund, Ltd. and OZ Asia Master Fund, Ltd. held 235,238,245 Shares and 227,357,070 Shares respectively, and other funds managed by OZM and/or OZM's wholly-owned subsidiary in aggregate held 44,011,722 Shares, representing approximately 6.04%, approximately 5.84% and approximately 1.13% respectively of the total number of issued Shares. The investments of the OZ Funds are managed by OZM and/or OZM's wholly-owned subsidiary on a discretionary basis. In total, the OZ Funds held 506,607,037 Shares, representing approximately 13.01% of the total number of issued Shares as at the Latest Practicable Date

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

and are together regarded as substantial Shareholders. By virtue of the management of the OZ Funds, OZM is deemed interested in our Shares held by the OZ Funds and accordingly, is also regarded as a substantial Shareholder for the purposes of the Listing Rules. The OZ Funds and OZM are thus regarded as connected persons of our Company under the Listing Rules and are subject to the restriction under Rule 9.09(b).

In addition, as our Shares are traded on the SGX-ST, there may be Shareholders who currently hold less than 10% of the total issued Shares but who may acquire further Shares during the Relevant Period and become new substantial Shareholders (the “**New Substantial Shareholders**”), and thus be subject to the restriction under Rule 9.09(b) of the Listing Rules.

Our Company considers that it would be unfair to our Company if the non-compliance by the OZ Funds and/or OZM and/or the New Substantial Shareholders and their respective associates with the dealing restrictions under Rule 9.09(b) is to jeopardize our Company’s listing application as our Company and our management have no control over the investment decisions of the OZ Funds, OZM or the New Substantial Shareholders and their respective associates. Accordingly, our Company has applied for a waiver from strict compliance with Rule 9.09(b) of the Listing Rules in respect of any dealings in our Shares by the OZ Funds and/or OZM or by the New Substantial Shareholders or their respective associates during the Relevant Period, on the conditions that:

- (1) the OZ Funds, OZM and the New Substantial Shareholders and their respective associates have not been and will not be involved in the management and administration of our Group nor in the floatation exercise for the Introduction;
- (2) neither our Company nor its management has or will have control over the investment decisions of the OZ Funds, OZM or the New Substantial Shareholders or their respective associates;
- (3) our Company will notify the Stock Exchange of any dealing or suspected dealing by the OZ Funds, OZM or by the New Substantial Shareholders or their respective associates during the Relevant Period when it becomes aware of the same;
- (4) our Company will release price sensitive information to the public as required by relevant laws, rules and regulations applicable to our Company so that anyone who may deal in Shares as a result of this waiver will not be in possession of non-public price sensitive information; and
- (5) the other substantial shareholders and directors of our Group and their respective associates have not dealt and will not deal in our Shares during the Relevant Period.

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

CONNECTED TRANSACTION WAIVER

We have entered into and are expected to continue with the Property Management Transaction which, after the Listing, will constitute a continuing connected transaction of our Company and is subject to the announcement, reporting and annual review requirements but is exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules. We have applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver from strict compliance with the announcement requirement under Chapter 14A of the Listing Rules for the abovementioned non-exempt continuing connected transaction. Further information on the continuing connected transaction and the waiver is set out in the section headed "Connected Transaction" in this document.

COMPANY SECRETARY QUALIFICATIONS WAIVER

According to Rule 8.17 of the Listing Rules, the secretary of our Company must be a person who is ordinarily resident in Hong Kong and who has the requisite knowledge and experience to discharge the functions of a secretary of a listed company and who is (i) an ordinary member of The Hong Kong Institute of Chartered Secretaries, a solicitor or barrister as defined in the Legal Practitioners Ordinance or a professional accountant; or (ii) an individual who, by virtue of his or her academic or professional qualifications or relevant experience, is, in the opinion of the Stock Exchange, capable of discharging those functions.

Ms. Low Siew Tian, the secretary of our Company, is not ordinarily resident in Hong Kong and does not possess the professional qualifications as specified under Rule 8.17(2) of the Listing Rules. Ms. Low is however capable of discharging the functions of the secretary of our Company on the basis of her experience with our Company and her qualifications. Our Company has further appointed Ms. Kwok Yu Ching, a chartered secretary who possesses the professional qualifications required by Rule 8.17(2) of the Listing Rules and is ordinarily resident in Hong Kong, with effect from October 15, 2010 as a joint company secretary of our Company to assist Ms. Low so as to enable Ms. Low to acquire the relevant experience as required under Rule 8.17(3) of the Listing Rules in order to discharge the duties as a company secretary of our Company. Particulars of the qualifications and experience of Ms. Kwok are set out in the section headed "Directors, Senior Management and Staff – Joint Company Secretaries" of this document. Ms. Kwok will provide the necessary assistance to Ms. Low in discharging her duties as company secretary, in particular, in relation to compliance and corporate governance issues under the Listing Rules.

Each of Ms. Low and Ms. Kwok has provided valid phone numbers and email addresses to the Stock Exchange and will inform the Stock Exchange promptly in the event of any change of means of communication. Furthermore, in order to ensure effective communication between our Company and the Stock Exchange, our Company has appointed Mr. Shi Jian and Mr. Li Yao Min (who are ordinarily resident in Hong Kong) as our authorized representatives pursuant to Rule 3.05 of the Listing Rules, who will act as our principal communication channel with the Stock Exchange. Each of the authorized representatives will be available to meet with the Stock Exchange within a reasonable time frame upon request by the Stock Exchange and will

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

be readily contactable by telephone or facsimile or email. Besides, Ms. Kwok, our other joint company secretary, is ordinarily resident in Hong Kong. Our Company has also appointed Shenyin Wanguo Capital (H.K.) Limited as our compliance advisor pursuant to Rule 3A.19 of the Listing Rules, who will act as our additional communication channel with the Stock Exchange. The contact persons of the compliance advisor have provided their contact details to the Stock Exchange and will also be fully available to answer queries from the Stock Exchange.

We have therefore applied to the Stock Exchange for:

- (a) a waiver from strict compliance with Rule 8.17 of the Listing Rules such that we may continue to retain Ms. Low Siew Tian as one of our joint company secretaries after the Listing, notwithstanding that Ms. Low is not ordinarily resident in Hong Kong, which has been granted subject to measures ensuring effective communication between our Company and the Stock Exchange as described above being in place; and
- (b) a waiver from strict compliance with Rule 8.17 of the Listing Rules for three years after the Listing Date such that we may continue to retain Ms. Low Siew Tian as one of our joint company secretaries for at least three years after the Listing, notwithstanding that Ms. Low does not possess the professional qualifications specified under Rule 8.17(2) of the Listing Rules, which has been granted subject to our Company's engagement of Ms. Kwok as a joint company secretary to assist Ms. Low so as to enable Ms. Low to acquire the relevant experience as required under Rule 8.17(3) of the Listing Rules, and will be revoked immediately when Ms. Kwok ceases to assist Ms. Low during a period of three years from the date of the Listing.

Upon the expiry of three years from the Listing Date, we will notify the Stock Exchange and the Stock Exchange shall re-visit the situation in the expectation that we should then be able to demonstrate to the Stock Exchange's satisfaction that, Ms. Low, having had the benefit of Ms. Kwok's assistance for three years, would have acquired relevant experience within the meaning of Rule 8.17(3) of the Listing Rules such that a further waiver in relation to the necessary professional qualifications under Rule 8.17(2) of the Listing Rules will not be necessary.

INFORMATION ABOUT THIS DOCUMENT AND THE INTRODUCTION

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS DOCUMENT

This document, for which our Directors collectively and individually accept full responsibility, includes particulars given in compliance with 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 about our Group. Our Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this document is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this document misleading.

This document is published in connection with the Introduction. It may not be used for any other purpose and, in particular, no person is authorized to use or reproduce this document or any part thereof in connection with any offering, or invitation to the offer, of our Shares or other securities of our Company. Accordingly, there is no, and will not be any, offer of or solicitation, or an invitation by or on behalf of our Company and the Sponsor to subscribe for or purchase any of our Shares. Neither this document nor any other document or information (or any part thereof) delivered or supplied under or in relation to the Introduction may be used for the purpose of making, and the delivery, distribution and availability of this document or such other document or information (or any part thereof) does not constitute, any offer of or solicitation or an invitation by or on behalf of our Company and the Sponsor to subscribe for or purchase any of our Shares.

APPLICATION FOR LISTING ON THE STOCK EXCHANGE

Our Shares are currently listed on the SGX-ST. Application has been made to the Listing Committee for the listing of, and permission to deal in, our Shares in issue and to be issued as mentioned herein on the Main Board of the Stock Exchange pursuant to Rule 8.05(2) of the Listing Rules. Our listings on both the Stock Exchange and the SGX-ST will be dual primary listings. Consequently, unless otherwise agreed by the SGX-ST or, as the case may be, the Stock Exchange, our Company must comply with the Listing Rules and the Listing Manual and any other relevant regulations and guidelines in Hong Kong and Singapore which are applicable to us. In the event where there is a conflict or inconsistency between the requirements of the listing rules of the two stock exchanges, the listing rules with the more onerous requirements shall prevail. Our Directors will use their best endeavors to ensure that no release of information will be made in Singapore unless a simultaneous release is made in Hong Kong and vice versa. Our Directors confirmed that our Company has been in compliance with relevant applicable laws and listing rules of Singapore since its listing on the SGX-ST. In addition, each of our Directors has confirmed that he/she has been in compliance with relevant applicable laws and listing rules of Singapore since the listing of our Company on the SGX-ST.

As Shareholders' approval is required for the proposed Introduction and the proposed amendments to the Articles to, amongst other things, comply with the requirements of the Listing Rules and the Listing Manual, a circular in relation to such matters was submitted to the SGX-ST for clearance on July 19, 2010. On August 6, 2010, our Company received the

INFORMATION ABOUT THIS DOCUMENT AND THE INTRODUCTION

requisite clearance for the contents of the circular and such circular was despatched by our Company on August 12, 2010 to our Shareholders. An extraordinary general meeting of our Company was consequently held on September 3, 2010 whereby resolutions were passed for, inter alia, the approval of the proposed Introduction and the proposed amendments to the Articles. Save as disclosed aforesaid, no approval from the SGX-ST is required for the proposed Introduction.

Details of the arrangement for the removal of Shares from the Principal Share Register to the Hong Kong Share Register or from the Hong Kong Share Register to the Principal Share Register are set out in the section headed “Listings, Registration, Dealings and Settlement” of this document.

COMMENCEMENT OF DEALINGS IN OUR SHARES

Dealings in our Shares on the Main Board are expected to commence on October 22, 2010. Our Shares will be traded on the Main Board in board lots of 2,500 Shares each.

SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

Subject to the granting of the approval for the listing of, and permission to deal in, our Shares on the Stock Exchange and the 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 on any other date as maybe determined by HKSCC. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second settlement day thereafter. All activities under CCASS are subject to the CCASS Rules in effect from time to time.

All necessary arrangements have been made for our Shares to be admitted into CCASS. If you are unsure about the details of CCASS settlement arrangements and how such arrangements will affect your rights and interests, you should seek the advice of your stockbrokers or other professional advisors.

NO CHANGE IN THE NATURE OF BUSINESS

No change in the nature of business of our Group is contemplated following the Introduction.

HONG KONG STAMP DUTY

Dealings in Shares registered in the Hong Kong Share Register maintained in Hong Kong are subject to Hong Kong stamp duty.

INFORMATION ABOUT THIS DOCUMENT AND THE INTRODUCTION

PROFESSIONAL TAX ADVICE RECOMMENDED

If you are unsure about the taxation implications of the purchasing, holding or disposal of, dealing in, or the exercise of any rights in relation to, our Shares, you should consult an expert. It is emphasized that none of our Company, the Sponsor, any of their respective directors, agents, employees, advisors or affiliates or any other person or party involved in the Introduction accepts responsibility for any tax effects on, or liabilities of, any person resulting from the purchasing, holding or disposal of, dealing in, or the exercise of any rights in relation to, our Shares.

CONDITIONS OF THE INTRODUCTION

The Introduction is subject to the fulfillment of the conditions that, among other things, the Listing Committee grants the listing of, and permission to deal in, on the Main Board, our Shares presently in issue and listed on the SGX-ST as well as the approval of our Shareholders of the resolutions relating to the proposed Introduction and the adoption of the proposed amendments to the Articles at our extraordinary general meeting held on September 3, 2010.

REASONS FOR THE INTRODUCTION

Our Shares have been traded on the SGX-ST since November 14, 2007. Our Directors consider that it is desirable and beneficial for our Company to have dual primary listing status in both Singapore and Hong Kong so that our Company can have ready access to these different equity markets in the Asia Pacific region when the opportunity arises. The two markets also attract different investor profiles thereby widening the investor base of our Company and increasing the liquidity of our Shares. In particular, it enables our Company to benefit from our exposure to a wider range of private and institutional investors. Our Directors believe that a listing in Hong Kong is in line with our focus on our operations in the PRC, which is important for our growth and long-term strategic development.

DIRECTORS AND PARTIES INVOLVED IN THE INTRODUCTION

DIRECTORS

Name	Residential Address	Nationality
<i>Executive Directors</i>		
Mr. Shi Jian	Flat C, 9/F, The Albany 1 Albany Road Hong Kong	Chinese
Mr. Li Yao Min	Flat A, 22/F, Block 2 The Leighton Hill 2B Broadwood Road Causeway Bay Hong Kong	Chinese
Ms. Gu Biya	Villa No. 23 Lane 555, Lake Malaren Road Baoshan District Shanghai, PRC	Chinese
Ms. Song Yiqing	Flat B, 45/F, Block 3, The Zenith 258 Queen's Road East Wanchai Hong Kong	Chinese
Mr. Mao Yiping	Lane 380, No. 68, Room 401 Dezhou Road Shanghai, PRC	Chinese
Mr. Yang Yonggang	Room 801, No. 44, Lane 100 East Tian Lin Road Xu Hui District Shanghai, PRC	Chinese
Mr. Shi Janson Bing	Flat C, 9/F, The Albany 1 Albany Road Hong Kong	American

DIRECTORS AND PARTIES INVOLVED IN THE INTRODUCTION

Name	Residential Address	Nationality
<i>Non-independent Non-executive Director</i>		
Mr. Yue Wai Leung Stan	No. 106 Casa Marina II Tai Po, New Territories Hong Kong	British
<i>Independent Non-executive Directors</i>		
Mr. Henry Tan Song Kok	53 Jalan Leban Singapore 577590	Singaporean
Mr. Loh Weng Whye	127 Dunbar Walk Singapore 459433	Singaporean
Mr. Lam Bing Lun Philip	9D Alpine Court 12 Kotewall Road Mid-levels, Hong Kong	Canadian
Mr. Kong Siu Chee	House Q Evergreen Garden 15 Ma Lok Path Kau To Shan Shatin, New Territories Hong Kong	Canadian

DIRECTORS AND PARTIES INVOLVED IN THE INTRODUCTION

PARTIES INVOLVED IN THE INTRODUCTION

Sponsor Standard Chartered Securities (Hong Kong) Limited
15/F, Two International Finance Centre
8 Finance Street
Central, Hong Kong

Bridging Dealer J.P. Morgan Broking (Hong Kong) Limited
22nd Floor, Chater House
8 Connaught Road
Central
Hong Kong
(and/or its affiliates authorized to carry out
arbitrage activities)

Legal Advisors to our Company *as to Hong Kong law*
Woo, Kwan, Lee & Lo
26/F Jardine House
1 Connaught Place
Central, Hong Kong

as to Singapore law
WongPartnership LLP
One George Street
#20-01
Singapore 049145

as to BVI law
Appleby
8/F Bank of America Tower
12 Harcourt Road
Central, Hong Kong

as to PRC law
Jingtian & Gongcheng
15/F The Union Plaza
No 20 Chaoyangmeiwai Dajie
Beijing 100020, PRC

DIRECTORS AND PARTIES INVOLVED IN THE INTRODUCTION

Legal Advisors to the Sponsor

as to Hong Kong law
Latham & Watkins
41/F, One Exchange Square
Central, Hong Kong

as to PRC law
King & Wood
28th-30th Floors, Huai Hai Place
1045 Huai Hai Road (M), Shanghai
PRC 200031

Reporting Accountants

Ernst & Young
18/F, Two International Finance Centre
8 Finance Street
Central, Hong Kong

Property Valuer

DTZ Debenham Tie Leung Limited
16/F Jardine House
1 Connaught Place
Central, Hong Kong

CORPORATE INFORMATION

Registered Office	2/F Palm Grove House P.O. Box 3340 Road Town, Tortola British Virgin Islands
Headquarters, Business Address and Principal Place of Business in Hong Kong	Suite 2503 Convention Plaza Office Tower 1 Harbour Road, Wanchai Hong Kong
Company's Website	www.china-newtown.com
Joint Company Secretaries	Ms. Low Siew Tian <i>ACIS</i> Ms. Kwok Yu Ching <i>ACIS, ACS (PE)</i>
Authorized Representatives	Mr. Shi Jian Mr. Li Yao Min
Compliance Advisor	Shenyin Wanguo Capital (H.K.) Limited 28/F, Citibank Tower, Citibank Plaza 3 Garden Road Central, Hong Kong
Audit Committee	Mr. Henry Tan Song Kok (<i>chairman</i>) Mr. Lam Bing Lun Philip Mr. Loh Weng Whye
Remuneration Committee	Mr. Kong Siu Chee (<i>chairman</i>) Mr. Loh Weng Whye Mr. Lam Bing Lun Philip Mr. Henry Tan Song Kok
Nominating Committee	Mr. Loh Weng Whye (<i>chairman</i>) Mr. Lam Bing Lun Philip Mr. Kong Siu Chee
Investment Committee	Mr. Lam Bing Lun Philip (<i>chairman</i>) Mr. Henry Tan Song Kok Mr. Loh Weng Whye Mr. Kong Siu Chee
BVI Principal Share Registrar	Tricor Services (BVI) Limited P.O. Box 3340 Road Town, Tortola British Virgin Islands

CORPORATE INFORMATION

Singapore Share Transfer Agent

Tricor Barbinder Share Registration Services
8 Cross Street #11-00
PWC Building
Singapore 048424

Hong Kong Branch Share Registrar

Tricor Investor Services Limited
26th Floor, Tesbury Centre
28 Queen's Road East, Hong Kong

Principal Bankers

CITIC Bank International Limited
9th Floor, Tower One, Lippo Centre
89 Queensway, Hong Kong

The Agricultural Bank of China
Luo Dian Sub-branch
251 Luo Dian City Road One
Shanghai, PRC 201908

United Overseas Bank Limited
80 Raffles Place
UOB Plaza
Singapore 048624

INDUSTRY OVERVIEW

This section contains certain information and statistics concerning the PRC new town development industry. We have derived the information and data from various official publications. We believe that the sources of the information of this section 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. Information from official publications has not been independently verified by us, the Sponsor, or any other party involved in the Introduction and no representation is given as to its accuracy.

MACRO-ECONOMIC ENVIRONMENT IN THE PRC

The PRC economy has achieved substantial growth since the PRC Government introduced economic reforms and adopted an open door policy in the late 1970s. Such growth was further accelerated by the country's accession to the World Trade Organization in 2001 as a result of increasing inflow of foreign investment across all sectors of the economy. In the past decade, China's GDP has increased from RMB8,967.7 billion in 1999 to RMB33,535.3 billion in 2009, representing a compound annual growth rate, or CAGR, of approximately 14.1%, making the PRC one of the fastest growing economies in the world. Due to the global financial crisis, China's real GDP growth in 2008 slowed to 9.0% as compared to 13.0% in 2007. In response to the crisis, the PRC Government had introduced a RMB4 trillion stimulus package in 2009 in an effort to increase liquidity available to the market. The PRC Government has also introduced policies to encourage domestic spending and increased investment in infrastructure and fixed assets development. As a result of the stimulus package and policies introduced by the PRC Government, China has seen recovery of its economy as evidenced by the real GDP growth in 2009 of 8.7%, making China one of the faster recovering economies since the global financial crisis. Overall, nominal per capita GDP has increased at an average annual growth rate of 15.7% during the period between 2005 and 2009.

The table below sets forth certain items of economic data of the PRC during the periods indicated:

	2005	2006	2007	2008	2009	2010 1H
Population (<i>million</i>)	1,307.6	1,314.5	1,321.3	1,328.0	1,334.7	NA
Nominal GDP (<i>RMB billion</i>)	18,321.7	21,192.4	25,730.6	30,067.0	33,535.3	17,284.0
Per capital GDP (<i>RMB</i>)	14,053.0	16,165.0	19,524.0	22,698.0	25,125.0	NA
Real GDP growth	10.4	11.6	13.0	9.0	8.7	11.1

Source: 2009 China Statistical Yearbook, National Economic and Social Development Statistical Report (2009) and 2010 monthly statistics released by the National Bureau of Statistics of China.

Note: Per capital GDP in 2009 is calculated by dividing nominal GDP by population.

Remarks: NA – not available as of the Latest Practicable Date.

INDUSTRY OVERVIEW

PRC PROPERTY MARKET OVERVIEW

As a result of a favorable economic environment in the PRC, strong disposable income growth and an increasing demand for larger living space, real estate investment in PRC rose to RMB3,623.2 billion in 2009, as compared to RMB1,590.9 billion in 2005. According to the National Bureau of Statistics of China, total revenue from property sales leaped from RMB1,757.6 billion in 2005 to RMB4,399.5 billion in 2009, representing a CAGR of 25.8%. A total of approximately 937.1 million sq.m. of commodity GFA was sold in 2009, representing a substantial increase as compared to the 554.9 million sq.m. sold in 2005. Prices for real estate in the PRC also experienced remarkable growth between 2005 and 2009, with average prices of commodity properties growing at a CAGR of 10.3% over the same period, increasing from RMB3,168 per sq.m. in 2005 to RMB4,695 per sq.m. in 2009. The following table sets out selected data relating to the PRC property market for the periods indicated:

	2005	2006	2007	2008	2009	2010 1H
Real estate investment (RMB billion)	1,590.9	1,942.3	2,528.9	3,120.3	3,623.2	1,974.7
Revenue from property sales (RMB billion)	1,757.6	2,082.6	2,988.9	2,506.8	4,399.5	1,982.0
Total GFA of commodity properties sold (million sq.m.)	554.9	618.6	773.5	659.7	937.1	393.5
Average price of commodity properties (RMB per sq.m.)	3,168	3,367	3,864	3,800	4,695	5,036
Urban population (million)	562.1	577.1	593.8	606.7	621.9	NA
Urbanization rate (%)	43.0	43.9	44.9	45.7	46.6	NA
Urban disposable income per capita (RMB)	10,493	11,760	13,786	15,781	17,175	9,757

Source: 2009 China Statistical Yearbook, National Economic and Social Development Statistical Report (2009) and 2010 monthly statistics released by the National Bureau of Statistics of China.

Note: Average price of commodity properties in 2009 and 1H2010 is calculated by dividing revenue from property sales by total GFA of commodity properties sold.

Remark: NA – not available as of the Latest Practicable Date.

Urban population has been growing rapidly in the last 20 years and the urbanization rate continues to increase steadily. Urban population was only 480.6 million in 2001, while it grew to 621.9 million in 2009. The urbanization rate has dramatically increased from 37.7% in 2001 to 46.6% in 2009. The China's Association of Mayors estimates PRC urbanization rates to reach 50% by 2020 and 75% by 2050. Should this materialize, there is expected to be further demand for urban properties.

INDUSTRY OVERVIEW

PRC New Town Development Overview

Growth of the New Town Development Market in China

Before 1978, the urbanization of the PRC proceeded relatively slowly. After the introduction of reform and market opening policies in 1978, the urbanization of the PRC rapidly increased, particularly with respect to the expansion of existing towns and new towns.

The progress of China's new town development can be divided into the following stages:

- 1978-1984: With an influx of rural population surging into cities and towns, the trade marts of small towns witnessed rapid development during this period. Meanwhile, the boom of town-level enterprises further escalated the development of urbanization within the same timeframe.
- 1985-1991: A number of new towns emerged along the coastline areas, coupled with the further boom of town-level enterprises and the reform of cities.
- 1992-2000: The full development of urbanization mainly focused on three aspects, i.e. city construction, the development of towns and the establishment of economic development zones.

In the 1990s, urbanization began to extend from the coastline areas towards the western interior areas of China. The expansion of small- and middle-sized towns became one of the most essential factors that boosted the rapid growth of China's economy in the 1990s.

Current Trend of China New Town Developments

The current trend of urbanization in the PRC has three principal characteristics:

- The development of new towns contributed considerably to the urbanization process with an increasing number of enterprises located in new towns.
- The average population of new towns witnessed rises. More and more people from other places are attracted to live and work in new towns in line with the rapid economic development of new towns.
- Nationwide new town development benefits from the expressway network connecting new towns with nearby cities.

INDUSTRY OVERVIEW

PRC Real Estate Market Reforms

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

1988	The national constitution was amended to permit the transfer of state-owned land use rights to private enterprises and individuals
1991	Employer/employee-funded housing provident funds commenced
1992	Public housing sales in major cities commenced
1994	Further implemented real estate reforms and established an all-round employer/employee-funded housing fund
1995	Law on administration of urban real estate and administration of the pre-sale of urban commodity premises implemented, establishing a regulatory framework for real estate sales
1998	State-allocated housing policy abolished
1999	Maximum mortgage term extended to 30 years, maximum mortgage financing increased from 70% to 80%, and procedures for the sale of real property in the secondary market formalized
2000	Regulations to standardize quality of construction projects issued, establishing a framework for administering construction quality
2001	Regulations relating to the sales of commodity properties issued
2002	Rules Regarding the Grant of State-Owned Land Use Rights by Way of Public Auction, Tender or Listing (《招標拍賣掛牌出讓國有土地使用權規定》) issued, requiring land use rights for commercial use, tourism, entertainment, commodity residential properties and other operational purposes to be granted only through public auction, tender or listing; the dual system for domestic and overseas home buyers in the PRC eliminated

INDUSTRY OVERVIEW

- 2003 Rules for administering real estate loans (《關於進一步加強房地產信貸業務管理的通知》) issued to help reduce the credit and systemic risks associated with such loans; regulations regarding property management (物業管理條例) introduced, setting forth a framework for property management activities; the State Council issued a notice for the sustainable and healthy development of the real estate market (《國務院關於促進房地產市場持續健康發展的通知》)
- 2004 The State Council issued a notice requiring that equity funds for real estate development projects (excluding affordable housing) be increased from 20% to 35% (《國務院關於調整部份行業固定資產投資項目資本比例的通知》); The Ministry of Construction amended on July 20, 2004 the Administrative Measures on the Pre-sale of Commercial Housing in Cities (《城市商品房預售管理辦法》(2004年7月20日修正)); the CBRC issued the Guideline for Commercial Banks on Risks of Real Estate Loans (《商業銀行房地產貸款風險管理指引》) to further strengthen the ability of commercial bank to manage risks on real estate loans
- 2008 On January 3, 2008, the State Council issued the Notice on Promoting Economization of Land Use (Guo Fa [2008] No. 3) 《國務院關於促進節約集約用地的通知》(國發【2008】3號). The notice reinforced the existing policy in respect of idle land. The notice stipulates, among other things, that the disposal policies for idle land shall be implemented strictly. If the land approved for development remains unused for more than two years, it shall be forfeited to the government without consideration and the government authorities shall impose LAT on the idle land, details of which are yet to be announced. The requirement that the aggregate GFA of units of less than 90 sq.m. (including affordable housing) must account for not less than 70% of total GFA for the development and construction of residential land is also reinforced in this notice
- On December 31, 2008, the State Council decided to abolish the urban real estate tax (城市房地產稅) applicable to foreign-invested enterprises, foreign individuals and entities and from January 1, 2009, the urban real estate tax was substituted by the real estate tax (房地產稅), which is applicable to both local and foreign entities and individuals

INDUSTRY OVERVIEW

- 2009 The Ministry of Finance of the PRC, the MLR, PBOC, the Ministry of Supervision of the PRC and the PRC National Audit Office jointly promulgated the Notice on Further Enhancing the Revenue and Expenditure Control over Land Grant (《關於進一步加強土地出讓收支管理的通知》). The said notice raises the minimum down-payment for land premiums to 50% and requires the land premium to be fully paid within one year after the signing of a land grant contract, subject to limited exceptions
- 2010 On March 8, 2010, the MLR issued the Notice on Issues Relating to Strengthening the Supply and Regulation of Land for Real Estate Development (《關於加強房地產用地供應和監管的有關問題的通知》), which requires local governments to allocate 70% of new land supply to the construction of “supportive housing and self-use small-to-medium size housing” and closely monitor developers’ implementation of the terms regarding the date for commencement of construction and completion of construction in land transaction contracts
- The MLR and MOHURD jointly issued the Notice on Further Strengthening the Administration and Regulation of the Use and Construction of Housing Land (《關於進一步加強房地產用地和建設管理調控的通知》) on September 21, 2010 to prohibit real estate developers from participating in land bids if they have not commenced construction on land they hold for more than one year (as required) for reasons of their own, or are not in compliance with the land development requirements specified in land grant contracts, until rectifications of such misconducts are made. Moreover, the Notice also strictly limits the development and construction of low-density and large-size residential projects, and plot ratio of residential projects shall be more than 1

Additional information on real estate reforms and recent regulatory developments is set out in the section headed “PRC Regulatory Overview” in this document.

INDUSTRY OVERVIEW

PRC Government policies in recent years in relation to the PRC property market

In recent years, the PRC Government has introduced policies in response to concerns over the scale of the increase in property investment. In order to ensure long-term sustainable growth in the property sector, the PRC Government has introduced policies at different times to encourage investment and growth in the sector and/or to dampen over-heating by limiting supply and discouraging speculative investments in related properties. Such policies include:

- limiting monthly residential mortgage payments to 50% of an individual borrower's monthly income and limiting all monthly debt service payments of an individual borrower to 55% of his monthly income (《商業銀行房地產貸款風險管理指引》);
- tightening regulations governing mortgage lending and restricting approval of new development zones (《國務院辦公廳關於清理整頓各類開發區加強建設用地管理的通知》);
- for real estate development enterprises set up by foreign investors, if the total investment is US\$10 million or more, the registered equity fund shall not be less than 50% of the total investment (《關於規範房地產市場外資准入和管理的意見》); and
- further strengthening the approval and supervision of foreign investment in the real estate sector in the PRC (《關於進一步加強規範外商直接投資房地產業審批和監管的通知》).

Below are selected policies and guidance introduced by the PRC Government in relation to land development, uses and sales:

Opinion on Adjusting the Housing Supply Structure and Stabilizing Residential Property Prices

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

Pursuant to the Opinion:

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

INDUSTRY OVERVIEW

- effective from June 1, 2006, business tax will be levied on the full amount of the sale proceeds of residential properties within a period of five years from the date of purchase. If an individual sells his ordinary standard apartment after five or more years from the date of purchase, the business tax will normally be exempted. If an individual sells his non-ordinary apartment after five or more years from the date of purchase, the business tax will be levied on the balance between the selling price and the purchase price. On May 30, 2006, the State Administration of Taxation issued the Circular on Issues of Strengthening Levy of Business Tax on Residential Properties (Guoshuifa [2006] No. 74) (《關於加強住房營業稅徵收管理有關問題的通知》) (國稅發【2006】74號), which further confirms the policies provided for under the Opinion with respect to the levy of business tax on the transfer of residential properties; and
- commercial banks shall not be allowed to advance loan facilities to real estate developers which do not have the required 35% or more of the total capital for the construction projects as capital fund. The commercial banks should be prudent in granting period expansion loan facilities and/or revolving credit facilities in any form to real estate developers which have a large number of idle lands and unsold commodity apartments. Banks shall not accept mortgages of commodity properties remaining unsold for three years or more; and effective from June 1, 2006, individual purchasers need to pay a minimum of 30% of the purchase price as down payment. However, if individual purchasers buy apartments of 90 sq.m. or less for residential or self use purposes, the existing requirement of 20% of the purchase price as down payment remains unchanged.

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

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

INDUSTRY OVERVIEW

Opinions on Enforcing the Structural Ratio in New Residential Properties

On July 6, 2006, the Ministry of Construction (now known as MOHURD) promulgated the Opinions on Enforcing the Structural Ratio in New Residential Properties (《關於落實新建住房結構比例要求的若干意見》) to clarify the scope of application of the restriction contained in the Opinion. Based on this supplemental opinion, the restriction relates to all new residential projects within a city taken as a whole. This means that for any given city, at least 70% of the total GFA for development and construction of that city should comprise residential housing with a GFA of less than 90 sq.m. Unlike any project specific requirement, the implications of such city-wide restrictions will vary from city to city.

Notice On Implementation of the Several Opinions of the State Council on Solving Housings Shortage with respect to Urban Low-Income Households and Further Strengthening Control on Land Supply

On September 30, 2007, the MLR issued the Notice On Implementation of the Several Opinions of the State Council on Solving Housings Shortage with respect to Urban Low-Income Households 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》) to resolve housing shortage problems of low-income families. The land and resources bureau at the city or county level shall give priority to the construction of low rental houses, affordable houses and low-to-medium sized ordinary residences at low-to-medium prices when drafting the Annual Land Supply Plan, and the annual supply amount of such houses shall not be less than 70% of the total amount of annual land supply. The local authorities shall control the land supply amount, and shorten the development period. In principle, the development period of a parcel of land shall not be more than three years, in order to ensure the efficiency of primary land development.

Notice on the Distribution of the Catalog for Restricted Land Use Projects (2006 Version Supplement) and the Catalog for Prohibited Land Use Projects (2006 Version Supplement)

In November 2009, the MLR issued a Notice on the Distribution of the Catalog for Restricted Land Use Projects (2006 Version Supplement) (《限制用地項目目錄(2006年本增補本)》) and the Catalog for Prohibited Land Use Projects (2006 Version Supplement) (《禁止用地項目目錄(2006年本增補本)》), as a supplement to their 2006 versions. In this notice, the MLR has set forth a ceiling for the land granted by local governments for development of commodity housing as follows: 7 hectares for small cities and towns, 14 hectares for medium-sized cities and 20 hectares for large cities.

INDUSTRY OVERVIEW

Notice on Further Enhancing the Revenue and Expenditure Control over Land Grant

In November 2009, the Ministry of Finance, the MLR, PBOC, the Ministry of Supervision of the PRC and the National Audit Office of the PRC jointly promulgated the Notice on Further Strengthening the Management of Revenue and Expenditure from Land Granting (《關於進一步加強土地出讓收支管理的通知》). The said notice raises the minimum down-payment for land premium to 50% and requires the land premium to be fully paid within one year after the signing of a land grant contract, subject to limited exceptions.

Notice on Issues Relating to Strengthening the Supply and Regulation of Land for Real Estate Development

On March 8, 2010, the MLR issued the Notice on Issues Relating to Strengthening the Supply and Regulation of Land for Real Estate Development (《關於加強房地產用地供應和監管的有關問題的通知》) to introduce new measures on land supply, including:

- to implement the PRC Government's latest land supply plans and prioritize land supply;
- the local governments must allocate 70% of new land supply to the construction of "supportive housing and self-use small-to-medium size housing"; and
- local governments must closely monitor developers' implementation of the terms regarding the date for commencement of construction and completion of construction in land transaction contracts, and in the case of any violations, local governments must investigate and punish them.

Additionally, the MLR announced that land sales in local cities should be halted with immediate effect until local governments submit details of their land supply plans for overall housing and social welfare housing. Local governments must submit detailed plans before April 5, 2010 to the MLR, and the MLR will release the overall plan to the public and submit the overall plan to the State Council. If a local government fails to timely submit its plan or meet the MLR's requirements, the local government should be notified to rectify the problem or its quota of land usage may be deducted.

Notice on Further Strengthening the Administration and Regulation of the Use and Construction of Housing Land

The MLR and MOHURD jointly issued the Notice on Further Strengthening the Administration and Regulation of the Use and Construction of Housing Land (《關於進一步加強房地產用地和建設管理調控的通知》) on September 21, 2010, which stipulates, among other things:

- More than 70% of land used for construction of urban housing must be designated for low-income housing, housing for resettlement of shanty towns and small to medium-size ordinary commercial housing. In areas with high housing prices, supply of land designated for small to medium-size, price-capped housing shall be increased. Before completion of the above supply plan, local authorities shall not supply land for the construction of high-end and large-size housing.

INDUSTRY OVERVIEW

- If developers have committed, among others, any of the following acts, developers and their controlling shareholders are forbidden to participate in land bids before the rectification of such misconducts: (1) illegal transfer of land use rights; (2) failure to commence construction on land they hold for more than one year (as required) for reasons of their own; and (3) non-compliance with the land development requirements specified in land grant contracts.
- Developers are required to commence construction within one year from the date of delivery of land regulated in the land grant contracts and complete construction within three years from commencement.
- Development and construction of low-density and large-size residential housing shall be strictly limited and plot ratio of housing projects must be more than 1.

KEY REAL ESTATE MARKETS

Shanghai

Overview

Shanghai has long been established as one of the most important financial and trading centers of the PRC and the location of choice for a vast number of multinational corporations seeking to establish headquarters in China. With its hosting of the World Expo in 2010, Shanghai is expected to benefit from foreign investment and further strengthen its position as the nation's leading economic and financial center. In the long term, the Shanghai economy will be further spurred by the PRC Government's policies issued in April 2009 to develop Shanghai into an international financial and shipping center and to enhance the development of its service and advanced manufacturing industries.

Shanghai municipality covers an area of approximately 6,341 square kilometers and had a total permanent population of approximately 19.2 million in 2009. As one of the most prosperous cities in China and the economic bellwether in the Yangtze River Delta Region, Shanghai maintained over 7% growth from 1992 to 2009. Total GDP reached RMB1,504.6 billion in 2009 and its GDP per capita is ranked first amongst all the provinces and municipalities in China.

INDUSTRY OVERVIEW

The following table sets forth certain economic data with respect to Shanghai for the periods indicated:

	2004	2005	2006	2007	2008	2009
Population (<i>million</i>) [*]	17.4	17.8	18.2	18.6	18.9	19.2
Nominal GDP (<i>RMB billion</i>)	807.3	924.8	1,057.2	1,249.4	1,407.0	1,504.6
Per capita GDP (<i>RMB</i>)	46,755.0	52,535.0	58,837.0	68,024.0	75,109.0	78,989.0

Source: Shanghai Statistical Yearbook for the year 2009.

* population refers to permanent population.

Shanghai Property Market

Real estate investment in Shanghai grew steadily between 2000 and 2009 at a CAGR of 11.1%. It surged in 2004 at an increased rate of 30.4% compared to 2003 and then maintained a stable rate of growth from 2004 to 2009, reaching RMB146.4 billion in 2009.

In 2009, total land area sold in Shanghai was 19.4 million sq.m., as compared to 15.9 million sq.m. in 2008, a rise of 22.0%. Total residential land area of 4.0 million sq.m. was sold in 2009, which amounted to approximately 20.6% of the total land area sold in Shanghai in 2009.

Prices of land sold increased substantially in the last few years, in particular for residential land, where prices increased from RMB2,864 per sq.m. in 2006 to RMB10,516 per sq.m. in 2009.

The following table sets forth certain data with respect to land sale transactions in Shanghai during the periods indicated:

	2005	2006	2007	2008	2009
Overall					
No. of land transactions	78	91	390	406	460
Land area sold (<i>million sq.m.</i>)	4.1	6.6	15.7	15.9	19.4
Price per land area sold (<i>RMB per sq.m.</i>)	5,315	3,922	3,398	2,469	5,304

Source: Shanghai Municipal Bureau of Planning and Land Resources (上海市規劃和國土資源管理局).

Remark: Land transaction data were collected from the Shanghai Municipal Bureau of Planning and Land Resources (上海市規劃和國土資源管理局) and summarized by DTZ Debenham Tie Leung Limited.

Note: Price per land area sold is calculated by dividing total consideration received for all transactions by land area sold.

INDUSTRY OVERVIEW

The following table sets forth certain data with respect to the Shanghai property market during the periods under review:

	2005	2006	2007	2008	2009
Sales revenue from commodity properties (<i>RMB billion</i>)	216.1	217.7	308.9	189.5	433.0
Residential					
Total GFA sold (<i>million sq.m.</i>)	28.5	26.2	32.8	19.7	29.3
Average price of residential properties (<i>RMB per sq.m.</i>)	6,698	7,039	8,253	8,182	12,364
Retail					
Total GFA sold (<i>million sq.m.</i>)	1.5	1.9	2.0	1.2	1.3
Average price of retail properties (<i>RMB per sq.m.</i>)	7,101	6,479	6,613	6,610	15,237
Office					
Total GFA sold (<i>million sq.m.</i>)	1.0	1.4	1.5	1.5	2.0
Average price of office properties (<i>RMB per sq.m.</i>)	11,867	12,078	14,223	11,811	21,598

Source: Shanghai Statistical Yearbooks for the years 2007 to 2009.

Note: Average price is calculated by dividing sales revenue by total GFA sold.

Wuxi

Overview

Wuxi, one of the major cities in the Jiangsu Province, is located in eastern China. It is a rapidly growing city with major foreign investments and is one of the region's most important and oldest commercial and industrial cities. Wuxi is also particularly attractive with its beautiful sightseeing spots.

Wuxi covers an area of approximately 4,787.6 square kilometers and had a total permanent population of approximately 6.2 million in 2009. Wuxi's GDP increased significantly in recent years from RMB280.5 billion in 2005 to RMB499.2 billion in 2009. In 2009, Wuxi's GDP per capita was RMB81,151.

INDUSTRY OVERVIEW

The following table sets forth certain economic data with respect to Wuxi for the periods indicated:

	2004	2005	2006	2007	2008	2009
Population (<i>million</i>)*	4.5	4.5	4.6	4.6	4.6	4.7
Nominal GDP (<i>RMB billion</i>)	225.1	280.5	330.1	385.9	442.0	499.2
Per capita GDP (<i>RMB</i>)	50,592	50,958	57,719	65,212	73,053	81,151

Source: 2009 Wuxi Statistical Yearbook, Wuxi National Economic and Social Development Statistical Report (2009).

* population refers to registered population.

Wuxi Property Market

Wuxi is situated beside the Taihu Lake. In line with the substantial growth in per capita GDP, Wuxi's real estate market experienced significant growth in recent years. Sales revenue of commodity properties increased at a CAGR of 30.2% from RMB22.0 billion in 2005 to RMB63.1 billion in 2009.

In 2009, total land area sold in Wuxi was 4.1 million sq.m., as compared to 4.3 million sq.m. in 2008. Total residential land area of 0.4 million sq.m. was sold in 2009, which amounted to 9.8% of the total land area sold in Wuxi in 2009.

Prices of residential land sold increased moderately, from RMB1,324 per sq.m. in 2005 to RMB1,861 per sq.m. in 2009.

The following table sets forth certain data with respect to land sale transactions in Wuxi during the periods indicated:

	2005	2006	2007	2008	2009
Overall					
No. of land transactions	60	117	53	60	77
Land area sold (<i>million sq.m.</i>)	6.4	10.7	4.1	4.3	4.1
Price per land area sold (<i>RMB per sq.m.</i>)	1,809	1,710	3,504	2,588	4,612

Source: Wuxi City Land Resource Bureau.

Remark: Land transaction data were collected from the Wuxi City Land Resource Bureau and summarized by DTZ Debenham Tie Leung Limited.

Note: Price per land area sold is calculated by dividing total consideration received for all transactions by land area sold.

INDUSTRY OVERVIEW

The following table sets forth certain data with respect to the Wuxi property market during the periods under review:

	2005	2006	2007	2008	2009
Sales revenue from commodity properties (<i>RMB billion</i>)	22.0	25.9	35.1	28.9	63.1
Residential					
Total GFA sold (<i>million sq.m.</i>)	5.1	5.5	6.8	4.6	NA
Average price of residential properties (<i>RMB per sq.m.</i>)	3,472	3,687	4,363	5,096	NA
Retail					
Total GFA sold (<i>million sq.m.</i>)	0.7	0.9	0.8	0.6	NA
Average price of retail properties (<i>RMB per sq.m.</i>)	4,809	5,735	5,731	7,198	NA
Office					
Total GFA sold (<i>million sq.m.</i>)	0.2	0.1	0.1	0.1	NA
Average price of office properties (<i>RMB per sq.m.</i>)	5,133	8,339	9,933	7,542	NA

Source: Wuxi Statistical Yearbook, Wuxi National Economic and Social Development Statistical Report.

Remark: NA – not available as of the Latest Practicable Date.

Note: Average price is calculated by dividing sales revenue by total GFA sold.

Shenyang

Overview

As the capital city of Liaoning Province, Shenyang has long been an economic and industrial center for northeastern China. Benefiting from its strategic position in northeastern China, especially the rejuvenation strategy of old industrial bases in the 11th Five-Year Plan, Shenyang witnessed substantial economic growth, with GDP rising from RMB208.4 billion in 2005 to RMB435.9 billion in 2009. This represented a CAGR of approximately 23.1% over the same period. Per capita GDP increased significantly from RMB29,935.0 in 2005 to RMB55,816.0 in 2009.

INDUSTRY OVERVIEW

Shenyang has an area of approximately 12,881 square kilometers and had a total permanent population of approximately 7.86 million in 2009. Urban population has been stable in the last 10 years. The urbanization rate of Shenyang was around 71% in 2009. The following table sets forth certain economic data with respect to Shenyang for the periods indicated:

	2004	2005	2006	2007	2008	2009
Population (<i>million</i>)*	6.9	7.0	7.0	7.1	7.1	7.2
Nominal GDP (<i>RMB billion</i>)	177.3	208.4	252.0	322.1	386.0	435.9
Per capita GDP (<i>RMB</i>)	25,640.0	29,935.0	35,940.0	45,582.0	54,248.0	55,816.0

Source: 2007, 2009 Shenyang Statistical Yearbooks, Shenyang Economic and Social Development Statistical Report (2009).

* population refers to registered population.

Shenyang Property Market

Starting from 2002, Shenyang's land was transacted by bidding, auction and listing. Sales revenue of commodity properties increased at a CAGR of 21.2% from RMB31.7 billion in 2005 to RMB68.4 billion in 2009.

In 2009, total land area sold in Shenyang was 6.0 million sq.m., as compared to 9.6 million sq.m. in 2008.

Along with the official inception of the "Gold Corridor" Project, the local government of Shenyang released policies to attract real estate and foreign investment and has since then attracted a large number of local and foreign property developers and investors to the capital city. According to the Shenyang Statistics Bureau, real estate investment has experienced constant and rapid growth over the past few years from RMB41.4 billion in 2005 to RMB118.9 billion in 2009, representing a CAGR of approximately 30.2%.

Compared with the city's substantial GDP growth, Shenyang's property price growth has been modest, with the average price of commodity properties growing at a CAGR of approximately 7.1% from RMB3,187 per sq.m. in 2005 to RMB4,196 per sq.m. in 2009, largely reflecting ample property supply in the local market.

The following table sets forth certain data with respect to land sale transactions in Shenyang during the periods indicated:

	2005	2006	2007	2008	2009
Overall					
No. of land transactions	129	181	224	184	100
Land area sold (<i>million sq.m.</i>)	7.5	13.0	19.0	9.6	6.0

Source: DTZ Debenham Tie Leung Limited.

Remark: Land transaction data were collected from the Shenyang City Planning and Land Resources Bureau and summarized by DTZ Debenham Tie Leung Limited.

INDUSTRY OVERVIEW

The following table sets forth certain data with respect to the Shenyang property market during the periods under review:

	2005	2006	2007	2008	2009
Sales revenue from commodity properties (<i>RMB billion</i>)	31.7	42.0	54.1	60.5	68.4
Residential					
Total GFA sold (<i>million sq.m.</i>)	9.3	11.5	13.6	13.1	13.7
Average price of residential properties (<i>RMB per sq.m.</i>)	3,027	3,184	3,536	3,856	4,196
Retail					
Total GFA sold (<i>million sq.m.</i>)	0.5	0.7	0.8	1.2	1.2
Average price of retail properties (<i>RMB per sq.m.</i>)	5,656	6,080	6,017	6,681	7,111
Office					
Total GFA sold (<i>million sq.m.</i>)	0.04	0.08	0.10	0.16	NA
Average price of office properties (<i>RMB per sq.m.</i>)	5,816	4,820	5,394	6,622	NA

Source: 2007 and 2009 China Real Estate Statistical Yearbooks, monthly data released by the Shenyang Statistics Bureau.

Remark: NA – not available as of the Latest Practicable Date.

Note: Average price is calculated by dividing sales revenue by total GFA sold.

COMPETITIVE LANDSCAPE

Developing new towns is capital intensive and requires specialized industry knowledge. Major participants in the market for new town development are large national or regional property developers affiliated to local governmental authorities who engage in the development of residential and commercial developments as well as new town development. The principal competitive factors influencing the new town development sector include the planning, the design, the quality and workmanship of the projects, the location of the new towns, the marketing strategies adopted by the developers and the timing of the launch of the development projects, etc.

PRC REGULATORY OVERVIEW

LAWS AND REGULATIONS RELATING TO FOREIGN INVESTMENT

The establishment and management of companies in the PRC are governed by the Company Law of the PRC (中華人民共和國公司法) (the “Company Law”) which was enacted by the Standing Committee of the National People’s Congress (全國人民代表大會常務委員會) (the “Standing Committee of NPC”) on December 29, 1993 and was implemented on July 1, 1994. The Standing Committee of NPC amended the Company Law on December 25, 1999, August 28, 2004 and October 27, 2005 respectively. The Company Law provides for the establishment, corporate structure and corporate management of companies. The Company Law also applies to foreign-invested enterprises. Where laws and regulations relating to foreign-invested enterprises otherwise stipulate, such stipulations shall apply.

Sino-foreign equity joint ventures are also governed by The Law on Sino-Foreign Equity Joint Ventures of the PRC (中華人民共和國中外合資經營企業法) (the “JV Law”) and its implementation rules. The JV Law was adapted at the Second Meeting of the Fifth National People’s Congress (第五屆全國人民代表大會第二次會議) on July 1, 1979 and revised on April 4, 1990 and March 15, 2001 respectively. Wholly foreign-owned enterprises are also governed by The Law on Foreign-funded Enterprises of the PRC (中華人民共和國外資企業法) (the “Foreign-Funded Enterprise Law”) and its implementation rules. The Foreign-Funded Enterprises Law was adopted at the 4th Meeting of the Sixth National People’s Congress (第六屆全國人民代表大會第四次會議) on April 12, 1986 and was amended by the Standing Committee of NPC on October 31, 2000. The establishment procedures, approval procedures, registered capital and corporate structures of sino-foreign equity joint ventures and wholly foreign-owned enterprises are regulated in the abovementioned laws and regulations.

Foreign investors shall also abide by the Guidance Catalogue of Industries for Foreign Investment (外商投資產業指導目錄) (the “Catalogue”). The Catalogue was promulgated on June 28, 1995 and was revised in 1997, 2002, and 2004. The currently effective Catalogue was promulgated by MOFCOM and the NDRC on October 31, 2007. The Catalogue classifies industries into three categories: encouraged, restricted and prohibited. Except as otherwise stipulated by other laws and regulations, foreign investors are permitted to invest in industries not in the restricted or prohibited categories. Part of industries in the restricted category may be limited to equity or contractual joint ventures, in some cases with the Chinese shareholder as the majority shareholder. Foreign investors shall not invest in industries in prohibited category. Foreign investment projects with a total investment amount of US\$100 million or more in the encouraged or permitted categories, or US\$50 million or more in the restricted category, are subject to approval by NDRC while other foreign investment projects are only subject to approval by provincial governmental authorities. Further, on June 10, 2010, MOFCOM released the Circular on Issues Concerning Delegating the Examination and Approval Authority for the Foreign Investment (Circular) (商務部關於下放外商投資審批權限有關問題的通知) (the “Circular”).

Under the Circular, local authorities shall examine and approve and administrate the establishment and replacement of foreign-invested enterprises which are in the encouraged and permitted categories of the Guiding Catalogues of Foreign-invested Industries and with a total investment amount of US\$300 million or less and those which are in the restricted categories and with a total investment amount of US\$50 million or less.

PRC REGULATORY OVERVIEW

MOFCOM or the relevant local authorities are responsible for approving the relevant joint venture contracts, articles of association of the foreign-invested enterprises and other substantial changes to the foreign-invested enterprises, such as changes in capital, equity transfer and consolidation. We have obtained all the necessary government approvals for our PRC subsidiaries.

FOREIGN EXCHANGE CONTROLS

On September 1, 2006, SAFE and MOHURD jointly issued a “Notice on Regulating Issues Relevant to Administration of Foreign Exchange in Real Estate Market”. The notice provides: (i) where a foreign-invested property enterprise fails to pay the registered capital in full or to acquire a state-owned land use rights certificate or to make its capital fund for a development project reach 35% of the total investment to the project, the foreign exchange bureau will not handle its foreign debt registration or approve its settlement of foreign currencies; (ii) where a foreign institution or individual acquires a domestic property enterprise, if it (he) fails to pay the transfer price in a lump sum by its (his) own fund, the foreign exchange bureau will not handle the registration of foreign exchange income from transfer of equities; (iii) the domestic and foreign investors of a foreign-invested property enterprise must not reach an agreement including any clause which promises a fixed return or fixed return in any disguised form to any party, otherwise the foreign exchange bureau will not handle the foreign exchange registration or registration modification of foreign-invested enterprise; and (iv) the fund in the foreign exchange account exclusive for foreign investor opened by a foreign institution or individual in a domestic bank must not be used for property development or operation. The notice also provides for foreign exchange working process related to branches of overseas institutions established within the PRC, overseas individuals, residents of Hong Kong, Macau Special Administrative Region of the PRC or Taiwan and overseas Chinese purchasing or selling commodity houses within the PRC.

On July 10, 2007, SAFE issued the “Notice of the General Department of the State Administration of Foreign Exchange on the Publication of the List of the First Batch of Foreign-Funded Real Estate projects Having Passed the Procedures for Registering with MOFCOM (Hui Zong Fa [2007] No. 130)” (the “Notice 130”). This new regulation restricts the ability of foreign-invested real estate enterprises to raise funds offshore and then inject funds into the companies either through capital increase or by way of shareholder loans. The Notice 130 stipulates, among other things:

- that SAFE and local branches of SAFE will no longer process foreign debt registration or application for purchase of foreign exchange for real estate enterprises with foreign investment that obtained authorization certificate from and registered with MOFCOM on or after June 1, 2007; and
- that SAFE and local branches of SAFE will no longer process foreign exchange registration (or change of such registration) or application for sale and purchase of foreign exchange in respect of capital account for real estate enterprises with foreign investment that obtained approval certificates from local government’s commerce department on or after June 1, 2007 but have not registered with MOFCOM.

PRC REGULATORY OVERVIEW

On August 29, 2008, the SAFE promulgated a circular, (the “SAFE Circular 142”), regulating the conversion by a foreign-invested company of foreign currency registered capital into Renminbi by restricting how the converted Renminbi may be used. The SAFE Circular 142 provides that the Renminbi capital converted from foreign currency registered capital of a foreign-invested company may only be used for purposes within the business scope approved by the applicable governmental authority and may not be used for equity investments within the PRC. In addition, SAFE strengthened its oversight of the flow and use of the Renminbi capital converted from foreign currency registered capital of a foreign-invested company. The use of such Renminbi capital may not be altered without SAFE’s approval, and such Renminbi capital may not in any case be used to repay Renminbi loans if the proceeds of such loans have not been used. Violations of SAFE Circular 142 could result in severe monetary penalties.

DIVIDEND DISTRIBUTION

The principal regulations governing distribution of dividends paid by PRC wholly foreign-owned enterprise include (i) PRC Company Law (《中華人民共和國公司法》); (ii) Wholly Foreign-Owned Enterprise Law (《中華人民共和國外資企業法》); and (iii) Wholly Foreign-Owned Enterprise Law Implementing Rules (《中華人民共和國外資企業法實施細則》). Under the above laws and regulations, domestic companies and wholly foreign-owned enterprises in the PRC may pay dividends only from accumulated after-tax profits, if any, determined in accordance with the PRC accounting standards and regulations. In addition, such enterprises are required to set aside at least 10% of their after-tax profits each year, if any, to fund certain reserve funds. These reserves are not distributable as cash dividends. Under the relevant PRC law, no net assets other than the accumulated after-tax profits can be distributed in the form of dividends.

TAXES

Income tax

According to the “PRC Corporate Income Tax Law” (the “CIT Law”), enacted on March 16, 2007 and effective on January 1, 2008, a uniform income tax rate of 25% will be applied towards PRC enterprises, and foreign investment and foreign enterprises which have set up institutions or facilities in the PRC.

The CIT Law provides that an income tax rate of 20% will normally be applicable to dividends payable to non-PRC enterprise investors which are derived from sources within the PRC, unless there exists a tax treaty between the PRC and the relevant jurisdictions in which such non-PRC enterprise shareholders reside whereupon the relevant tax may be reduced or exempted. However, pursuant to the “Implementation Rules of the People’s Republic of China on the Enterprise Income Tax” promulgated by the State Council on December 6, 2007 and effective January 1, 2008, a reduced income tax rate of 10% will be applicable to any dividends payable to non-PRC enterprise investors from foreign-invested enterprises.

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According to the “Notice of the State Administration of Taxation on the Prepayment of Enterprise Income Tax of the Real Estate Development Enterprises” issued by the State Administration of Taxation on April 11, 2008 and effective on January 1, 2008, 1), where a real estate development enterprise prepays the corporate income tax by quarter (or month) according to the current actual profit, for the incomes generated from the advance sale prior to the completion of such development products as the dwelling houses, commercial houses and other buildings, fixtures, supporting establishments etc., which are developed and built by the real estate development enterprise, the tax prepayment thereof shall be paid by calculating the estimated profit, which is calculated by quarter (or month) according to the preset estimated profit rate and incorporated into the total profit, and it shall be readjusted according to the actual profit after the development products are completed and the tax costs are settled.

On March 6, 2009, the State Administration of Taxation issued the “Notice on the Measure Dealing with Income Tax of Enterprise Engaged in Real Estate Development” effective on January 1, 2008, which specifically stipulate the rules regarding tax dealing cost of income, tax dealing of cost deduction, verification of calculated tax cost and tax dealing on certain item with respect to the real estate development enterprise according to the CIT Law and its Implementation Rules.

Business tax

Pursuant to the “Interim Regulations of the People’s Republic of China on Business Tax (2008)” promulgated by the State Council on November 10, 2008 and implemented on January 1, 2009 and the “Detailed Rules for the Implementation of the Interim Regulation of the People’s Republic of China on Business Tax (2008)” issued by the MOF and effective on January 1, 2009, the Business tax rate for entertainment industry is 5%-20%, service industry is 5%.

Deed tax

Pursuant to the “Interim Regulations of the People’s Republic of China on Deed Tax” promulgated by the State Council on July 7, 1997 and implemented on October 1, 1997, the transferee, whether an individual or otherwise, of the title to a land site or a building in the PRC will be the obliged taxpayer for deed tax. The rate of deed tax ranges from 3% to 5%. The governments of provinces, autonomous regions and municipalities directly under the central government may determine and report their effective tax rates, within the aforesaid range, to the MOF and the State Administration of Taxation for the record.

Urban land use tax

Pursuant to the Provisional Regulations of the People’s Republic of China Governing Land Use Tax in Urban Areas, which was amended by the State Council on December 31, 2006, enterprises, including Foreign Invested Enterprises, are subject to an annual land use tax collected on the basis of land area in the amount between RMB0.6 and RMB30.0 per sq.m..

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Buildings tax

Under the “Interim Regulations of the People’s Republic of China on Building Tax” promulgated by the State Council on September 15, 1986 and implemented on October 1, 1986, building tax will be 1.2% if it is calculated on the basis of the residual value of a building, and 12% if it is calculated on the basis of the rental.

Stamp duty

Under the “Interim Regulations of the People’s Republic of China on Stamp Duty” promulgated by the State Council on August 6, 1988 and implemented on October 1, 1988, for property transfer instruments, including those in respect of property ownership transfer, the stamp duty rate will be 0.05% of the amount stated therein; for permits and certificates relating to rights, including property title certificates and land use rights certificates, stamp duty will be levied on an item basis of RMB5 per item.

URBAN AND RURAL PLANNING LAW

The “Urban and Rural Planning Law” (the “Planning Law”) was promulgated by the Standing Committee of the National People’s Congress on October 28, 2007, and effective from January 1, 2008, to regulate urban and rural planning activities. Construction activities in PRC conducted by all entities or individuals shall comply with duly approved urban and rural plans. Under the law, urban and rural plans includes urban system plans, city plans, town plans, township plans and village plans. City plans and town plans may be classified into overall plans and detailed plans, which include controlled detailed plans and constructive detailed plans. City plans and town plans shall be worked out in cities and towns in accordance with the provisions of Planning Law. Construction activities within a city or town planning area shall be conducted according to the planning requirements. The organs organizing the compilation of urban and rural plans shall promptly promulgate the legally approved urban and rural plans, except for contents which shall not be disclosed as required by laws or administrative regulations.

The content of city overall plans or town overall plans shall include: the overall arrangement for the development, functional zones, land use layout and comprehensive traffic system of the city or town, regions prohibited, restricted from or appropriate for construction and various kinds of special plans, etc. The following contents shall be included in the city overall plans or town overall plans as mandatory contents: coverage of the planning area, scale of the land used for the construction within the planning area, land used for infrastructure and public service facilities, water head sites and water system, basic farmland, and land used for afforestation, environmental protection, protection of natural and historical cultural heritages, and disaster prevention and alleviation, etc.

- The competent department of urban and rural planning of the people’s government of a city shall, according to the requirements of the city overall plans, organize the compilation of the detailed controlling plans of the city.

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- The people's government of a town shall, according to the requirements of the town overall plans, organize the compilation of the detailed controlling plans of the town, and file the plans with the people's government at the next higher level for examination and approval.

If the state-owned land use right within a city or town planning area is assigned, the competent department of urban and rural planning under the people's government of the city or town shall, prior to transferring the state-owned land use right, pursuant to the detailed controlling plans, put forward such planning conditions as location, nature of use and development intensity of the granted land, as an integral part of the contract for assigning the state-owned land use right. If the planning conditions of a land blocks have not been confirmed, the state-owned land use right shall not be assigned.

If the state-owned land use right for a construction project is assigned, the construction unit shall, after entering into the contract for assigning the state-owned land use right, on the strength of the verification and approval and filing documents of the construction project, as well as the contract for assigning the state-owned land use right, apply to the competent department of urban and rural planning under the people's government of the city or county for the permit for the planned use of construction land.

If buildings, structures, roads, lines and other engineering structures are to be constructed within a city or town planning area, construction units or individuals shall apply to the competent department of urban and rural planning under the people's government of the city or county or the people's government of the town specified by the people's government of the relevant province, autonomous region or municipality directly under the Central Government for the construction project planning permit.

The competent department of urban and rural planning under the local people's government at or above the county level shall check and verify whether a construction project satisfies the planning conditions in accordance with the provisions of the State Council. The construction unit shall not organize the completion acceptance for any construction project that has not been verified or is found failing to satisfy the planning conditions.

As advised by our PRC legal advisor, Jingtian & Gongcheng, as of the Latest Practicable Date, except for the golf club and administration center occupied by the Shenyang JV and the command center (Phase I) occupied by SGLD, our Group had obtained the construction project planning permits for all the commercial properties owned by our Group. Based on the due diligence exercise conducted by our PRC legal advisor, Jingtian & Gongcheng, our PRC legal advisor is of the opinion that, as at the Latest Practicable Date, except for the abovementioned, there has not been any material violation by our subsidiaries in the PRC of the relevant urban and rural planning rules and regulations since their respective establishment. As at the Latest Practicable Date, except for the abovementioned, all of our relevant subsidiaries in the PRC have complied in all material respects with the relevant urban and rural planning rules and regulations since their respective establishment.

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SEVERAL OPINIONS OF THE STATE COUNCIL ON ENCOURAGING AND GUIDING THE HEALTHY DEVELOPMENT OF PRIVATE INVESTMENT

According to the “Several Opinions of the State Council on Encouraging and Guiding the Healthy Development of Private Investment” promulgated and effective on May 7, 2010, the government encourages and guides the private investment to enter into the basic industries and infrastructure area, encourages the private capital to participate in land development, encourages private capital to participate in construction of municipal utilities, such as the city water supply, gas supply, heat supply, sewage and waste disposal, public transport, landscaping and other urban areas.

FOREIGN-INVESTED PROPERTY ENTERPRISES

According to the “Foreign Investment Industrial Guidance Catalogue (Revised in 2007)” (the “Catalogue”) promulgated by MOFCOM and the NDRC on October 31, 2007, effective December 1, 2007, (i) the development of a whole parcel of land (limited to equity joint ventures and cooperative joint ventures) as well as the construction and management of high-end hotels, villas, premium office buildings, international conference and exhibition centers fall within the category of industries in which foreign investment is subject to restrictions, (ii) the secondary market transactions in real estate sector and real estate intermediaries or agents will fall under the category of industry that foreign investment is subject to restrictions. and (iii) other property developments fall within the category of industry in which foreign investment is permitted. A foreign-invested property enterprise can be established in the form of sino-foreign equity joint venture, sino-foreign cooperative joint venture or wholly-owned enterprise by foreign investors. Prior to its registration, the enterprise must be approved by the commerce authorities, upon which an Approval Certificate for a Foreign-Invested Enterprise will be issued.

On July 11, 2006, MOHURD, MOFCOM, the NDRC, the PBOC, the SAIC and SAFE jointly promulgated the “Opinions of MOHURD, MOFCOM, the NDRC, the PBOC, the SAIC and AFE on Regulating the Access and Management of Foreign Capital in the Real Estate Market (Jian Zhu Fang [2006] No. 171)” (the “Opinions”). According to the Opinions, the admittance and administration of foreign capital in the property market must comply with the following requirements:

- Foreign institutions or individuals who buy property not for their own use in China should follow the principle of “commerce existence” and apply for the establishment of foreign-invested enterprises pursuant to the regulations of foreign investment in property. After obtaining the approvals from relevant authorities and upon completion of the relevant registrations, foreign institutions and individuals can then carry on their business pursuant to their approved business scope.
- Foreign investors may not carry out property development and business operations until they obtain the Approval Certificates for a Foreign-invested Enterprise and business licenses from the relevant authorities.

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- Where the total investment amount of a foreign-invested property enterprise is US\$10 million or more, its registered capital shall be no less than 50% of the total investment amount; where the total investment amount is less than US\$10 million, its registered capital must follow the requirements of the existing regulations.
- For the establishment of a foreign-invested property enterprise, the commerce authorities and the Administration for Industry and Commerce will be responsible of the approval and registration of the foreign-invested property enterprise and the issuance of a temporary Approval Certificate for a Foreign-invested Enterprise and a temporary business license (both of which are only effective for one year). Upon full payment of the land premium for the land use rights, the foreign-invested property enterprise should apply for the land use rights certificate. With the land use rights certificate, the property developer can obtain a formal Approval Certificate for a Foreign-Invested Enterprise from the commerce authorities and a formal business license with the same approved business term as the formal Approval Certificate for Foreign-Invested Enterprise.
- Transfers of projects or equity interests in foreign-invested property enterprises or acquisitions of domestic property enterprises by foreign investors should strictly follow the relevant laws, regulations and policies and obtain the relevant approvals. The investor should submit: a) a written undertaking of fulfillment of the State-owned land use rights grant contract, construction land planning permit and construction work planning permit; b) land use rights certificate; c) documents evidencing the filing for modification with the construction authorities; and d) documents evidencing the payment of tax from the relevant tax authorities.
- When acquiring domestic property enterprises by way of shares transfer or other means, 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 unsound records, or who have not fully satisfied any previous acquisition consideration shall not be allowed to undertake the aforementioned activities.

On August 14, 2006, the General Office of MOFCOM enacted the “Notice on Relevant Issues concerning the Carrying out the Opinions on Regulating the Access and Management of Foreign Capital in the Real Estate Market” (the “Notice on the Real Estate Market”). According to the Notice on the Real Estate Market, if the total investment of a foreign-invested property development enterprise exceeds US\$3 million, the registered capital must not be less than 50% of the total estimated investment; if the total investment is less than or equal to US\$3 million, the registered capital must not be less than 70% of the total estimated investment. When a foreign investor who merges with a domestic property development enterprise by transferring equity or by other means or by purchasing equity from other Chinese shareholders of a foreign-invested property development enterprise, the original employees of the merged companies must be arranged properly, bank debts must be settled and the entire consideration for the transfer must be paid off by itself within three months after the date of the issue of the business license or the effective day of the equity transfer agreement.

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On May 23, 2007, MOFCOM and SAFE jointly issued the “Notice of MOFCOM and SAFE on Further Strengthening and Regulating the Approval and Supervision of Foreign Direct Investment in the Real Estate Industry (Shang Zi Han [2007] No. 50)” (“Notice 50”) which set down the following requirements for approving and supervising of foreign investment in real estate sector:

- foreign investment in the real estate sector in the PRC relating to high-grade properties should be strictly controlled;
- before obtaining approval for the setup of real estate entities with foreign investment, (a) both the land use rights certificates and building ownership certificates should be obtained or, (b) contracts for obtaining land use rights or building ownership rights should be entered into;
- entities which have been set up with foreign investment need to obtain approval before expanding their business operations into the real estate sector and entities with foreign investment which have been set up for real estate development operation need to obtain new approval in case they expand their real estate business operations;
- acquisitions of real estate entities and foreign investment in real estate sector by way of round trip investment should be strictly regulated. Foreign investors should not avoid approval procedures by changing actual controlling persons;
- parties to real estate entities with foreign investment should not in any way guarantee a fixed investment return;
- registration should be immediately effected according to applicable laws with MOFCOM regarding the setup of real estate entities with foreign investment approved by local PRC governmental authorities;
- foreign exchange administration authorities and banks authorized to conduct foreign exchange business should not effectuate foreign exchange settlements regarding capital account items to those which fail to file with MOFCOM or fail to pass the annual reviews; and
- for real estate entities which are wrongfully approved by local authorities for their setups, (i) MOFCOM should carry out investigation, order punishment and corrections, and (ii) foreign exchange administrative authorities should not carry out foreign exchange registrations for these entities.

Pursuant to the Foreign Investment Industrial Guidance Catalogue (《外商投資產業指導目錄》) issued by MOFCOM and the NDRC which took effect on December 1, 2007, the development and construction of high-end hotels, villas, high-end offices buildings and international convention and exhibition centers by foreign-invested enterprises is within the

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restricted category. Further, the 2007 Catalogue takes a tougher stance on the construction and operation of golf course, by reclassifying such project into the “prohibited” category. As such, beginning from December 1, 2007, new foreign-invested project of golf course construction and operation will not be approved. Our PRC legal advisor, Jingtian & Gongcheng, has checked all of our Group’s operations against the Foreign Investment Industrial Guidance Catalogue issued by MOFCOM and the NORC which took effect on December 1, 2007, and is of the opinion that, as of the Latest Practicable Date, none of our Group’s operations fall under the “restricted” category of the aforementioned catalogue which took effect on December 1, 2007.

Pursuant to the “Interim Measures For the Approval of Foreign-invested Projects (NDRC Order No.22)” (《外商投資項目核准暫行管理辦法》(中華人民共和國發展和改革委員會令第22號)) issued by NDRC which took effect on October 9, 2004, if foreign-invested enterprises invest in the abovementioned restricted projects, approvals must be obtained from competent authorities, namely, the approval from the local Development and Reform Commission must be obtained if the total investment is less than US\$50 million, approval from the NDRC must be obtained if the total investment is US\$50 million or more but less than US\$100 million, approval from the State Council must be obtained if the total investment is US\$100 million or more.

Our PRC legal advisor, Jingtian & Gongcheng, is of the view that save as disclosed in the section headed “Risk Factors – We did not obtain the approval for SGLD’s incorporation and expansion of its business scope to include golf course operation from MOFCOM as required under PRC law” of this document, all of our relevant subsidiaries in the PRC have complied in all material respects with the relevant rules and regulations of the PRC governing foreign-invested property enterprises.

QUALIFICATIONS OF A PROPERTY DEVELOPER

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 should examine applications for classification of a property developer’s qualification by considering its assets, professional personnel and industrial achievements. A property enterprise should only engage in property development projects in compliance with its approved qualification.

Under the “Provisions on Administration of Qualification of Real Estate Developers” (the “Provisions on Administration of Qualification”) promulgated by MOHURD and implemented on March 29, 2000, a property developer shall apply for registration of its qualification according to such Provisions on Administration of Qualification. An enterprise may not engage in the development and sale of property without a qualification classification certificate for property development.

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In accordance with the Provisions on Administration of Qualification, qualification of a property enterprise is 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. Class 1 qualification should be subject to preliminary examination by the construction authority under the government of the relevant province, autonomous region or municipality directly under the central government and then final approval of the construction authority under the State Council. Procedures for approval of developers of class 2 or lower qualification should 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 must issue a Provisional Qualification Certificate to the eligible developer within 30 days. The Provisional Qualification Certificate will 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 should apply for qualification classification by the property development authority within one month before expiry of the Provisional Qualification Certificate.

As advised by our PRC legal advisor, Jingtian & Gongcheng, a new town developer, if not engaged in procurement of land use rights, is not required to file record of its establishment to the governing property development authorities and apply for a qualification classification certificate, and as of the Latest Practicable Date, our subsidiaries that are engaged in property development have all filed a record of their establishment to the governing property development authorities in the PRC and have obtained the relevant qualification classification certificates.

REGULATIONS ON LAND USE RIGHT

Under the "Provisional Regulations of the People's Republic of China on Assignment and Transfer of the Land Use Rights of State-owned Urban Land" (the "Provisional Regulations on Assignment and Transfer") promulgated and implemented by the State Council on May 19, 1990, a system of assignment and transfer of the right to use state-owned land is adopted. A land user must pay an assignment price to the State as consideration for the assignment 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 Assignment and Transfer and the Urban Real Estate Law", the land administration authority under the local government of the relevant municipality or county must enter into an assignment contract with the land user to provide for the assignment of land use rights. The land user must 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 rights for a land

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parcel intended for property development must be obtained through assignment except for land use rights which may be obtained through allocation pursuant to PRC laws or the stipulations of the State Council.

Under the “Regulations on the Assignment of State-Owned Land Use Right through Competitive Bidding, Auction and Listing-for-Sale” (the “2002 Regulations”), as amended by the 2007 Regulations (as defined below) on September 28, 2007 enacted by the MLR on May 9, 2002 and enforced on July 1, 2002, land for commercial use, tourism, entertainment and commodity housing development shall be assigned by way of competitive bidding, public auction or listing-for-sale. The procedures are as follows:

- The land authority under the people’s government of the city and county (the “assignor”) shall make an announcement at least 20 days prior to the date of the proposed competitive bidding, public auction or listing-for-sale. The announcement should include basic particulars such as land parcel, qualification requirement of the bidder and auction applicants, methods and criteria on confirming the winning tender or winning bidder, and other conditions such as the deposit of the bid.
- The assignor shall conduct a qualification verification of the bidding applicants and auction applicants, inform the applicants who satisfy the requirements set out in the announcement and invite them to attend the competitive bidding, public auction or listing-for-sale.
- After determining the winning tender or the winning bidder by the 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 return the bidding or tender deposit to other bidding or auction applicants.
- The assignor and the winning tender or winning bidder shall enter into a contract for state-owned land use right assignment according to the time and venue set out in the confirmation. The deposit of the bid paid by the winning tender or winning bidder will be used to set off part of the assignment price of the state-owned land use rights.
- The winning tender or winning bidder should apply for the land registration after paying off the assignment price in accordance with the State-owned land use right assignment contract. The people’s government above the city and county level should issue the “Land Use Rights Certificate for State-owned Land”.

On June 11, 2003, the MLR promulgated the “Regulation on Grant of State-owned Land Use Rights by Agreement”. According to such regulation, if there is only one intended user on a piece of land, the land use rights (excluding land use rights used for business purposes, such as commercial, tourism, entertainment and commodity residential properties) may be granted by way of agreement. The local land bureau, together with other relevant government departments including the city planning authority, will formulate the plan concerning issues including the specific location, boundary, purpose of use, area, term of grant, conditions of use,

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conditions for planning and design, time of supply as well as the proposed land premium, which shall not be lower than the minimum price regulated by the State, and submit such plan to the relevant government for approval. The local land bureau and the person who is interested will negotiate and enter into the grant contract based on such plan. If two or more entities are interested in the land use rights proposed to be granted, such land use rights shall be granted by way of public auction, tender or listing.

According to the “Notice of the MLR on Relevant Issues Concerning the Strengthening of Examination and Approval of Land Use in Urban Construction” promulgated by the MLR on September 4, 2003, from the day of issuance of the Notice, the grant of land use rights for luxurious commodity properties shall be stringently controlled, and applications of land use rights for villas are to be stopped. On March 2004, the MLR together with the Ministry of Supervision of the PRC promulgated the “Notice in Respect of Enforcing and Supervising the Transfer of Operative Land Use Rights Through Public Auction, Tender or Listing” (關於繼續開展經營性土地使用權招標拍賣掛牌出讓情況執法監察工作的通知), which expressly required that after August 31, 2004, no land use rights transfer in the form of agreement by the excuse of historical difficulties will be allowed. On May 30, 2006, the MLR issued the “Urgent Notice of the MLR on Further Tightening of Land Administration (Guo Tu Zi Dian Fa [2006] No. 17)” (“Notice No. 17”). Notice No. 17 stated that land for property development must be assigned by public auction, tender or listing; the rules prohibiting development projects for villas should be strictly enforced; and land supply and relevant procedures of land use for villas should be ceased from the date of Notice No. 17.

Under Notice No. 17, the land authority must rigidly execute the “Model Text of the State-owned Land Use Rights Assignment Contract” and “Model Text of the State-owned Land Use Rights Assignment Supplementary Agreement (for Trial Implementation)” jointly promulgated by the MLR and the SAIC. The documents of the land assignment must ascertain the requirements of planning, construction and land use such as the restrictions on the dwelling size, plot ratio, and the time limit for the commencement and completion of construction. All these must be set forth in the land use rights assignment contract.

On September 28, 2007, the MLR promulgated the “Regulation on Bidding, Auction and Listing Required for Assignment of State-Owned Construction Land” (招標拍賣掛牌出讓國有建設用地使用權規定) (the “2007 Regulations”). The 2007 Regulation specifies that the assignee of state-owned construction land use right shall fully pay up the premium for the land use right in accordance with the state-owned land assignment agreement before it could proceed with the relevant procedures for land use right registration and apply for a state-owned construction land use right certificate. No assignee could be granted a state-owned construction land use right certificate for the land in proportion to the partial payment of the premium that the assignee has paid up. In 2007, it is provided in detail that operative lands for properties to be used for industrial, commercial, tourism, entertainment and commodity residential purposes as well as lands with two or more prospective users must be granted only through competitive bidding.

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In order to stop illegal occupation and abusive use of land, prevent overheating in investment in fixed assets in some areas, and implement strict protection of cultivated land, the General Office of the State Council issued the “Urgent Notice on Further Governing and Rectifying Land Market and Strengthening Administration of Land” on April 29, 2004.

The notice addresses issues including: (i) further governing and rectifying land market; (ii) strictly administering approvals of construction land; (iii) protecting basic agricultural land; (iv) strictly implementing the general strategy and annual plan for land use, and the balance system for occupying and compensating cultivated land; and (v) actively promoting the reform of the administration system of land and resources. Also, according to the notice, the rectification of the land market will take approximately half a year from the issuance of the notice. Approvals for converting agricultural land to non-agricultural construction land will be suspended throughout China during this period, except for certain major public infrastructure projects which shall be approved by the State Council.

In accordance with the “Regulations on the Grant of State-owned Land Use Rights for Construction through Public Auction, Tender or Listing” issued by the MLR on September 28, 2007 and effective November 1, 2007, land for industrial, commercial, tourism or entertainment use or for commodity property development shall be granted by means of public auction, tender or listing. No land use rights certificates shall be issued before all the land premium has been fully paid up pursuant to the land use rights grant contract and the land use rights certificates must not be issued separately according to the proportion of the payment of the land premium.

On March 16, 2007, the NPC promulgated the “Properties Rights Law of the People’s Republic of China” (the “Properties Rights Law”) effective October 1, 2007, which stipulates that the construction land use rights may only be created through grant or allotment, etc. For land used for industrial, business, entertainment or commercial residential purposes, etc. the construction land use rights must be granted by means of public auction, tender or listing. There are stringent restrictions imposed upon creating the construction land rights through allotment. For adopting such means, the provisions on land uses in the laws and administrative regulations must be observed.

On September 30, 2007, the MLR issued the “Notice on Implementing Several Opinions of the State Council on Addressing Housing Hardship Issues relating to Low Income Families and Further Strengthening the Control of Land Supply” (國土資源部關於認真貫徹《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) which stipulates that the supply of the land to be developed for low-rent housing, economical housing and housing at low or medium price and of small or medium size shall be no less than 70% of the total land supply of the current year; the land and resources authorities shall control the area of each parcel of land and increase the number of parcels of land to be supplied, in order to prevent the coemption of land by property developers. Property developers shall develop their land according to the terms of the relevant land use rights grant contract, and any violation thereof may restrict or prevent such property developers from participating in future land bidding. Generally, the development period of each parcel of land must not exceed three years.

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On January 3, 2008, the State Council issued the “Notice on Promoting Economization of Land Use (Guo Fa [2008] No. 3)” (《國務院關於促進節約集約用地的通知》(國發【2008】3號)). The notice stipulates, among other things:

- The land use standards must be strictly implemented in the process of designing and constructing construction projects and approving construction lands. The land area beyond the land use standard must be deducted accordingly;
- The disposal policies for idle land must be implemented strictly. If the land approved for development remains unused for more than two years, it must be recovered without any compensation by the government according to applicable laws and regulations; even if the land may not be recovered according to relevant laws and regulations, the land should be disposed in time and used efficiently through altering usage of the land, equivalent exchange, arranging temporary use, or bringing into land reserve by the government. An appreciation premium should be levied on the idle land, especially on those used for property development, and the relevant rules will be formulated jointly by the MLR and other authorities;
- The area of each parcel of land to be granted should be reasonably determined. The detailed controlling rules and land supply plans should be formulated before granting the land as well as the plot ratio, greenery ratio, and site coverage must be clarified accordingly. The planning stipulations may not be adjusted without relevant approvals;
- The public auction, tender or listing system for the grant of land used for industry and business purposes must be strictly enforced;
- The land grant contracts or allocation approvals must stipulate or clarify that the government may take back and re-grant the land use rights in relation to the alteration of the land usage from non-business into business;
- Land supply for the development of villas must keep suspended. The minimum plot ratio, the unit numbers on per area of land and the dwelling size for the residential construction must be stipulated in the grant contract or allocation approvals of the land for residential purpose. More than 70 percent of the land used for construction of urban housing must be designated for residential purposes for low-rent units, cheaper commercial homes and smaller units of less than 90 sq.m.;
- The completion inspection and examination system for construction projects must be improved. Whether the land has been legally used and whether the land grant contracts or allocation approvals have been duly performed should be inspected and examined for the purpose of the completion inspection and examination of the construction projects. The construction projects may not pass the completion inspection and examination procedures without or failing to obtain the approvals from relevant land and resources authorities.

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According to the “Circular of the General Office of the State Council on Regulating Administration of Incomes from and Expenditures for Assignment of Right to Use State-owned Land” promulgated and effective on December 17, 2006, incomes from assignment of the right to use state-owned land are all land revenue obtained by the government through assignment and allotment of the right to use state-owned land, including the compensation for land requisition and the allowance for resettlement paid by the assignee, the earlier-stage land development fee and the land assignment proceedings. As of January 1, 2007, all land assignment incomes/expenditures shall be incorporated into the local government fund budget for administration. All land assignment incomes shall be paid to local treasuries, and all land assignment expenditures shall be appropriated from land assignment incomes on the basis of local government fund budget, so as to implement the divided administration of income and expenditure. A special account shall be set up by each local treasury for calculating land assignment incomes and land assignment expenditures.

The usage scope of Land Assignment Income:

- Compensation expenditures for land requisition and demolition, including the compensation for land requisition, the allowance for resettlement, the compensation for expropriated acreage and the compensation for demolition;
- Expenditures for land development, including the earlier-stage land development expenses and the expenses relating to earlier-stage land development as specified by the financial departments;
- Expenditures for supporting agricultural production, including the appropriation for agricultural land development fund, the allowance for social insurance of farmers whose lands are requisitioned, the allowance for maintaining the living standard of farmers whose lands are requisitioned and the expenses for construction of rural infrastructure;
- Expenditures for urban construction, including the expenses for construction of supporting facilities which are used to perfect the function of state-owned land and urban infrastructures;
- Other Expenditures, including the business expenses relating to land assignment, the land use fees for newly converted construction land, the appropriation for state-owned land proceeds fund, the expenses for low-rent urban housing and the resettlement expenses for workers of bankrupt and reorganized state-owned enterprises.

On November 18, 2009, the Ministry of Finance, MLR, PBOC, the Ministry of Supervision of the PRC (中國監察部) and the National Audit Office of the PRC (中國審計署) jointly issued “The Notice on Further Strengthen the Management of Revenue and Expenditure from Land Granting (Cai Zong [2009] No. 74)” 《關於進一步加強土地出讓收支管理的通知》 (財綜 [2009] 74號) to require a minimum down payment of 50% of the land premium relating

PRC REGULATORY OVERVIEW

to land purchases from the PRC Government. The notice also provides that the installment period stipulated in the relevant land grant contracts may not exceed one year generally, provided that, for special projects, upon collective approval by the relevant governmental authorities, the installment period stipulated in the relevant land grant contracts can be two years. Developers will not be permitted to buy new land if they fail to pay off such land premium in time. The new rules also forbid local governments from giving discounts to developers or allowing developers to delay payments except as stipulated by the State Council.

Notice on Further Strengthening the Administration and Regulation of the Use and Construction of Housing Land

The MLR and MOHURD jointly issued the “Notice on Further Strengthening the Administration and Regulation of the Use and Construction of Housing Land” 《關於進一步加強房地產用地和建設管理調控的通知》 on September 21, 2010. In accordance with the Notice, for the purpose of further strengthening the administration and regulation of the use and construction of housing land and actively promoting the continued development of the real estate market, the grant of land for the construction of houses will be administrated in a strict way, the administration of annual plans for housing land and house construction will be intensified, and the supply of land for construction of limited-price houses of low-to-medium size will be increased within the region where the housing price is high. Moreover, the competent authorities, according to the Circular, will speed up the examination and approval of the supply and construction of housing land and will make a stronger effort to clear up, investigate and punish those actions in violation of laws and regulations.

Based on the due diligence exercise conducted by our PRC legal advisor, Jingtian & Gongcheng, our PRC legal advisor is of the opinion that, as at the Latest Practicable Date, save as disclosed in the sections headed “Business – Compliance and Internal Controls – Acquisition of certain land use rights by Luodian JV not through public auction, tender or listing” and “Risk Factors – Our business operations are subject to extensive government regulation” of this document, and except for the fact that Shenyang JV has not obtained land use rights for the golf club and administration center, there has not been any material violation by our subsidiaries in the PRC of the relevant land use right rules and regulations since their respective establishment. As at the Latest Practicable Date, except for the abovementioned, all of our relevant subsidiaries in the PRC have complied in all material respects with the relevant land use right rules and regulations since their respective establishment.

RESETTLEMENT

Pursuant to the “Administration Rules of Demolition and Removal of Housing in Urban Areas” promulgated by the State Council on June 13, 2001, the party responsible for resettlement (the “Resettling Party”) should apply for a resettlement permit before commencing resettlement. The Resettling Party must enter into written agreements with the relevant residents detailing, among other things, the compensation to be provided to the residents, which will be determined on the basis of, among other things, the property’s location, permitted use and GFA. For leased housings, the resettlement and compensation

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agreements shall be reached among the Resettling Party, the relevant residents and the lessees. If the Resettling Party and the residents fail to reach agreement, either party may apply to the relevant authority for a ruling. A ruling will be given within 30 days of the application, following which either party may initiate proceedings in the People's court within three months from the ruling if they contest the ruling. The Resettling Party shall provide monetary compensation or alternative residence for the residents to be resettled according to relevant laws and regulations. There is no need to provide any compensation for the resettlement of illegal housings and temporary constructions, the valid term of which has expired. However, it is necessary to provide proper compensation to demolish those temporary constructions within the valid terms. If the relevant residents or lessees fail to move out within the time limit for removal as provided in the ruling, the people's government of the city or county where the house is located may order the relevant department to enforce the demolition, or the relevant housing demolition administrative department may file an application with the people's court to enforce the demolition. Before a mandatory demolition is carried out, the Resettling Party shall carry out evidential preservation with a notary regarding relevant information on the houses to be demolished.

Based on the due diligence exercise conducted by our PRC legal advisor, Jingtian & Gongcheng, our PRC legal advisor is of the opinion that, as at the Latest Practicable Date, there has not been any material violation by our subsidiaries in the PRC of the relevant resettlement rules and regulations since their respective establishment. As at the Latest Practicable Date, all of our relevant subsidiaries in the PRC have complied in all material respects with the relevant resettlement rules and regulations since their respective establishment.

LAND RESERVE

In order to control the land market and promote reasonable land utility, the MLR, Ministry of Finance and PBOC jointly promulgated the "Administration Measures on Land Reserve" on November 19, 2007, which regulates the preliminary land development and land reserve by land reserve entities, affiliates of the land and resources authorities at city or county level, before the land and resources authorities grant land according to relevant laws and regulations. The enterprises should be elected through public tender to conduct the land development involving road development, supply of water, power and gas, telecommunications, lighting, landscaping and land leveling etc. according to applicable laws and regulations.

DEVELOPMENT OF A PROPERTY PROJECT

According to the "City and Countryside Planning Law of the People's Republic of China" promulgated by Standing Committee of the NPC on October 28, 2007 and implemented on January 1, 2008, the "Measures for Control and Administration of Assignment and Transfer of the Right to Use Urban State-owned Land" promulgated by MOHURD on December 4, 1992 and implemented on January 1, 1993 and the "Notice of MOHURD on Strengthening the Planning Administration of Assignment and Transfer of the Right to Use State-owned Land" promulgated and implemented by MOHURD on December 26, 2002, after signing the

PRC REGULATORY OVERVIEW

assignment contract, a property developer must apply for a Position Paper of a Construction Project's Site Selection and a construction land planning permit from the city planning authority. A property developer must apply for a construction work planning permit from the city planning authority with relevant requisite documents and the city planning authority shall issue the construction work planning permit according to the relevant city planning requirements.

REGULATIONS ON CONSTRUCTION OF A PROPERTY PROJECT

After obtaining the construction work planning permit, a property developer must apply for a permit for commencement of construction work from the construction authority under the local people's government at the county level or above according to the "Measures for the Administration of Permits for Commencement of Construction Work for Construction Projects" promulgated by MOHURD on October 15, 1999 and as amended and implemented on July 4, 2001.

Based on the due diligence exercise conducted by our PRC legal advisor, Jingtian & Gongcheng, our PRC legal advisor is of the opinion that, as of the Latest Practicable Date, except for the golf club and administration center occupied by Shenyang JV and the command center (Phase I) occupied by SGLD, our Group has obtained permits for commencement of construction work for all the commercial properties owned by our Group and there has not been any material violation by our subsidiaries in the PRC of the relevant property construction rules and regulations since their respective establishment. As at the Latest Practicable Date, except for the abovementioned, all of our relevant subsidiaries in the PRC have complied in all material respects with the property construction rules and regulations stated above since their respective establishment.

REGULATIONS ON COMPLETION OF A PROPERTY PROJECT

According to the "Regulation on the Quality Management of Construction Projects" promulgated and implemented by the State Council on January 30, 2000, the "Interim Measures for Reporting Details Regarding Acceptance Examination Upon Completion of Buildings and Municipal Infrastructure" promulgated by MOHURD in October 2009, after the completion of construction of a project, a property developer must apply for an 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.

Based on the due diligence exercise conducted by our PRC legal advisor, Jingtian & Gongcheng, our PRC legal advisor is of the opinion that, as of the Latest Practicable Date, except for the golf club and the administration center occupied by Shenyang JV and the command center (Phase I) occupied by SGLD, all commercial properties owned by our Group have undergone acceptance examinations at completion and there has not been any material violation by our subsidiaries in the PRC of the relevant property construction completion rules and regulations since their respective establishment. As at the Latest Practicable Date, except

PRC REGULATORY OVERVIEW

for the abovementioned, all of our relevant subsidiaries in the PRC have complied in all material respects with the property, construction completion rules and regulations stated above since their respective establishment.

MORTGAGES OF PROPERTY

Under the Urban Real Estate Law, the “The Guarantee Security Law of the People’s Republic of China” promulgated by Standing Committee of the NPC on June 30, 1995 and implemented on October 1, 1995, and the “Measures on the Administration of Mortgages of Property in Urban Areas” promulgated by MOHURD in May 1997 and as amended on August 15, 2001, when a mortgage is created on a building legally obtained, a mortgage must be simultaneously created on the land use rights of the land on which the building is situated. The land use rights of state-owned lands acquired through means of assignment, when being mortgaged, the buildings on the land must also be mortgaged at the same time. The land use rights of the town and village enterprises cannot be mortgaged separately. When buildings of the 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 must sign a mortgage contract in writing. Within 30 days after a property mortgage contract is signed, the parties to the mortgage must register the mortgage with the property administration authority at the location where the property is situated. A property mortgage contract will become effective on the date of registration of the mortgage. If a mortgage is created on the property in respect of which a building ownership certificate has been obtained, the registration authority shall make an entry under the “third party rights” item on the original building ownership certificate and then issue a certificate of third party rights to the mortgagee. If a mortgage is created on the commodity property put to pre-sale or under construction, the registration authority will record the details on the mortgage contract. If construction of a real property is completed during the term of a mortgage, the parties involved must re-register the mortgage of the real property after issuance of the certificates evidencing the ownership of the property. In accordance with the Properties Rights Law, buildings newly constructed on the mortgaged 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 rights, however, the mortgagee has no right to seek preferred payments from the money generated from the disposal of these newly-constructed buildings.

PRC REGULATORY OVERVIEW

PROPERTY CREDIT

According to the “Notice of the PBOC on Regulating Home Financing Business” promulgated by the PBOC on June 19, 2001, all banks must comply with the following requirements before granting residential development loans, individual home mortgage loans and individual commercial flat loans:

- Housing development loans from banks should only be granted to property development enterprises with approved development qualifications and high credit ratings. Such loans should be offered to residential projects with good market potential. While the borrowing enterprise must have self-owned capital of no less than 30% 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 work planning permit and permit for commencement of construction work;
- In respect of the grant of individual home mortgage loans, the ratio between the loan amount and actual value of the security (the “Mortgage Ratio”) must never exceed 80%. Where an individual applies for a home 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-story buildings or “two-thirds of the total investment completed” for high-rise buildings; and
- In respect of the grant of individual commercial flat loans, the Mortgage Ratio under the application for commercial flat loans must not exceed 60% with a maximum loan period of 10 years and the subject commercial flat must have already been completed.

The PBOC issued the “Notice of the PBOC on Further Strengthening the Management of Loans for Property Business (Yin Fa [2003] No. 121)” on June 5, 2003 to specify the requirements for banks to provide loans for the purposes of residential development, individual home mortgage and individual commodity properties as follows:

- The property loan by commercial banks to property enterprises may only be granted by the item of property development rather than cash flow loan item or other loan item. No type of loan can be granted for projects which do not obtain land use rights certificates, construction land planning permits, construction work planning permits and permits for commencement of construction work;
- Commercial banks must not grant loans to property developers to pay off the land premium; and
- Commercial banks may only provide housing loans to individual buyers when the main structural buildings have been topped out. When a borrower applies for individual home loans for his first residential unit, the first installment remains to be 20%. In respect of his loan application for additional purchase of residential unit(s), the percentage of the first installment can be increased.

PRC REGULATORY OVERVIEW

Pursuant to the “Guideline for Commercial Banks on Risk Management of Real Estate Loans (Yin Jian Fa [2004] No. 57)” issued by the CBRC on August 30, any property developer applying for property development loans shall have at least 35% of capital required for the development.

According to the “Notice of the PBOC on the Adjustment of Commercial Bank Housing Credit Policies and the Interest Rate of Excess Reserve Deposits (Yin Fa [2005] No. 61)”, promulgated by the PBOC on March 16, 2005, from March 17, 2005, in the cities and areas where the price of houses grows too quickly, the first installment of individual home loans increases from 20% to 30%. The commercial banks can independently determine the specific cities or areas under such adjustment according to special situations in different cities or areas.

On May 24, 2006, the State Council issued the “Circular of the General Office of the State Council on Forwarding the Opinions of MOHURD and other Departments on Adjusting the Housing Supply Structures and Stabilizing Property Prices (Guo Ban Fa [2006] No. 37)”. These regulations on property credit are as follows:

- 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 must not provide loans to those property enterprises that fail to meet loan conditions, for example, having a project capital less than 35%. For property development enterprises that have a large amount of idle land and vacant commodity properties, the commercial banks must, 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 property that has been idle for more than three years as collateral for loans; and
- Commencing from June 1, 2006, the proportion of initial payment of individual housing mortgage loans must not be lower than 30%. However, considering the demands for housing by the medium and low-income population, the purchase of self-used housing with GFA no more than 90 sq.m. is still subject to the provision of the initial payment of housing at 20%.

According to the “the Opinions of MOHURD, MOFCOM, the NDRC, the PBOC, the SAIC and SAFE on Regulating the Access and Management of Foreign Capital in the Real Estate Market (Jian Zhu Fang [2006] No. 171)”, effective July 11, 2006, foreign-invested property enterprises which have not paid up their registered capital, or failed to obtain a land use rights certificate, or with less than 35% of the capital for the project, will be prohibited from obtaining a loan in or outside China, and SAFE must not approve the exchange settlements of foreign loans for such enterprises.

On July 10, 2007, SAFE issued Notice 130 indicating that it will no longer process foreign debt registration or approval of exchange settlement of foreign debt for real estate enterprises with foreign investment that obtained authorization certificate from and registered with MOFCOM on or after June 1, 2007. Please refer to the section headed “Foreign-invested Property Enterprises” above.

PRC REGULATORY OVERVIEW

In accordance with the “Notice of the PBOC and the CBRC on Strengthening the Administration of Commercial Real Estate Credit Loans (Yin Fa [2007] No. 359)” jointly issued by the PBOC and the CBRC on September 27, 2007, when a borrower applies for individual home loans for his first self-used residential unit with GFA more than 90 sq.m., the first installment shall not be less than 30%; in respect to his loan application for additional purchase of residential unit(s), the first installment should not be less than 40%, the loan interest should not be lower than 1.1 times of the benchmark lending rate published by the PBOC in the same period and at the same level and the amount of the first installment and interest of the loan should be increased largely based on the number of the purchased apartments. The detailed level of increase should be decided by commercial banks according to the loan risk management principals. The first installment of the commercial flat loans should not be less than 50% with a maximum loan period of 10 years, and the loan interest should be no less than 1.1 times of the benchmark lending rate published by the PBOC at the same period and level. The detailed level of first installment, period of loan and interest level should be decided by commercial banks according to the loan risk management principals. To the loan application for commercial-resident apartment, the first installment should be no less than 45% and the loan period and interest should be decided according to the commercial flat loan management rules.

On December 5, 2007, the PBOC and the CBRC jointly issued the “Supplementary Notice of the PBOC and CBRC on Strengthening the Administration of Commercial Real Estate Credit Loans (Yin Fa [2007] No. 452)”, which clarifies that the number of times a purchaser has obtained property mortgage loans must be calculated on a family basis, including the borrowers and their spouse and minor children.

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.

In light of the “Construction Law of the People’s Republic of China” enacted by the Standing Committee of the National People’s Congress on November 1, 1997 and enforced on March 1, 1998, construction enterprises must take out accident and casualty insurance for workers engaged in dangerous operations and pay insurance premium. In the “Opinions of the Ministry of Construction on Strengthening the Insurance of Accidental Injury in the Construction Work” by the Ministry of Construction on May 23, 2003, the Ministry of Construction further emphasizes the importance of the insurance of accidental injury in the construction work and put forward the detailed opinions of guidance.

PROPERTY MANAGEMENT SECTOR

Foreign-invested property service enterprises

According to the “Foreign Investment Industrial Guidance Catalogue”, property management falls within the category of permitted foreign investment industries. According to the “Foreign Investment Industrial Guidance Catalogue” and the relevant requirements set out under the laws and the administrative regulations on foreign investment enterprises, a foreign-invested property service enterprise can be set up in the form of sino-foreign equity joint venture, sino-foreign cooperative joint venture or wholly foreign-owned enterprise. Before the administration of Industry and Commerce registers a foreign investment enterprise as a foreign-invested property service enterprise, the foreign-invested property service enterprise should obtain an approval from the relevant department of commerce and receive a “foreign investment enterprise approval certificate”.

Qualifications of a property service enterprise

According to the “Regulation on Property Management” enacted by the State Council on June 8, 2003, enforced on September 1, 2003 and revised on August 26, 2007, the state implements a qualification scheme system in monitoring the property service enterprises. According to the “Measures for Administration of Qualifications of Property Service Enterprises” enacted by the Ministry of Construction on March 17, 2004, enforced on May 1, 2004 and revised on November 26, 2007, a newly established property service enterprise shall, within 30 days from the date of receiving its business license, apply to the relevant local bureau in charge of the property management under the local government or to the municipalities directly under the Central Government for a grading assessment. The departments of qualification examination and approval will check and issue a “property management qualification certificate” corresponding to their grading assessment results.

According to the “Measures for the Administration on Qualifications of Property Service Enterprises”, and revised on November 26, 2007 the qualifications of a property service enterprise shall be classified as class 1, class 2 and class 3. The competent construction department of the State Council shall be responsible for issuance and administration of the qualification certificate of the class one property service enterprises. The competent construction departments of the people’s governments of provinces and autonomous regions shall be responsible for issuance and administration of the qualification certificate of the class two property service enterprises, and the competent realty departments of the people’s governments of municipalities directly under the Central Government shall be responsible for issuance and administration of the qualification certificate of the classes two and three property service enterprises. The competent realty departments of the people’s governments of the cities divided into districts shall be responsible for the issuance and administration of the qualification certificate of the class three property service enterprises.

The property service enterprises with the class one qualification may undertake various property management projects. The property service enterprises with the class two qualification may undertake the property management business of residential management

PRC REGULATORY OVERVIEW

projects of less than 300,000 sq.m. and the non-residential management projects of less than 80,000 sq.m. The property service enterprises with the class three qualification may undertake the property management business of residence projects of less than 200,000 sq.m. and non-residence projects under 50,000 sq.m.

Shanghai Lake Malaren Property Management, a former subsidiary of our Group disposed of in 2010, has obtained a property management qualification certificate (class 2). None of our current PRC subsidiaries engages in the business of property management service.

Employment of a property service enterprise

According to the “Regulation on Property Management”, the general meeting of owners can select and dismiss the property service enterprises if the consent of both the owners holding 1/2 or more of the private building area out of the total building area and 1/2 or more of the relevant property owners has been obtained. If, before the formal employment of a property management by the owners or the general meeting, the construction unit is to employ a property service enterprise, it shall enter into a preparation stage property services contract in writing with the property service enterprise.

ENVIRONMENTAL PROTECTION REQUIREMENTS RELATING TO LAND DEVELOPMENT

The regulations promulgated by the State Council on environmental protection of construction projects, together with the detail classification catalogue issued by the state environmental protection administration of the PRC, implement an administrative system for environmental protection of construction projects based on classification according to the extent of the impact on the environment. An environmental impact report must be produced for construction projects. According to relevant regulations and notice issued by the state environmental protection administration of the PRC, environmental impact assessment reports in connection with construction projects must be examined and approved at various government levels.

Pursuant to the Law of the PRC on Environment Protection (《中華人民共和國環境保護法》), the Law of the PRC on Environmental Impact Assessment (《中華人民共和國環境影響評價法》), Administrative Measures for the Environmental Protection Completion Inspection of Construction Projects (《建設項目竣工環境保護驗收管理辦法》) and the relevant regulations, with respect to construction projects, facilities for pollution prevention must be designed, constructed and put into operation at the same time as the project itself. Environmental impact reports must be produced and approved by competent environmental protection authorities before the construction projects commence, and environmental protection completion inspection must be applied for. Failure to submit for or obtain approval of environmental impact assessment before the commencement of the construction project may result in suspension of construction and fines of between RMB50,000 to RMB200,000. Failure to apply for or pass an environmental protection completion inspection before the principle project is put into production or use may result in suspension of operation and fines of up to RMB100,000.

PRC REGULATORY OVERVIEW

Based on the due diligence exercise conducted by our PRC legal advisor, Jingtian & Gongcheng, our PRC legal advisor is of opinion that, as at the Latest Practicable Date, except for the administration center occupied by Shenyang JV and the command center (Phase I) occupied by SGLD, environmental impact assessment reports were produced and approved by competent environmental protection authorities prior to the commencement for all construction projects of commercial properties owned by our Group and applications have been made for environmental protection completion inspections for such projects, and there has not been any material violation by our subsidiaries in the PRC of the relevant environmental protection rules and regulations since their respective establishment. We are currently arranging for the environmental impact assessment reports to be produced and approved by the competent environmental protection authorities, and are aiming for environmental completion inspections to be made for the administration center occupied by Shenyang JV and the command center (Phase I) occupied by SGLD by the end of 2010. As at the Latest Practicable Date, except for the abovementioned, all of our relevant subsidiaries in the PRC had complied in all material respects with the relevant environmental rules and regulations since their respective establishment. We have not encountered material environmental claims or been subject to any material sanctions or fines for environmental violations in the past.

LABOR AND SOCIAL INSURANCE

On July 5, 1994 the Standing Committee of NPC promulgated The Labor Law of the PRC (中華人民共和國勞動法), which became effective on January 1, 1995. On June 29, 2007 the Standing Committee of NPC promulgated Labor Contract Law of the PRC (中華人民共和國勞動合同法), which became effective on January 1, 2008. Pursuant to the said law, a written labor contract shall be concluded within one month from the date when the employee commences working. Otherwise the employer shall pay twice of the monthly wage until a labor contract without fixed term is deemed as concluded. Labor contract is divided into two types, namely labor contract with fixed term and labor contract without fixed term. Where the employee has already worked for the employer for 1 full year in the absence of a written labor contract, a labor contract without fixed term shall be deemed to have been concluded. Where the employee has already worked for the employer for 10 full years consecutively or the labor contract is to be renewed after two fixed-term labor contracts have been concluded consecutively, a labor contract without fixed term shall be concluded.

The PRC Law for Promotion of Employment (中華人民共和國就業促進法), promulgated by NPC Standing Committee on August 30, 2007 and effective as of January 1, 2008, provides that no employee can be discriminated in employment by reason of ethnic group, race, gender, or religious belief. The employer should neither refuse, nor request higher conditions for, the employment of any woman, merely because of such gender; and no provision limiting any woman employee in marriage and child-bearing is allowed in the labor contract. The employer should not refuse the employment of anybody just because of such person being an infection pathogen carrier, unless otherwise stated by laws and regulations. Additionally, enterprises should allocate the employee education fund intended for occupational training and further education of employees, violation of which may result in punishment imposed by the labor administration.

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Pursuant to the Interim Regulations Concerning the Levy of Social Insurance Fees (社會保險費征繳暫行條例) promulgated and implemented on January 22, 1999 by the State Council, the Interim Measures Concerning the Maternity Insurance of Enterprise Employees (企業職工生育保險試行辦法) promulgated on December 14, 1994 and implemented on January 1, 1995 by former Ministry of Labor, the Regulation Concerning the Administration of Housing Fund (住房公積金管理條例) promulgated and implemented on April 3, 1999 and amended on March 24, 2002 by the State Council, the Regulation on Occupational Injury Insurance (工傷保險條例) promulgated on April 27, 2003 by the State Council and implemented on January 1, 2004, the employer shall pay pension insurance fund, basic medical insurance fund, unemployment insurance fund, occupational insurance fund, maternity insurance fund and housing fund for the employees.

URBAN LANDSCAPE AND GREENING ENTERPRISE QUALIFICATION

According to the “Urban Landscape and Greening Enterprise Qualification Standard” (城市園林綠化企業資質等級標準) promulgated and effective on October 9, 2009, qualification of a landscape and greening enterprise is classified into four classes: class 1, class 2, class 3 and below class 3. The specific standards shall be determined by the provincial authorities.

Greening construction is one of the items in the business scope of Wuxi Hongshan New Town Virescence Environmental Protection Construction. As at the Latest Practicable Date, Wuxi Hongshan New Town Virescence Environmental Protection Construction has not commenced operations and is not required to apply for any qualification certificates.

REGULATIONS RELATING TO THE GOLF COURSE

According to the “Notice on Suspension of New Golf Course Construction” (國務院辦公廳關於暫停新建高爾夫球場的通知) promulgated by the State Council on January 10, 2004, upon the issuance of this notice until the promulgation of any new policy or regulations, all levels of local governments and the State Council shall not approve for the construction of a new golf course project, all golf courses have been built and golf course construction in progress shall be examined, all completed golf courses shall be operated upon regulation.

HISTORY AND DEVELOPMENT

BUSINESS DEVELOPMENT

Our Company was incorporated in the BVI on January 4, 2006. Our Group however originated from SGLD, the project company for the Luodian Project and our principal operating subsidiary which was established by SRE on September 26, 2002. Our Company was listed on the SGX-ST on November 14, 2007. Below is a summary of the key milestones of our Group.

Year	Key milestones
2002	<p>On August 21, 2002, SRE entered into a joint venture agreement with the Luodian JV Partner, an entity affiliated with the local government of the Baoshan district, to form and establish SGLD as the project company for the Luodian Project (the “Luodian Agreement”). Pursuant to the Luodian Agreement, SRE held a 62.32% stake in SGLD while the Luodian JV Partner held the remaining 37.68%. The joint venture was initially for a period of 15 years and would expire on September 25, 2017 (on December 3, 2009, the term of the joint venture was extended to a period of 25 years expiring on September 25, 2027). The total site area of the Luodian Project is approximately 6.8 square kilometers.</p> <p>The Luodian Project commenced.</p>
2003	<p>In April 2003, SGLD increased its registered share capital to RMB548.1 million.</p> <p>Shanghai Urban Planning Administration Bureau approved the Luodian Project master plan.</p> <p>In November 2003, land use rights over three pieces of land in the first batch of the Luodian Project of approximately 261,794.0 sq.m. were successfully auctioned.</p>
2004	<p>In June 2004, the first 18-hole golf course of the Luodian Project officially opened.</p> <p>The construction of the Convention Center and the retail street of the Luodian Project was completed.</p> <p>In December 2004, land use rights over three pieces of land in the second batch of the Luodian Project of approximately 319,251.7 sq.m. were successfully auctioned.</p>

HISTORY AND DEVELOPMENT

Year	Key milestones
2005	<p>The second 18-hole golf course of the Luodian Project officially opened.</p> <p>The hotel of the Luodian Project officially opened as Shanghai Lake Malaren Hotel (which is now managed by the Hotel Manager).</p>
2006	<p>In September 2006, land use rights over the seventh piece of land of the Luodian Project of approximately 89,440.8 sq.m. were successfully auctioned.</p> <p>In November 2006, land use rights over the eighth piece of land of the Luodian Project of approximately 142,312.3 sq.m. were successfully auctioned.</p> <p>Our Company became the holding company of our Group, holding a beneficial interest in 72.63% of SGLD and the Luodian Project as a result of a corporate restructuring (please refer to the paragraph headed “Our Company” under the sub-section of “Corporate Development” in this section).</p>
2007	<p>In January 2007, land use rights over the ninth piece of land of the Luodian Project of approximately 120,594.8 sq.m. were successfully auctioned.</p> <p>On February 9, 2007, we entered into:</p> <ul style="list-style-type: none">(i) an agreement (the “Wuxi Agreement”) with the Wuxi JV Partner for the purpose of planning and developing the Wuxi Project. The total site area of the Wuxi Project is approximately 8.6 square kilometers; and(ii) an agreement (the “Shenyang Agreement”) with the Shenyang JV Partner for the purpose of planning and developing the Shenyang Project. The total site area of the Shenyang Project is approximately 20 square kilometers. <p>On February 28, 2007, we entered into:</p> <ul style="list-style-type: none">(i) a formal joint venture agreement (the “Wuxi JV Agreement”) with the Wuxi JV Partner to form the Wuxi JV. The total investment and registered capital of the Wuxi JV was US\$49.8 million and US\$24.9 million, respectively. We hold a 90% stake in the Wuxi JV while the Wuxi JV Partner holds the remaining 10%; and

HISTORY AND DEVELOPMENT

Year	Key milestones
	<p>(ii) a formal joint venture agreement (the “Shenyang JV Agreement”) with the Shenyang JV Partner to form the Shenyang JV. The total initial investment and initial registered capital of the Shenyang JV was US\$49.0 million and US\$24.5 million, respectively. We hold a 90% stake in the Shenyang JV while the Shenyang JV Partner holds the remaining 10%.</p> <p>The Wuxi Project and the Shenyang Project commenced.</p> <p>In November 2007, land use rights over the first and second pieces of land of the Wuxi Project of approximately 88,903.4 sq.m. (commercial land) and 48,620.3 sq.m., respectively, were successfully auctioned.</p> <p>First batch of resettlement housing of the Shenyang Project was completed.</p> <p>On November 14, 2007, our Company was listed on the SGX-ST.</p>
2008	<p><i>Luodian Project</i></p> <p>In January 2008, land use rights over the tenth piece of land of approximately 82,528.9 sq.m. were successfully auctioned.</p> <p>In January 2008, the hotel was renamed as Crowne Plaza Lake Malaren Shanghai.</p> <p>In August 2008, land use rights over the eleventh and twelfth pieces of land of approximately 62,859.2 sq.m. and 29,966.0 sq.m., respectively, were successfully auctioned.</p> <p><i>Wuxi Project</i></p> <p>In January 2008, land use rights over the third piece of land of approximately 74,762.9 sq.m. were successfully auctioned.</p> <p>In May 2008, land use rights over the fourth piece of land of approximately 69,212.4 sq.m. were successfully auctioned.</p> <p>First batch of resettlement housing was completed.</p> <p>The scenic spot, namely the “Wu Culture” Square was completed.</p>

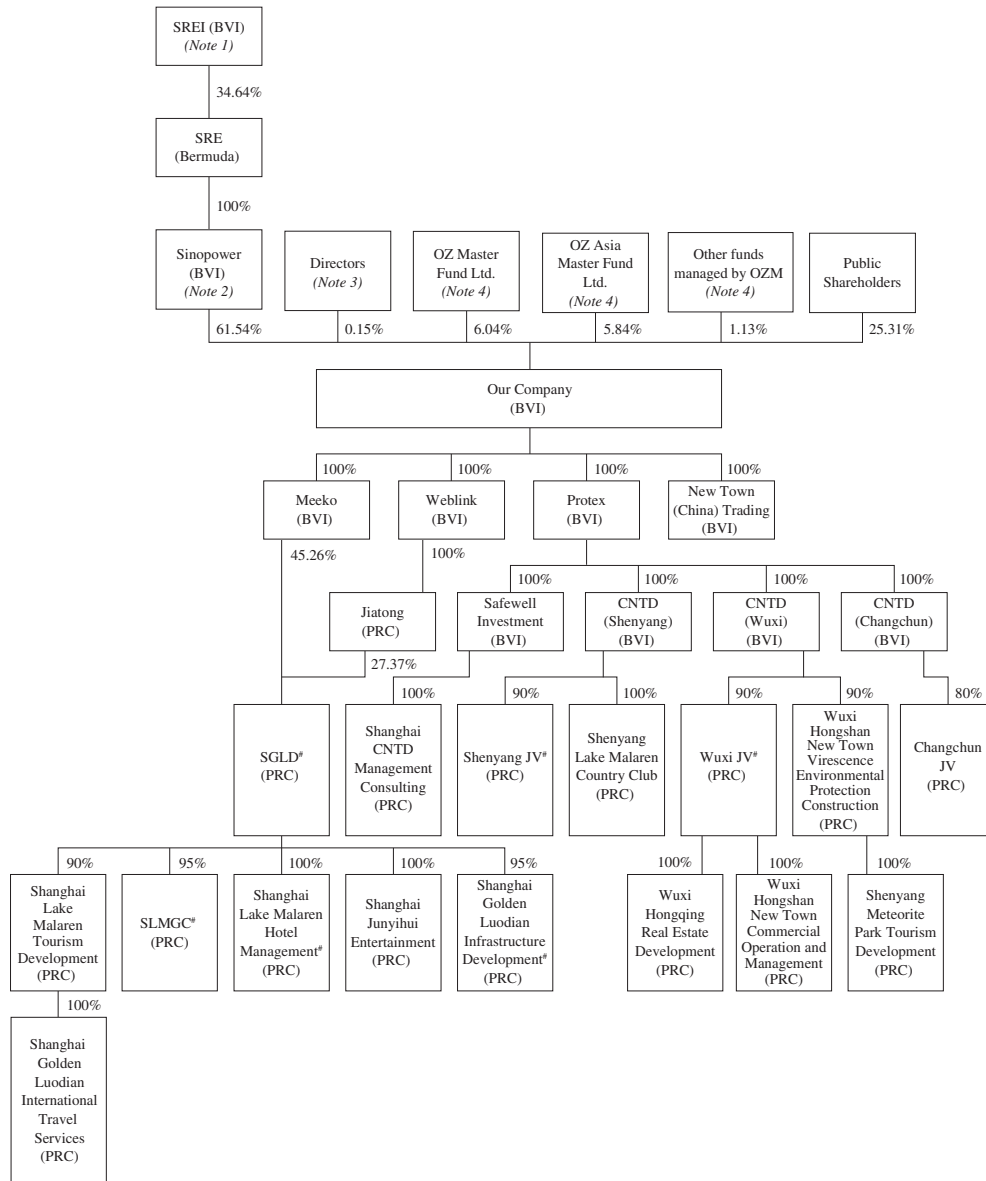
HISTORY AND DEVELOPMENT

Year	Key milestones
	<p>The construction of the first phase of the retail street was completed.</p> <p><i>Shenyang Project</i></p> <p>In February 2008, the total investment and registered capital of the Shenyang JV had been increased to US\$98 million.</p> <p>In March 2008, land use rights over the first and second pieces of land of approximately 79,421.8 sq.m. and 167,341.6 sq.m., respectively, were successfully auctioned.</p> <p>In December 2008, land use rights over the third and fourth pieces of land of approximately 7,689.7 sq.m. and 185,418.0 sq.m., respectively, were successfully auctioned.</p>
2009	<p>On January 18, 2009, outlets on the retail street of the Luodian Project opened.</p> <p>In April 2009, land use rights over the thirteenth piece of land of the Luodian Project of approximately 96,842.0 sq.m. were successfully auctioned.</p> <p>In September 2009, land use rights over the fourteenth piece of land of the Luodian Project of approximately 102,246.1 sq.m. were successfully auctioned.</p> <p>In October 2009, land use rights over the fifth piece of land of the Wuxi Project of approximately 135,073.7 sq.m. were successfully auctioned.</p>
2010	<p>In February 2010, land use rights over the sixth and seventh pieces of land of the Wuxi Project of approximately 53,768.9 sq.m. and 65,911.2 sq.m., respectively, were successfully auctioned.</p> <p>The Metro Line 7 was extended to Luodian New Town and trials commenced.</p> <p>In August 2010, land use rights over the fifteenth and sixteenth pieces of land of the Luodian Project of approximately 43,325.5 sq.m. and 107,824.9 sq.m., respectively, were successfully auctioned.</p>

HISTORY AND DEVELOPMENT

CORPORATE DEVELOPMENT

The following sets forth the organizational structure of our Group as at the Latest Practicable Date and immediately following the Listing.



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Notes:

1. Mr. Shi Jian, the executive chairman of our Company and his spouse own in aggregate 63% of the issued share capital of SREI whereas Mr. Li Yao Min, an executive Director and our chief executive officer and co-vice chairman, and Mr. Yue Wai Leung Stan, a non-independent non-executive Director, respectively own 5% and 2% of the issued share capital of SREI.
2. Such 61.54% interest comprises approximately 50.04% of the total number of issued Shares held directly by Sinopower, approximately 9.5% of the total number of issued Shares lent to J.P. Morgan Securities pursuant to the Stock Borrowing and Lending Agreement and approximately 2% of the total number of issued Shares deemed acquired by Sinopower pursuant to the Sale and Repurchase Agreement.
3. The Directors refer to Mr. Li Yao Min, Mr. Yue Wai Leung Stan, Ms. Gu Biya, Mr. Mao Yiping, Mr. Yang Yonggang, Mr. Henry Tan Song Kok and Mr. Loh Weng Whye which held 0.04%, 0.02%, 0.02%, 0.02%, 0.03%, 0.003% and 0.02% of the issued Shares as at the Latest Practicable Date.
4. OZ Master Fund, Ltd., OZ Asia Master Fund, Ltd. and the other funds managed by OZM are all funds managed by OZM and/or OZM's wholly-owned subsidiary on a discretionary basis. OZH is the sole general partner of, and is authorized to manage and represent OZM. OZCM is the sole shareholder in OZH and Mr. Daniel Saul Och holds more than 70% of the voting rights in OZCM.
5. All minority shareholders of our Company's subsidiaries are independent third parties (save for their being substantial shareholders in the relevant subsidiary where they hold 10% or more interests in such subsidiary).
6. Companies marked with “#” are principal operating subsidiaries of our Group.

HISTORY AND DEVELOPMENT

Our Group comprises our Company and 25 subsidiaries as set out below, showing their principal businesses and the dates on which the respective members became part of our Group:

Names of Group Member	Principal business	Date becoming a member of our Group
SGLD	Land infrastructure development in the Luodian Project	September 26, 2002
SLMGC	Golf club management in the Luodian Project	July 6, 2004
Shanghai Junyihui Entertainment	Managing the entertainment facilities of the Luodian Project	July 28, 2005
Shanghai Lake Malaren Hotel Management	Hotel management in the Luodian Project	April 25, 2006
Protex	Investment holding	November 21, 2006
CNTD (Shenyang)	Investment holding	November 22, 2006
CNTD (Wuxi)	Investment holding	November 22, 2006
Jiatong	Provision of consultation services for the Luodian Project	December 20, 2006
Meeko	Investment holding	December 20, 2006
Weblink	Investment holding	December 20, 2006
Shenyang JV	Land infrastructure development in the Shenyang Project	March 6, 2007
Wuxi JV	Land infrastructure development in the Wuxi Project	March 6, 2007
Safewell Investment	Investment holding	April 11, 2007
Shanghai CNTD Management Consulting	Provision of enterprise investment consultation services project companies of our Group within the PRC	June 21, 2007
Wuxi Hongshan New Town Virescence Environmental Protection Construction	Planting, maintenance and management of scenic spots for the Wuxi Project	August 17, 2007
Changchun JV	Land infrastructure development in the Changchun Automobile New Town	November 15, 2007
CNTD (Changchun)	Investment holding	November 19, 2007
Shenyang Lake Malaren Country Club	Sports management for the Shenyang Project	March 6, 2008
Shenyang Meteorite Park Tourism Development	Landscaping, plant maintenance and management of scenic spots for the Shenyang Project	March 13, 2008

HISTORY AND DEVELOPMENT

Names of Group Member	Principal business	Date becoming a member of our Group
Wuxi Hongshan New Town Commercial Operation and Management	Intended to engage in the planning and development of the Wuxi Project	March 18, 2008
Shanghai Golden Luodian Infrastructure Development	Construction of transportation hub and real estate development in the Luodian Project	March 16, 2009
Shanghai Lake Malaren Tourism Development	Provision of travelling information and wedding etiquette services for the Luodian Project	December 29, 2009
Wuxi Hongqing Real Estate Development	Intended to engage in real estate development in the Wuxi Project	April 27, 2010
New Town (China) Trading	Investment holding	June 8, 2010
Shanghai Golden Luodian International Travel Services	Intended to engage in travel services and ticketing services	June 18, 2010

Our Company

On January 4, 2006, our Company was incorporated in the BVI as a business company limited by shares under the BVI BC Act. As at the date of incorporation, our Company was authorized to issue 50,000 shares (prior to the Share Split). At the time of incorporation, Mr. Shi Jian, our executive chairman, was the sole shareholder of our Company. In November 2006, Mr. Shi Jian transferred his entire shareholding in our Company to GWR. So far as our Company is aware, GWR is owned as to 99% by Mr. Pau Shing Kwan and 1% by Mr. Cheng Wai Ho, our former Director who resigned from directorship on February 2, 2010 to pursue his personal development. GWR and its controlling shareholders are independent of our Company and its connected persons (as defined under the Listing Rules). Pursuant to a restructuring which took place in December 2006 in contemplation of the listing of our Company on the SGX-ST, our Company issued 51% of its enlarged authorized shares, being 5,099 shares credited as fully paid at US\$3,735.20 per share, to GWR to acquire 100% of the share capital of Weblink, a BVI company, which indirectly holds a 27.37% equity interest in SGLD. The consideration for the acquisition of 100% interest in Weblink amounted to US\$19,045,784.80, which was determined based on commercial negotiation and other factors, such as by reference to GWR's carrying amount of investment in SGLD, shareholders' loan and the net assets of SGLD. In addition, our Company issued 49% of its enlarged authorized shares, being 4,900 shares credited as fully paid at US\$727.46 per share, as well as CB1 which was convertible into 3,535 shares (prior to the Share Split), to Sinopower to acquire 100% of the share capital of Meeko, a BVI company, which holds a 45.26% equity interest in SGLD. The aggregate consideration for the acquisition of 100% interest in Meeko amounted to US\$15,738,387.93, which was determined based on commercial negotiation and other factors, such as by reference to Sinopower's carrying amount of investment in SGLD and the net assets of SGLD. Our Company then became the holding company of our Group.

HISTORY AND DEVELOPMENT

On January 24, 2007, the maximum number of shares which our Company was authorized to issue was increased to 1,000,000,000 shares.

On September 25, 2007, the maximum number of shares which our Company was authorized to issue was increased to 10,000,000,000 shares, and the Share Split, being the sub-division of one ordinary share into 75,000 Shares, took effect on October 16, 2007.

On February 13, 2007, CB2 were issued to various investors, namely OZ Master Fund, Ltd., OZ Asia Master Fund, Ltd., OZ Global Special Investments Master Fund, L.P., Forum Asian Realty Income II, L.P., Merrill Lynch International, Highbridge International LLC and Highbridge Asia Opportunities Master Fund, L.P. (the “Bondholders”), all being independent third parties. The consideration for CB2 was determined on a dollar-for-dollar basis with reference to the then funding requirements of our Company. The net proceeds received by our Company from the issue of CB2 were used (i) to secure and commence operations of our Company’s two new town developments in Wuxi and Shenyang, and (ii) for general working capital purposes. On November 5, 2007, our Company allotted and issued 62,550,000 Shares pursuant to the partial conversion of CB2.

During the period between June 2007 and November 2007, GWR disposed of in aggregate 49% interest in our Company to Deutsche Bank AG, The Royal Bank of Scotland plc, Merrill Lynch International, OZ Master Fund, Ltd., OZ Asia Master Fund, Ltd., OZ Global Special Investments Master Fund, L.P., Highbridge International LLC, Highbridge Asia Opportunities Master Fund, L.P. and Forum Asia Realty Income II, L.P. As at the Latest Practicable Date, GWR held approximately 0.39% interest in our Company.

On November 13, 2007, our Company allotted and issued 265,125,000 Shares to Sinopower pursuant to the conversion of CB1, following which SRE became interested in approximately 45.15% of the total issued Shares.

On September 12, 2008, our Company completed the repurchase of all the outstanding CB2 in the aggregate principal amount of approximately RMB1,127 million from the Bondholders (the “Repurchase of CB2”). Our Company, as consideration to the Bondholders for the Repurchase of CB2, paid approximately RMB639,500,000 in cash, issued the Senior Notes in the aggregate principal amount of RMB593,300,000 and issued in aggregate 605 million Shares to certain Bondholders, namely OZ Master Fund, Ltd., OZ Asia Master Fund, Ltd., OZ Global Special Investments Master Fund, L.P., Forum Asian Realty Income II, L.P., Highbridge International LLC and Highbridge Asia Opportunities Master Fund, L.P. (the “Noteholders”). The consideration for the issuance of the Senior Notes was determined on a dollar-for-dollar basis with reference to the consideration required to purchase all outstanding CB2. The principal terms of the Senior Notes are summarized in our Company’s circular dated August 25, 2008, a copy of which can be downloaded at the SGX-ST’s website at www.sgx.com as well as our Company’s website at www.china-newtown.com. No special rights have been granted by our Company to the Noteholders under the Senior Notes.

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In March 2009, Sinopower entered into an agreement to subscribe for 680,000,000 new Shares at the subscription price of S\$0.051 per Share. Such subscription was completed on May 15, 2009, increasing the shareholding of Sinopower in our Company to approximately 49.24%. Consideration for the subscription of Shares by Sinopower amounted to S\$34.68 million, which was satisfied by (i) the capitalization of the outstanding interest-free loan made by Sinopower to our Company in the aggregate amount of HK\$28.6 million and (ii) the payment in cash for the balance of approximately S\$29 million. Such net cash proceeds received by our Company was applied (i) for the repayment of interest of the Senior Notes, (ii) for the repayment of our Company's outstanding payables in Hong Kong and (iii) to cover daily operating expenses of our Company in Hong Kong.

On September 9, 2009, our Company issued CB3 to Sinopower. The consideration for the issuance of CB3 was determined on a dollar-for-dollar basis with reference to the consideration required to purchase the Senior Notes.

On July 31, 2009 and September 11, 2009, our Company completed the repurchase of a total of RMB505,940,000 in principal amount of the Senior Notes from the Noteholders in exchange for the issuance of an aggregate of 229,586,468 Shares by way of private placement and a cash payment of an amount equivalent to RMB340,000,000 in US dollars. Our Company financed the aforementioned cash payment through (i) the issue of CB3 and (ii) the issue of an aggregate of 222,295,064 Shares at a total consideration of RMB84,000,000 by way of private placement to Sinopower. The repurchased Senior Notes were cancelled and the outstanding principal after the repurchase was reduced to RMB87,360,000. Our Company does not intend to fully repurchase the outstanding Senior Notes prior to the Listing as the Noteholder is unwilling to sell the outstanding Senior Notes to our Company before maturity due 2011. So far as our Company is aware, as at the Latest Practicable Date, the outstanding Senior Notes were held by Forum Asian Realty Income II, L.P.

As a result of the repurchases by our Company of its 55,168,000 Shares by a series of transactions in December 2009, SRE's indirect shareholding interest in our Company increased from approximately 49.19% to approximately 50.07%. Our Company thus became a subsidiary of SRE.

On April 19, 2010, Sinopower elected to fully convert CB3 to 754,145,894 Shares, increasing its shareholding in our Company to 62.36%.

As at the Latest Practicable Date, there were no convertible bonds issued by our Company that were outstanding. Accordingly, all special rights (if any) granted to the bondholders under CB1, CB2 and CB3 have been terminated.

On July 7, 2010, our Company disposed of 51,639,250 treasury shares on the trading platform of the SGX-ST for an aggregate consideration of S\$5,422,121.25, following which the total number of issued, outstanding and fully paid Shares was increased to 3,894,804,926 Shares.

HISTORY AND DEVELOPMENT

SUBSIDIARIES OF THE LUODIAN PROJECT

Investment holding companies

Meeko

Meeko is an investment holding company of our Group, holding a 45.26% equity interest in SGLD. It was incorporated on August 19, 2005 in the BVI with an authorized share capital of US\$50,000 divided into 50,000 shares of US\$1.00 par value each.

On September 27, 2005, 1 share of US\$1.00 par value in the share capital of Meeko (representing 100% of the issued capital of Meeko) was allotted and issued to Sinopower.

On December 20, 2006, Sinopower transferred its 1 share in Meeko to our Company. Subsequent to the transfer, Meeko became a direct wholly-owned subsidiary of our Company.

Weblink

Weblink is an investment holding company of our Group, which through Jiatong holds a 27.37% equity interest in SGLD. It was incorporated on November 17, 2005 in the BVI with an authorized share capital of US\$50,000 divided into 50,000 shares of US\$1.00 par value each.

After subsequent transfers of the 1 issued share in Weblink, on December 20, 2006, GWR transferred its 1 share in Weblink to our Company. Subsequent to the transfer, Weblink became a direct wholly-owned subsidiary of our Company.

Business operating subsidiaries

SGLD

SGLD is principally engaged in land infrastructure development in the Luodian Project. SGLD (then known as 上海金羅店置業開發有限公司 (Shanghai Golden Luodian Real Estate Development Co., Ltd.)) was established in the PRC as a limited liability company on September 26, 2002 with a registered capital of RMB398.1 million which was then owned as to 62.32% by SRE and 37.68% by the Luodian JV Partner.

On April 7, 2003, the registered share capital of SGLD was increased to RMB548.1 million following which SGLD became owned as to 45.26% by SRE, 27.37% by the Luodian JV Partner and 27.37% by Daiying Modern (then known as 英雄(集團)股份有限公司 (Yingxiong (Group) Holding Co., Ltd.)). On September 28, 2004, Daiying Modern transferred its 27.37% equity interest in SGLD to Shanghai Residential at a consideration of RMB130 million, which so far as our Company is aware, was determined based on a valuation report dated September 15, 2004 prepared by Shanghai Assets Appraisal Company Limited (上海上會資產評估有限公司). On November 29, 2004, Shanghai Residential transferred its

HISTORY AND DEVELOPMENT

27.37% equity interest in SGLD to Dongchang at a consideration of RMB167 million, which so far as our Company is aware, was determined based on a valuation report dated September 15, 2004 prepared by Shanghai Assets Appraisal Company Limited (上海上會資產評估有限公司). Subsequent to the transfer, the total equity interest in SGLD was held as to 45.26% by SRE, 27.37% by Dongchang and 27.37% by the Luodian JV Partner. So far as our Company is aware, the Luodian JV Partner is a company established in the PRC which is an entity affiliated with the Baoshan district government and its scope of business includes the provision of services in relation to investment, development and construction in the Luodian industrial district. So far as our Company is aware, Dongchang is a company established in the PRC owned as to 50% by 江蘇永鼎股份有限公司 (Jiangsu Yongding Limited) and 50% by 上海東昌企業集團有限公司 (Shanghai Dongchang Enterprises Holding Company Limited) and its scope of business includes property management, rental of automobiles and investment in new technology, industry, agriculture and real estate.

On May 12, 2006, SRE transferred 45.26% of the equity interest in SGLD to Meeko at a consideration of RMB248.1 million, which was determined based on the actual capital already contributed by SRE in SGLD, as Meeko was then a wholly-owned subsidiary of SRE and the transfer was an internal reorganization within the SRE Group. On June 9, 2006, Dongchang transferred 27.37% of the equity interest in SGLD to Jiatong at a consideration of RMB150 million. Subsequent to the transfers, SGLD is owned as to 45.26% by Meeko, 27.37% by Jiatong and 27.37% by the Luodian JV Partner. On December 3, 2009, the term of the joint venture was extended to a period of 25 years.

Jiatong

Jiatong, which holds a 27.37% equity interest in SGLD, is principally engaged in providing consultation services for the Luodian Project. Jiatong was established in the PRC as a limited liability company on April 12, 2006 with a registered capital of RMB1 million which was wholly-owned by Dongchang. On June 13, 2006, Dongchang transferred its entire interest in Jiatong to Shanghai Zhongheng at a consideration of RMB350 million. On July 7, 2006, Shanghai Zhongheng transferred its entire interest in Jiatong to Weblink at a consideration of RMB1 million. Subsequent to the transfer by GWR of its entire interest in Weblink to our Company on December 20, 2006, Jiatong became a wholly-owned subsidiary of our Company.

Shanghai Lake Malaren Tourism Development

Shanghai Lake Malaren Tourism Development is principally engaged in providing travelling information and wedding etiquette services for the Luodian Project. Shanghai Lake Malaren Tourism Development was established in the PRC as a limited liability company on December 29, 2009 with a registered capital of RMB3 million. Upon establishment, Shanghai Lake Malaren Tourism Development is owned by SGLD and 上海羅店旅遊服務發展有限公司 (Shanghai Luodian Tourism Services Development Co., Ltd.) as to 90% and 10%, respectively. So far as our Company is aware, Shanghai Luodian Tourism Services Development Co., Ltd. is a company established in the PRC owned as to 60% by 上海金羅店生態農業有限公司 (Shanghai Golden Luodian Ecological Agriculture Company Limited), 20% by 上海羅店經濟

HISTORY AND DEVELOPMENT

發展公司 (Shanghai Luodian Economic Development Company) and 20% by 寶山區旅遊諮詢服務中心 (Baoshan District Tourism Consultation Services Center) and its scope of business includes the provision of travel information, membership and ticketing services. Shanghai Luodian Tourism Services Development Co., Ltd., Shanghai Golden Luodian Ecological Agriculture Company Limited, Shanghai Luodian Economic Development Company and Baoshan District Tourism Consultation Services Center are all independent third parties.

SLMGC

SLMGC is principally engaged in golf club management in the Luodian Project. SLMGC was established in the PRC as a limited liability company on July 6, 2004 with a registered capital of RMB500,000. Upon establishment, SLMGC is owned by SGLD and Shanghai Luonan as to 95% and 5%, respectively. In October 2004, the registered capital was increased by pro-rata contributions by its shareholders to RMB5 million and the term of the joint venture was extended to 13 years. So far as our Company is aware, Shanghai Luonan is a company established in the PRC owned as to 98% by 上海市寶山區羅南工業公司 (Shanghai Baoshan District Luonan Industrial Company) and 2% by 上海市寶山區羅南活動房屋營造公司 (Shanghai Baoshan District Luonan Mobile Houses Construction Company) and its scope of business includes real estate development and property management.

Shanghai Lake Malaren Hotel Management

Shanghai Lake Malaren Hotel Management is principally engaged in hotel management in the Luodian Project. Shanghai Lake Malaren Hotel Management was established in the PRC as a limited liability company on April 25, 2006 with a registered capital of RMB5 million. It has been wholly-owned by SGLD since its establishment.

Shanghai Junyihui Entertainment

Shanghai Junyihui Entertainment is principally engaged in managing the entertainment facilities of the Luodian Project. Shanghai Junyihui Entertainment was established in the PRC as a limited liability company on July 28, 2005 with a registered capital of US\$200,000 which was owned as to 49% by SGLD and 51% by Seawell Holdings (HK) Limited.

In August 2006, Seawell Holdings (HK) Limited transferred 51% of the equity interest in Shanghai Junyihui Entertainment to SGLD at a consideration of US\$102,000, which was determined based on the actual capital already contributed by Seawell Holdings (HK) Limited in Shanghai Junyihui Entertainment, as the company had not yet commenced business at the time of the transfer. So far as our Company is aware, Seawell Holdings (HK) Limited was a company established in Hong Kong which was dissolved in October 2007. Subsequent to the transfer, Shanghai Junyihui Entertainment is wholly-owned by SGLD with a registered capital of RMB1.68 million. This subsidiary does not have material business operations.

HISTORY AND DEVELOPMENT

Shanghai Golden Luodian Infrastructure Development

Shanghai Golden Luodian Infrastructure Development is principally engaged in the construction of transportation hub and real estate development in the Luodian Project. Shanghai Golden Luodian Infrastructure Development was established in the PRC as a limited liability company on March 16, 2009 with a registered capital of RMB50 million.

As at the date of incorporation, Shanghai Golden Luodian Infrastructure Development is owned by SGLD and Shanghai Luonan Economic Development as to 95% and 5% respectively. So far as our Company is aware, Shanghai Luonan Economic Development is a company established in the PRC wholly-owned by 上海羅南農工商總公司 (Shanghai Luonan Nong Gong Shang Company) and its scope of business includes the provision of services in relation to investment, development and construction in the Luodian industrial district, consultancy services in connection with enlisting investments, raising funds for the development of new products and business management services.

On November 26, 2009, Shanghai Luonan Economic Development transferred its 5% of equity interest in Shanghai Golden Luodian Infrastructure Development to Shanghai Lake Malaren Property Management at a consideration of RMB500,000, which was determined based on the actual capital already contributed by Shanghai Luonan Economic Development in Shanghai Golden Luodian Infrastructure Development, as the company had not yet commenced business at the time of the transfer. Subsequent to the transfer, Shanghai Golden Luodian Infrastructure Development is owned by SGLD and Shanghai Lake Malaren Property Management as to 95% and 5%, respectively.

On June 18, 2010, SGLD and SLMGC completed all the legal formalities relating to the disposal of their respective interest in Shanghai Lake Malaren Property Management to Shanghai Good Property Management, a subsidiary of SRE. As a result of the disposal, our Group's attributable interest in Shanghai Golden Luodian Infrastructure Development was reduced from 72.54% to 69%.

Shanghai Golden Luodian International Travel Services

Shanghai Golden Luodian International Travel Services is intended to principally engage in travel services and ticketing services. Shanghai Golden Luodian International Travel Services was established in the PRC as a limited liability company on June 18, 2010 with a registered capital of RMB1 million. It has been wholly-owned by Shanghai Lake Malaren Tourism Development since its establishment. As at the Latest Practicable Date, Shanghai Golden Luodian International Travel Services had not yet commenced business. We currently plan to develop the Luodian New Town into a tourist attraction, whereby revenue is expected to be generated from entry ticketing at certain tourist spots, fees for wedding shoots and the hosting of tour groups.

HISTORY AND DEVELOPMENT

SUBSIDIARIES OF THE WUXI PROJECT

Investment holding companies

Protex

Protex is an investment holding company of our Group for the establishment of subsidiaries of the Wuxi Project and the Shenyang Project. It was incorporated on October 18, 2006 in the BVI with an authorized share capital of 50,000 no par value shares.

On November 21, 2006, 1 share of Protex (representing 100% of the issued capital of Protex) was allotted and issued to our Company. As a result, Protex became a direct wholly-owned subsidiary of our Company.

CNTD (Wuxi)

CNTD (Wuxi) is an investment holding company of our Group. It was incorporated on October 18, 2006 in the BVI with an authorized share capital of 50,000 no par value shares.

On November 22, 2006, 1 share of CNTD (Wuxi) (representing 100% of the issued capital of CNTD (Wuxi)) was allotted and issued to Protex. As a result, CNTD (Wuxi) became a direct wholly-owned subsidiary of Protex.

Business operating subsidiaries

Wuxi JV

Wuxi JV is principally engaged in land infrastructure development in the Wuxi Project. Wuxi JV was established in the PRC as a limited liability company on March 6, 2007 with a registered capital of US\$24.9 million. Since establishment, Wuxi JV is owned by CNTD (Wuxi) and our Wuxi JV Partner as to 90% and 10%, respectively.

Wuxi Hongqing Real Estate Development

Wuxi Hongqing Real Estate Development is intended to principally engage in real estate development in the Wuxi Project. Wuxi Hongqing Real Estate Development was established in the PRC as a limited liability company on April 27, 2010 with a registered capital of RMB8 million. It has been wholly-owned by Wuxi JV since its establishment. As at the Latest Practicable Date, Wuxi Hongqing Real Estate Development had not yet commenced business.

Wuxi Hongshan New Town Commercial Operation and Management

Wuxi Hongshan New Town Commercial Operation and Management is intended to principally engage in the planning and development of the Wuxi Project. Wuxi Hongshan New Town Commercial Operation and Management was established in the PRC as a limited liability

HISTORY AND DEVELOPMENT

company on March 18, 2008 with a registered capital of RMB1 million. It has been wholly-owned by Wuxi JV since its establishment. As at the Latest Practicable Date, Wuxi Hongshan New Town Commercial Operation and Management had not yet commenced business.

Wuxi Hongshan New Town Virescence Environmental Protection Construction

Wuxi Hongshan New Town Virescence Environmental Protection Construction is principally engaged in planting, maintenance and management of scenic spots for the Wuxi Project. Wuxi Hongshan New Town Virescence Environmental Protection Construction was established in the PRC as a limited liability company on August 17, 2007 with a registered capital of US\$49.8 million. Since establishment, Wuxi Hongshan New Town Virescence Environmental Protection Construction is owned by CNTD (Wuxi) and our Wuxi JV Partner as to 90% and 10%, respectively.

Shenyang Meteorite Park Tourism Development

Shenyang Meteorite Park Tourism Development is intended to principally engage in landscaping, plant maintenance and management of scenic spots for the Shenyang Project. Shenyang Meteorite Park Tourism Development was established in the PRC as a limited liability company on March 13, 2008 with a registered capital of US\$49.8 million, which was wholly-owned by CNTD (Shenyang).

On January 13, 2010, CNTD (Shenyang) transferred 100% of the equity interest in Shenyang Meteorite Park Tourism Development to Wuxi Hongshan New Town Virescence Environmental Protection Construction at a consideration of US\$49.8 million, which was determined based on the actual capital already contributed by CNTD (Shenyang) to Shenyang Meteorite Park Tourism Development, as such company had not yet commenced business at the time of the transfer. As a result, Shenyang Meteorite Park Tourism Development became a direct wholly-owned subsidiary of Wuxi Hongshan New Town Virescence Environmental Protection Construction with a registered capital of RMB340.05 million. As at the Latest Practicable Date, Shenyang Meteorite Park Tourism Development had not yet commenced business.

SUBSIDIARIES OF THE SHENYANG PROJECT

Investment holding company

CNTD (Shenyang)

CNTD (Shenyang) is an investment holding company for our Group. It was incorporated on October 18, 2006 in the BVI with an authorized share capital of 50,000 no par value shares.

On November 22, 2006, 1 share of CNTD (Shenyang) (representing 100% of the issued capital of CNTD (Shenyang)) was allotted and issued to Protex. As a result, CNTD (Shenyang) became a direct wholly-owned subsidiary of Protex.

HISTORY AND DEVELOPMENT

Business operating subsidiaries

Shenyang JV

Shenyang JV is principally engaged in land infrastructure development in the Shenyang Project. Shenyang JV was established in the PRC as a limited liability company on March 6, 2007 with a registered capital of US\$24.5 million. Since establishment, Shenyang JV is owned by CNTD (Shenyang) and our Shenyang JV Partner as to 90% and 10%, respectively.

In April 2007, July 2007 and February 2008, the registered capital was increased by pro-rata contributions by its shareholders to US\$49 million, US\$76.8 million and US\$98 million respectively.

Shenyang Lake Malaren Country Club

Shenyang Lake Malaren Country Club is intended to principally engage in sports management for the Shenyang Project. Shenyang Lake Malaren Country Club was established in the PRC as a limited liability company on March 6, 2008 with a registered capital of US\$2.5 million. It has been wholly-owned by CNTD (Shenyang) since its establishment. As at the Latest Practicable Date, Shenyang Lake Malaren Country Club had not yet commenced business.

OTHER SUBSIDIARIES NOT RELATED TO THE CURRENT MAIN BUSINESSES OF OUR GROUP

Investment holding companies

New Town (China) Trading

New Town (China) Trading is a newly acquired investment holding company for our Group. It was incorporated on July 31, 2007 in the BVI with an authorized share capital of 50,000 no par value shares.

On August 10, 2007, 1 share of New Town (China) Trading (representing 100% of the issued capital of New Town (China) Trading) was allotted and issued to Mr. Lee Wai Man, the Chief Financial Officer of SRE.

On June 8, 2010, Mr. Lee Wai Man transferred its 1 share in New Town (China) Trading to our Company at a nominal consideration of US\$1, since New Town (China) Trading had not yet commenced business at the time of the transfer. Subsequent to the transfer, New Town (China) Trading became a direct wholly-owned subsidiary of our Company. As at the Latest Practicable Date, New Town (China) Trading had not yet commenced business.

CNTD (Changchun)

CNTD (Changchun) is an investment holding company of our Group. It was incorporated on September 7, 2006 in the BVI with an authorized share capital of 50,000 no par value shares.

HISTORY AND DEVELOPMENT

On November 14, 2006, 1 share of CNTD (Changchun) (representing 100% of the issued capital of CNTD (Changchun)) was allotted and issued to Mr. Shi Jian.

On November 19, 2007, Mr. Shi Jian transferred its 1 share in CNTD (Changchun) to Protex at a nominal consideration of US\$1, since CNTD (Changchun) had not yet commenced business at the time of the transfer. Subsequent to the transfer, CNTD (Changchun) became a direct wholly-owned subsidiary of Protex.

Safewell Investment

Safewell Investment is an investment holding company of our Group. It was incorporated on February 14, 2007 in the BVI with an authorized share capital of 50,000 no par value shares.

On April 11, 2007, 1 share of Safewell Investment (representing 100% of the issued capital of Safewell Investment) was allotted and issued to Protex. As a result, Safewell Investment became a direct wholly-owned subsidiary of Protex.

Business operating subsidiaries

Changchun JV

Changchun JV is intended to principally engage in land infrastructure development in the Changchun Automobile New Town. Changchun JV was established in the PRC as a limited liability company on November 15, 2007 with a registered capital of US\$29.8 million. Upon establishment, Changchun JV is owned by CNTD (Changchun) and 長春凱達發展有限公司 (Changchun Kaida Development Co., Ltd.) as to 80% and 20%, respectively.

Due to changes in local government land development policies, on December 23, 2009, CNTD (Changchun) entered into the Termination Agreement with Changchun Auto Industry Development Zone Administrative Committee to cease the land infrastructure development of the Changchun Automobile New Town by the Changchun JV. Accordingly, Changchun JV did not carry out any business operations as at the Latest Practicable Date.

Shanghai CNTD Management Consulting

Shanghai CNTD Management Consulting is principally engaged in providing enterprise investment consultation services for project companies of our Group within the PRC. Shanghai CNTD Management Consulting was established in the PRC as a limited liability company on June 21, 2007 with a registered capital of US\$200,000. It has been wholly-owned by Safewell Investment since its establishment. This subsidiary does not have material business operations.

HISTORY AND DEVELOPMENT

OPINION FROM OUR PRC LEGAL ADVISOR

Our PRC legal advisor, Jingtian & Gongcheng, opined that since our ultimate controllers are Hong Kong residents, and the PRC foreign investment enterprises in our Group were legally established by us or our related foreign companies by way of approval by the administrative departments of commerce, or merged by our Company's related foreign companies before September 8, 2006, accordingly the Provisions Regarding Mergers and Acquisitions of Domestic Enterprises by Foreign Investors (《關於外國投資者併購境內企業的規定》) promulgated on August 8, 2006 is not applicable to us and the Listing does not require the approval of the China Securities Regulatory Commission.

Save as disclosed in the sections headed “Risk Factors – We did not obtain the approval for SGLD’s incorporation and expansion of its business scope to include golf course operation from MOFCOM as required under PRC law.” and “Risk Factors – We did not obtain the approval for SLMGC’s establishment from the Shanghai Foreign Investment Commission as required under relevant PRC regulations.” in this document, we have obtained all approvals and permits for each stage of our reorganization. So far as SGLD’s incorporation is concerned, under PRC laws in effect at the time, MOFCOM’s approval was required, and in accordance with the designated procedures, we submitted our project proposal to the local branch of MOFCOM in Shanghai, which approved our investment in SGLD and SGLD’s incorporation. The local branch of MOFCOM in Shanghai, however, did not provide us with the relevant documentation for transferring our project proposal to the head office of MOFCOM, as a result of which we were not entitled to, nor did we obtain the requisite approval from the head office of MOFCOM. We had consulted with the local branch of MOFCOM in Shanghai, whereby it was noted to us that, among other things, given the fact that they approved SGLD’s incorporation at the time and subsequently approved reorganizations of SGLD, and that approval of the head office of MOFCOM is not required under current PRC laws, it is unlikely that MOFCOM authorities would request the subsequent obtaining of approval for incorporation. Our PRC legal advisor, Jingtian & Gongcheng, is of the view that the abovementioned approval is no longer required under current PRC laws and it is unlikely that SGLD’s business license will be revoked, and therefore the lack of such approval from the head office of MOFCOM does not adversely affect SGLD’s legal existence and ability to operate as an independent legal person under PRC law. Moreover, neither our PRC legal advisor, Jingtian & Gongcheng, nor us are aware of any similar precedent cases whereby regulatory actions for non-compliance with PRC laws relating to incorporation of foreign direct investment companies were taken against other companies by the relevant PRC governmental authorities, including MOFCOM. Based on the above, we are of the view that the absence of such approval will not materially affect our operations.

HISTORY AND DEVELOPMENT

So far as the expansion of SGLD's business scope to include golf course operation is concerned, under PRC laws in effect at the time, MOFCOM's approval was required, and we have similarly submitted the application to the local branch of MOFCOM in Shanghai in accordance with designated procedures, and our application was again approved without relevant documentation being provided for transferring our application to the head office of MOFCOM, as a result of which we were not entitled to, nor did we obtain the requisite approval from the head office of MOFCOM. Neither our PRC legal advisor, Jingtian & Gongcheng, nor us are aware of any similar precedent cases whereby regulatory actions in relation to PRC laws relating to the expansion of business scope of foreign direct investment companies were taken against other companies by the relevant PRC governmental authorities, including MOFCOM.

So far as approval for SLMGC's establishment is concerned, in accordance with the designated procedures, we submitted our application for the establishment of SLMGC to the Shanghai Administration of Industry and Commerce, which registered our application and issued a business license to SLMGC but did not require us to obtain the requisite approval of the Shanghai Foreign Investment Commission, as a result of which we were not in a position to directly challenge such a decision by the Shanghai Administration of Industry and Commerce, which is the competent authority for company registration in Shanghai.

As the lack of the requisite approval for the expansion of SGLD's business scope and SLMGC's establishment relate solely to the ability of our Group to operate SLMGC's golf operations, and given that golf operations do not form part of the core of our operations, we are of the view that the absence of such approvals will not materially affect our operations as a new town developer.

As confirmed by our PRC legal advisor, Jingtian & Gongcheng, in each of the abovementioned cases, we followed the designated procedures of applying to the relevant local branches of the PRC governmental authorities, who should have provided the necessary referral to higher authorities or ask for approval documents from relevant authorities if such was deemed necessary by them. We subsequently received approvals from such local branches, and were not provided with the necessary referral to the relevant higher authority. Since based on relevant regulations, such local branches of the PRC government authorities were the designated authorities where we should file our applications, we were not in a position to apply directly to higher authorities for the relevant approvals. If the relevant authorities require us to obtain the abovementioned approvals, we will rectify the issues accordingly.

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OVERVIEW

Our Company is an established non state-owned new town developer in the PRC. Since the commencement of our Luodian Project in Shanghai in 2002, we have built a strong track record of planning, managing and operating new towns in the PRC.

We focus on planning and developing large-scale new town projects in the suburbs of some of PRC's largest cities, with each current project covering an area of at least six million sq.m. New town projects are typically initiated by local governments who set forth general parameters such as location and size and invite potential new town developers to conduct feasibility studies and produce a master plan for their review. Upon securing a mandate, we will develop the project through a majority-owned joint venture project company that we form with affiliates of the local government. Once the governmental authority and we have agreed on a basic deal structure, we then enter into a binding co-development agreement setting out our respective duties and responsibilities. As overall project manager, we are involved in every aspect of the development process, from drawing up detailed development plans, selecting sites, obtaining project financing, preparing and clearing the land, relocating and resettling incumbent residents and businesses at our cost, setting up the new town infrastructure and public facilities, to building commercial properties. In addition, we may also own, operate and manage certain commercial properties in the completed new town.

We do not normally acquire land use rights to the land underlying our new town projects, except for land on which we intend to develop commercial properties and a parcel of residential land in the Wuxi Project acquired by our Group for self-development purposes in 2008. While the local government generally retains title to the land, we have been receiving a portion of the proceeds from the sale of land use rights, the amount of which is authorized and approved by the relevant governmental authority. Such sale proceeds account for a major part of our revenue.

Each new town project primarily comprises residential and commercial land parcels cleared and ready for sale. The relevant land authorities typically sell residential land and commercial land through public auction, tender or listing to real estate property developers, which may include our project companies, which in turn own, operate and may manage commercial properties such as hotels, convention centers and retail facilities. In addition, we enter into agreements with the relevant local government to build, manage and operate public amenities, such as recreational parks.

RISKS IN RELATION TO SALE OF LAND USE RIGHTS

Substantially all of our revenue is derived from the proceeds from the sale of land use rights in the new towns we develop. We have been receiving a portion of the sale proceeds, the amount of which has been authorized and approved by the relevant governmental authority. However, the exact timing of the sale in any particular year is determined by local governmental authorities. We also provide the local governmental authorities with our opinion on the Base Price. The final prices at which land use rights are sold are ultimately determined

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by market forces through the bidding process. Although our joint venture partners are affiliates of the local governments of the areas in which the projects are located, the exact timing and the Base Price of the sale of land use rights are decided by higher echelons of governmental authorities than those owning and controlling our joint venture partners.

There can be no assurance about the exact timing of the sale of land use rights or the final price at which land use rights are sold. For example, during 2005, the relevant local governmental authority did not sell any residential land use rights in Shanghai, including the Baoshan district where the Luodian Project is located, in an effort to implement a PRC Government policy aimed at slowing growth in the real estate market. As a result, our revenue from land development decreased significantly in 2005. Although we do not anticipate there would be a suspension of land sale under the current government policies on land supply, failure or delays in selling land may have a seasonal and material adverse impact upon our business, financial condition and results of operations.

Proceeds from the sale of land use rights are allocated by PRC governmental authorities in accordance with relevant laws, regulations and policies. These authorities are in higher echelons of governmental authorities than those owning and controlling our joint venture partners. The Proceeds Percentage for the Luodian Project has been adjusted once, from approximately 84% for the period between 2003 and 2006 to approximately 64% during the Track Record Period and thereafter, due to the issue of a new government regulation. Although the absolute amount of proceeds from the sale of land use rights we actually receive may increase with rising local land prices, there can be no assurance that this can be continually maintained, and the decrease in the Proceeds Percentage due to a change in law, regulation or government policy could have a material adverse effect on our financial condition and results of operations.

Our business activities are extensively regulated by planning policies and other laws and regulations of the PRC Government. New town developments and the development and operation of commercial properties require approvals, licenses or permits from the relevant central and local governmental authorities, some of which may take longer to obtain than others. In addition, from time to time, the relevant governmental authorities may impose new regulations on these activities. Notwithstanding that the State Council is promoting urbanization to facilitate the long-term stable development of the PRC economy, the PRC Government may adopt further measures to slow down growth in the property sector, which in turn may affect the new town development industry. At any point in the planning or development of a new town project, we could face, among other things, regulatory changes, an inability to procure required government approvals or required changes in our project development practice that could delay, increase the cost of or prevent the completion of any such new town project.

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In addition, should any of our existing projects be terminated, there is no agreement on any compensation to be paid by the local government counterparties to us.

Please refer to the section headed “Risk Factors” of this document for further details on the risks involved in investing in our Shares.

We recorded a loss of RMB987.4 million in 2008 and a loss of RMB272.0 million in 2007 as compared to a profit of RMB243.5 million in 2009. For the six months ended June 30, 2010, we also recorded a loss of RMB117.6 million as compared to a profit of RMB20.5 million for the six months ended June 30, 2009. However, we consider that our semi-annual results may not properly reflect our results of operations as sale of land parcels usually take place only a few times a year and timing may not be evenly distributed throughout the year. For example, though we recorded a loss during the six months ended June 30, 2010, our results of operations will improve significantly in the second half of 2010 by the land sale in Luodian in August 2010. For an analysis of our results, please refer to the section headed “Financial Information – Our Results of Operations” of this document. In addition, our Group’s property leasing operations, hotel operations and golf operations incurred net losses for the majority of the Track Record Period. For an analysis of our operating segment results, please refer to note 5 of the section headed “Notes to Financial Information” of the Accountants’ Report set out in Appendix I to this document.

We expect to incur significant initial capital expenditures during the early stage of the construction period in our new town projects, including significant expenditures for clearing and levelling land and the building of the necessary infrastructure. As a result, we do not anticipate generating net operating cash inflow during the construction period. For example, in 2007, the project companies for the Wuxi Project and the Shenyang Project were set up and began their respective relocation processes, which led to negative operating cash flow of approximately RMB538.3 million of our Group for the year ended December 31, 2007. Moreover, we had net operating cash outflows of RMB21.0 million and RMB327.6 million for the six months ended June 30, 2009 and 2010, respectively. Please refer to the section headed “Risk Factors – We do not anticipate generating positive operating cash flow during the early stage of the construction period of our projects and will need further financing for future projects” of this document.

New town development is capital intensive. As of June 30, 2010, we had total capital commitments and commitments in respect of land development for sale of RMB10,404 million. These commitments are largely for the township development projects in Wuxi and Shenyang. They relate mainly to the costs to be incurred for the relocation of the present occupiers of the land, the construction of infrastructure and the construction of housing for residents that are going to be relocated. We intend to finance these commitments through internal cash flows, and if necessary, from borrowings from third parties. Please refer to the section headed “Financial Information – Contractual Obligations, Capital Commitments and Commitments in respect of Land Development for Sale” of this document for further details on our contractual obligations, capital commitments and commitments in respect of land development for sale as of the dates indicated.

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DISTINCTIVE BUSINESS MODEL

We operate on a distinctive business model. We do not normally hold the land use rights to the land underlying our new town projects, except for land on which we intend to develop commercial properties and a parcel of residential land in the Wuxi Project acquired by our Group for self-development purposes in 2008. However, we receive a significant portion of the land sale proceeds from the relevant PRC land authorities (such proceeds being authorized and approved by the relevant governmental authority) when these land use rights are sold by them to third party property developers through public auction, tender or listing.

In our Luodian Project, currently approximately 64% of the proceeds from the sale of land use rights are recognized as revenue by SGLD, the joint venture project company we formed with the local government affiliate. In our Wuxi Project and Shenyang Project, the Wuxi JV and the Shenyang JV have each recognized revenue equal to approximately 83% and 70%, respectively, of the proceeds from the sale of land use rights for the Track Record Period.

With our expertise and quality execution, we have demonstrated the ability to effectively turn land sites from bare land into valuable residential and commercial sites. In relation to a new town development project, our primary focus is site selection, master planning and design of the new town and construction of supporting infrastructure. We are responsible for all development costs, planning and relocation costs while the local government deals with the actual relocation process. With efficient cost control, we were able to achieve a high gross profit margin for the Track Record Period, being 44.1%, 34.6%, 60.0% and 19.0% for the years ended December 31, 2007, 2008 and 2009 and for the six months ended June 30, 2010, respectively.

As at the Latest Practicable Date, we had developed a substantial amount of high-quality saleable land. We believe that due to the scarcity of land and the value-added services that we provide through our new town projects, our saleable land has significant potential for value appreciation. Further, we believe that our business will benefit from the increased rate of urbanization in China and the demand for more new towns to meet the housing needs of a growing urban population.

In addition, as a new town developer, we are not directly involved in land sales, which are handled by the local PRC land authorities, and therefore, are not subject to land appreciation tax or policy clamp-downs from land hoarding.

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OUR PROJECTS

We are currently engaged in three new town development projects, two of which are located in the economic centers of the Yangtze River Delta while one is situated in the Pan Bohai Region. The Luodian Project is progressing towards substantial completion and generated substantial saleable land. The Wuxi Project and the Shenyang Project are still in the early stage of development and we expect they will continue to generate land parcels for sale until around 2020 and around 2038, respectively. The table below sets forth certain information about the three projects as of June 30, 2010:

Project	Classification	Planned Site	Planned GFA
		Area (sq.m.)	(sq.m.)
Luodian Project	Residential area	2,231,174	1,980,250
	Residential/commercial area	40,890	102,225
	Commercial area	3,123,442	384,368
	Public amenities	1,404,494	60,983
Wuxi Project	Residential area	3,606,669	5,162,365
	Commercial area	226,100	228,210
	Public amenities	4,847,231	167,390
Shenyang Project	Residential area	11,634,300	10,723,000
	Commercial area	1,214,600	470,000
	Public amenities	7,701,900	230,000
Total		36,030,800	19,508,791

The table below sets forth the total expected investment costs and actual expenditure incurred for each of our Company's current projects:

RMB in millions	Luodian Project	Wuxi Project	Shenyang Project	Total
Contracted, but not provided for	392.7	1,787.9	310.9	2,491.5
Authorized, but not contracted for	656.0	3,092.2	4,164.6	7,912.8
Actual expenditure as of June 30, 2010	5,689.6	1,650.5	978.0	8,318.1
Total expected cost	6,738.3	6,530.6	5,453.5	18,722.4

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The payment terms for the above commitments are expected to last until 2015 to 2020. The projected aggregate payment for all the three projects for 2010 is around RMB1.5 billion.

Prior to commencing a project, we conduct a feasibility study that includes a cash flow analysis. Once we move forward on a project, the subsidiary in charge of the project will prepare an annual cash flow forecast. Actual cash flows are compared with the forecast on a monthly basis to ensure that control is retained over cash flows. This, together with the regular monitoring of expenses and cash outflow by our management, constitutes the overarching system by which our cash inflows and outflows are planned, monitored and controlled. The sources of funding for our commitments have been, and we intend to finance our commitments through internal cash flows, and if necessary, from borrowings from third parties. In the past, we also obtained cash from issuance of shares and corporate bonds.

Our Group has significant commitments as it has three new town development projects, and such commitments are quantified based on contracts, feasibility studies and detailed plans for the respective projects.

As at December 31, 2009, among the commitments that were contracted but not provided for, RMB1,810 million were with no specified due date for payment compared to RMB2,384 million as at December 31, 2007 and RMB2,009 million as at December 31, 2008. The aforesaid amounts with no specified due date for payment relate to relocation payments for the Wuxi Project, for which no specific payment date was stipulated in the relevant relocation contract.

The following map shows the locations of our three new town projects:



COMPETITIVE STRENGTHS

We believe that the following principal competitive strengths allow us to compete effectively in the PRC new town development market:

Strong reputation and proven track record as a quality and pioneering new town developer in the PRC

Designing, planning and developing an entire new town in China is usually carried out by state-owned enterprises or business entities affiliated with the PRC Government. Our Company is one of the first non state-owned companies to plan and develop new towns in the PRC. We believe that our success in securing and developing new town projects reflects our valuable experience, expertise and know-how gained in the execution of past projects, such as the Luodian Project, which is progressing towards substantial completion.

We have established a strong reputation and proven track record as a quality new town developer of choice among local governments, suppliers and contractors. Our expertise and track record in new town development have instilled a high level of confidence among local governments. We have become an attractive joint venture partner to local governments who wish to develop new towns and carry out infrastructure planning, as demonstrated by the invitation from the local governments of Wuxi and Shenyang to develop new towns in their respective cities in 2007. We possess town planning and design capabilities that enable us to produce quality land, attract various property developers and new residents as well as form strategic partnerships with renowned suppliers and management companies. Our Luodian New Town with its European style architecture has attracted developers such as China Enterprise, Landsea, Sino-Ocean Land and Vanke to develop residential projects. The quality of our Luodian Project has enabled us to attract prestigious schools and hospital to set up their operations in our Luodian New Town. We collaborate with the Hotel Manager to manage our hotel to international standards. SGLD has entered into an agreement with IMG, a diversified sports, media and entertainment company, for hosting international golf tournaments. With our extensive experience in working with local governments and our social awareness, we are able to achieve a win-win solution with them through discussions. In addition, our past investments have begun to generate significant profits since 2009. We believe that these core capabilities give us a significant competitive advantage as we expand into the other parts of the PRC.

Close and successful cooperation with local governments

We collaborate closely with local governments and their affiliates throughout the development and operation of a new town project. We are currently engaged in three projects in Shanghai, Wuxi and Shenyang. We form a joint venture project company with an affiliate of the local government of each of the abovementioned cities.

When entering into joint ventures with local governments, we typically obtain exclusive development and management rights over the areas where the new towns are to be built. We believe such exclusive rights enhance our business in a variety of ways, such as by allowing us to prioritize project development in a cost-efficient manner and by reducing competitive pressures.

BUSINESS

Our extensive experience in working with local governments gives us an edge over our competitors in the private sector as it enables us to understand the particular requirements of the local governments and as a result, further enhances our planning and execution capability. We believe that we are also attractive to the local governments as their joint venture partner because we are likely to be able to enhance the long-term potential of these new towns.

Substantial saleable land with high potential for value appreciation

Our current projects are expected to generate saleable residential land of approximately 15.56 million sq.m. of GFA (excluding land already sold) in attractive locations with potential for value appreciation. Our project sites in Shanghai, Wuxi and Shenyang are in desirable locations conveniently situated near public transportation hubs and major highways. In addition, our Wuxi and Shenyang project sites are near major tourist attractions, such as the Taibo Tomb District and the Meteorite Park. Our Luodian and Wuxi new towns are near major business and industrial centers, such as the Wuxi technology and industrial parks. We believe that the desirable location of our projects, high-quality town planning, the improved infrastructure and the maturing communities in our new towns will contribute to land price increases. Given the size of our current saleable land, we believe we are well positioned to achieve significant growth at a sustainable pace.

As at the Latest Practicable Date, the development status of saleable residential land for the Luodian Project, the Wuxi Project and the Shenyang Project was as follows:

	Total residential site area (sq.m.)	Residential site area available for future sale (sq.m.)	Percentage of total residential site area available for future sale (%)
Luodian Project	2,231,174	772,192	34.6
Wuxi Project	3,606,669	3,234,083	89.7
Shenyang Project	11,634,300	11,194,429	96.2

Proactive marketing and promotion activities

Our proactive marketing and promotion activities highlight ourselves as an established new town developer in the PRC. In addition to traditional mass media marketing, we also promote ourselves through hosting special events, arranging visits for local governments of other cities and organizing marketing events for specific land plots prior to their sale, all of which maximize our exposure and enhance our brand image. In particular, in 2010, we have

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co-hosted with the NDRC the China New Town Investment International Forum (中國城鎮投資國際高峰論壇) at the Convention Center within the Luodian Project. Through hosting the forum, we are able to showcase the success of Luodian New Town to mayors and senior government officials from various cities in the PRC.

Experienced management team

Our management team has a broad network of contacts and extensive experience in the PRC real estate development industry. Our executive chairman, Mr. Shi Jian, and our vice chairman and chief executive officer, Mr. Li Yao Min, who are responsible for formulating our overall business strategies, have over 20 years and 16 years of experience in business management and property development respectively, including approximately eight years' experience in the new town development industry in the PRC. In addition, some of our senior management, such as our non-independent non-executive Director and co-vice chairman, Mr. Yue Wai Leung Stan, and our executive Director and chief financial officer, Ms. Song Yiqing, have worked with major international financial and accounting institutions before joining us. Their financial expertise and experience allow us to accurately monitor our financial performance and efficiently manage our financial position.

In addition, our team has over the years acquired the specific skill set related to new town development such as master planning, infrastructure establishment and the development of value-added facilities. These, together with our social awareness, have and will enable us to achieve the maximum potential of the land we develop.

BUSINESS STRATEGIES

Our goal is to become the leading and largest new town developer in the PRC. We aim to achieve this goal by adopting the following strategies:

Focus on improving our profitability

We intend to remain focused on the development of our existing new town projects. The total site area of the Wuxi Project and the Shenyang Project is in each case larger than the site area of the Luodian Project. We will continue to enhance our development of quality products and implement strict quality standards which we believe are the core to enhancing the value of the land we produce. With our considerable expertise and existing saleable land, we believe long-term sustainable growth will be achieved.

We will continue to improve our profitability through implementing efficient cost control policies, for example, by strictly controlling our development and construction costs in connection with resettling and relocating incumbent residents and businesses, preparing raw land and constructing roads and other public infrastructure. We will remain disciplined in our capital commitments and seek long-term financing opportunities.

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Emphasize on world class standards of new town planning and design

We intend to build our projects to world class standards by adhering to international best practices in design, development, management and operations. We intend to collaborate with reputable domestic and international professionals in our pursuit of product innovation and professional designs. In addition to managing our commercial properties on our own, we also intend to hire additional experts to help us manage them.

Our goal is to benchmark our products against world class development standards through enhanced international cooperation. We will continue to implement strict quality control to monitor our product quality and workmanship throughout the development process. We will continue to target middle to higher-end customer segments with our quality products and intend to replicate our success story of Luodian New Town in future new town developments.

Leverage our expertise and track record to grow our business

We intend to continue to pursue business opportunities through careful market research and feasibility studies based on selection criteria such as proximity to major cities and transportation infrastructure, vibrancy of the local economy, support from local government and attractive rate of return. Currently, we operate primarily in the Pan Bohai Region and the Yangtze River Delta, both of which are economic centers with high potential for growth. We co-host with the NDRC the annual China New Town Investment International Forum and invite government officials from various cities in the PRC to attend the conference at our conference center in Luodian New Town. We also visit various PRC cities to meet with local governments to promote our business model and experience. We are continually in discussions with local governmental authorities throughout the PRC in connection with proposals to undertake additional new town development projects.

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Overview of our New Town Development Process

As the rate of urbanization in the PRC increases, we anticipate that there will be an increasing demand for the services of new town developers. As one of the first non state-owned new town developers in the PRC, our Company believes that our experience in developing new towns will provide us with a competitive advantage in acquiring new town development rights as the demand for the services of new town developers increases. We believe that we are well-positioned to take advantage of the increasing rate of urbanization in the PRC.

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Our new town development process typically consists of the following phases:

Phase (phases may overlap)	Key Activities	Duration (Months)
I	<ul style="list-style-type: none"> • Site selection and master planning and feasibility report 	4
	▼	
II	<ul style="list-style-type: none"> • Co-development agreement 	1
	▼	
III	<ul style="list-style-type: none"> • Formation of joint venture company 	1-2
	▼	
IV	<ul style="list-style-type: none"> • Project design and plan approval 	3-6
	▼	
V	<ul style="list-style-type: none"> • Financing 	As and when appropriate (usually continuous)
	▼	
VI	<ul style="list-style-type: none"> • Relocation and resettlement 	18-36 (in phases)
	▼	
VII	<ul style="list-style-type: none"> • Preparation of land and construction of new town, including <ul style="list-style-type: none"> • Site clearance • Infrastructure establishment • Construction of facilities 	48-96
	▼	
VIII	<ul style="list-style-type: none"> • Sale of land use rights (conducted by the government by way of public auction, tender or listing) • Operation of commercial properties 	As soon as the land parcels are ready for sale until sold out
		As soon as construction is completed until the end of the joint venture term or the expiry of the land use rights, whichever is earlier (unless the ownership in the joint venture or land use right is transferred)

* Site clearance, infrastructure establishment and construction of facilities are concurrent events in relation to the preparation of land.

Site Selection and Master Planning

We place a strong emphasis on selecting the best locations for our projects and believe that site selection is one of the key factors in determining the success of a new town. Our site selection process is led by our executive chairman, Mr. Shi Jian, and other members of our senior management team, supported by external consultants and our own employees who have extensive knowledge of the PRC's real estate and new town development industries.

The site selection process typically begins when we are invited by the relevant local government to review a potential project site. So far as we are aware, no invitations were made by the relevant local governments to other new town developers in relation to the Luodian, Wuxi and Shenyang Projects, and such projects were not procured through a competitive bidding process. To the best of our knowledge, each relevant local government has its own set of standards and/or criteria for the selection of new town developers, such as the ability to work closely with the local government and being a socially responsible company, but details of such criteria have not been disclosed to us.

Upon deciding to undertake the site selection process, Mr. Shi or other members of our senior management will visit the potential site and assess its "new town potential." We also conduct preliminary market research and analysis at this stage. The factors we consider in assessing whether a site is suitable for new town development include, but are not limited to:

- proximity to major cities and the supporting transportation infrastructure;
- the local government's development objectives;
- the site's economic environment;
- the physical and geological characteristics of the site;
- our ability to secure all the rights needed for the new town development;
- any unique features of the site, such as any historical landmarks which can be preserved and incorporated into the development;
- risks involved, including the extent to which incumbent residents and businesses will need to be relocated; and
- the projected costs and revenue for planning and developing the new town.

Taking into account these factors, we outline a general master plan and engage in a feasibility review. At this stage, the master plan merely delineates the general contours of the potential new town, such as the new town's general concept and theme, the possible division of land between residential and commercial purposes, and the likely plot ratio. The master plan will be amended over time as a result of further discussions between the local government and us.

We also conduct a financial analysis during this phase to assess the options available for obtaining finance for developing the project as well as the expected returns from the project. Our strategy is to develop projects that will generate an attractive return on investment.

Co-development agreement

After locating a suitable site that meets our criteria and conducting a feasibility review, we will submit a proposal to the relevant governmental authority, typically to higher echelons of government authorities where the project site is located. The proposal outlines our vision of the sort of new town that can be developed and the benefits it can be expected to bring to the local community. This is an interactive process in which we take into account the needs and aims of the local government.

Once our proposal is approved, we and the local governmental authority will negotiate on a basic project structure. This will include a preliminary agreement on the general terms of our compensation, as well as tax and other financial benefits we can expect to receive. We will also seek commitments from the local government partner on the assistance it can provide in connection with infrastructure development and relocation of incumbent residents and businesses.

In addition, there are general terms which set forth the manner of determination of the average number of land parcels for sale each year by the local government. We will determine which land parcel in the developing new town is ready for sale, while the local government retains control over the timing and the Base Price of the sale of land use rights.

Once the governmental authority and we have agreed on a basic deal structure, we then enter into a binding co-development agreement setting out our respective duties and responsibilities.

Sharing of Proceeds received from the Sale of Saleable Land

Generally, in respect of the determination of the Proceeds Percentage, we communicate with the relevant local PRC governmental authorities.

As the method for determining the Proceeds Percentage for the Luodian Project has been laid out in the “Method of Management of Land Sale Proceeds” 《本市土地出讓金管理辦法》 promulgated jointly by Shanghai Municipal Development and Reform Commission, Shanghai Municipal Finance Bureau and Shanghai Municipal Bureau of Housing and Land Resources in 2001, and the “Method of implementation of the Opinion regarding the Promotion of Town Development in Shanghai” 《關於上海市促進城鎮發展試點意見實施細則的操作辦法》 promulgated jointly by Shanghai Municipal Development and Reform Commission, Shanghai Construction and Administration Commission, Shanghai Municipal Finance Bureau and Shanghai Municipal Bureau of Housing and Land Resources in 2002, both of which precedes the co-development agreement of the Luodian Project, the co-development agreement of the Luodian Project did not specify the Proceeds Percentage. The co-development agreements of

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each of the Wuxi Project and the Shenyang Project specified the indicative Proceeds Percentage applicable to each of these projects. The indicative Proceeds Percentages specified in the co-development agreements of each of the Wuxi Project and the Shenyang Project were determined as a result of communication between us and the relevant government authorities prior to the establishment of the project companies.

The relevant local PRC government authority will determine the actual Proceeds Percentage in accordance with the applicable co-development agreement and the then applicable laws, regulations and policies. Proceeds Percentages are not re-determined at each land sales auction. Proceeds Percentages are only re-determined whenever new government regulations and policies require a change to the Proceeds Percentages. Factors to be taken into account in determining the Proceeds Percentages may include land development costs incurred by our Group, services rendered by our Group as overall project manager as well as prevailing government policies.

The Proceeds Percentage for the Luodian Project is approximately 64%, which changed once from approximately 84%. The Proceeds Percentage for the Wuxi Project changed from the indicative Proceeds Percentage of 90% stipulated in the co-development agreement to approximately 83%. The Proceeds Percentage of the Shenyang Project is approximately 70%, which is as stated in the relevant co-development agreement.

Under the co-development agreements relating to the Wuxi Project and the Shenyang Project, our joint venture partners have the responsibility to strive for relevant local policies and regulations to be adopted in favor of the development of the Wuxi New Town and the Shenyang New Town which include the indicative Proceeds Percentages specified in the respective co-development agreements.

Formation of Joint Venture Company

Once a co-development agreement has been signed, we and our local government partner (typically through a governmental affiliate) will form an equity joint venture company to implement the project. For details, please refer to the section headed “PRC Regulatory Overview” of this document. We generally subscribe for a majority stake in the joint venture and will have management control. The joint venture agreement typically outlines the objectives of the joint venture, the duties and responsibilities of each party to the joint venture and the term of the joint venture. The joint venture will serve as both the project manager for the proposed project and the property manager or operator for the commercial properties to be developed.

Project Design and Plan Approval

The project company will develop the conceptual plans into a detailed master project design plan by engaging outside contractors, in particular professional town planners who provide strategic advice and technical services, including but not limited to conducting detailed studies for optimizing human and traffic flows, designing public space and greenery, determining the height and density of buildings and the plot ratio based on the requirements of the local government and our Company, engineers and architects.

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Once a detailed master project design plan is made, the project company submits a formal feasibility study to the relevant local government committee and the detailed master plan to the planning committee of the district government for approval. The project company will also apply for various other required permits and licenses from the local authorities, such as building and zoning permits.

Financing

Upon approval of the detailed master plan and the formal feasibility study, our local government partner and we work together to arrange the necessary financing for the project company.

Relocation and Resettlement

A major aspect of each new town project is the relocation and resettlement of incumbent residents and businesses. Following approval of the detailed master plan, the licensed relocation company, which provides relocation services to the project company, is required to obtain a relocation permit for each plot of land to be cleared.

As regards relocation and resettlement, SGLD, Wuxi JV and Shenyang JV separately executed relocation and resettlement commission agreements with the Luodian township government, the Wuxi Hongshan township government and the Shenyang Dongling district government. The relevant local government delegated the responsibility to implement the actual relocation process to the relevant relocation office, a government operation division which carries out the instructions of the local government in relation to relocation matters.

According to the aforesaid agreements, the relevant local government or governmental land administration authority shall undertake the work in relation to the relocation, resettlement and compensation of the subject area strictly pursuant to the municipal and district policies on resettlement compensation for the requisition of collective-owned land, go through the necessary formalities (including public notice of the land requisition compensation and resettlement plan), provide resettlement housing for residents and resettlement land for businesses, resettle the residents and businesses within the stipulated period, take charge of the power and water shut-off and arrange for the handover of empty houses. SGLD, Wuxi JV and Shenyang JV shall separately pay the relevant local government or building bureau the requisition compensation, rural population resettlement fee, resident resettlement fee, advanced removal subsidy, township enterprise compensation, entity resettlement cost, rural labor endowment and labor absorption fee.

As advised by our PRC legal advisor, Jingtian & Gongcheng, the aforesaid agreements are valid and binding upon the parties. The relevant local government or building bureau is responsible for any breach of the abovementioned agreements, the omissions of any entity engaged in work in relation to relocation and resettlement thereunder, and any loss thereby incurred by SGLD, Wuxi JV and Shenyang JV, as the case may be.

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According to the aforesaid agreements, the relevant local government or building bureau shall perform its contractual obligations, prevent and settle any unexpected accidents during the course of resettlement, and solve all possible disputes. As at the Latest Practicable Date, we were not aware of any material conflicts or disputes between the relevant local government or building bureau and the local residents and businesses affected by relocation and resettlement under the aforesaid agreements.

The local government, through a relocation office, refers any urban housing demolition work to the relevant departments of the local people's government (county level or above), which supervises and administers urban housing demolition work within their respective administrative area, and negotiates the compensation terms with local residents and businesses. The relocation office in our Luodian Project is 上海市寶山區羅店鎮拆遷辦公室 (Relocation Office of Luodian of Baoshan District in Shanghai), affiliated to Luodian township government. The relocation office in our Wuxi Project is 無錫新區鴻山街道房屋拆遷管理辦公室 (Relocation Management Office of Hongshan Sub-district of Wuxi New District), affiliated to Hongshan Sub-district Office. The relocation office in our Shenyang Project is 瀋陽市東陵區城市房屋拆遷管理辦公室 (Relocation Management Office of Dongling District in Shenyang), affiliated to the Real Estate Management Bureau of Dongling District. While the project company pays the compensation and provides alternative accommodation for the incumbent residents and businesses, the local government regulates the compensation required in connection with the resettlement and relocation. The local government will publish relocation notices informing affected residents and businesses of the relocation timetable and outlining their compensation alternatives under general relocation guidelines.

For the incumbent residents, depending on local regulations, alternative accommodation may need to be provided in the form of new homes that the project company will purchase or build for their resettlement. The project company generally also offers extra incentives beyond the required compensation, such as providing free extra space in the resettlement homes for the elderly and disabled, selling extra space at a discount and other financial incentives to speed up the relocation effort. Our government-affiliated partner in the joint venture will assist in the relocation and resettlement efforts by offering relocation of businesses to nearby industrial and/or high technology zones and parks, along with various tax incentives and subsidies. These negotiations continue until all residents and businesses have accepted the project company's offers.

The relevant local government seeks to resolve amicably all relocation arrangements with the incumbent residents and businesses. If any of them refuses to relocate voluntarily, the relevant local government can pursue administrative remedies with the proper authorities which have the rights of mandatory relocation. According to the Rules on the Administration of Demolition of Urban Housing 《城市房屋拆遷管理條例》 promulgated by the State Council on June 13, 2001, where there is no agreement of compensation and resettlement reached between the party that demolishes a house and relocatees, upon application of the parties concerned, a decision shall be made by the local government demolition administrative department, and if any relocatee or tenant of a house fails to move within the time limits for removal provided in the decision, the people's government of the city or county where the

house is located shall order the relevant department to enforce the demolition, or the relevant housing demolition administrative department may file an application with the people's court for enforcing the demolition. Demolition of existing structures and construction on each parcel of land can commence once relocation is complete. To date, we have not experienced any material delays in the relocation process in the Luodian Project, the Wuxi Project or the Shenyang Project. The progress of relocation is generally measured by the number of residents or businesses having been relocated as a percentage of the total number of residents or businesses within the scope of the relevant relocation permit. As at the Latest Practicable Date, the progress of relocation for the Luodian Project, the Wuxi Project and the Shenyang Project was approximately 98%, 37% and 78%, respectively, based on records of the Luodian township government, the Wuxi New District Hongshan District Office and the Shenyang Dongling District Bureau of Commerce, Dongling Lixiang Fashitai Villagers' Committee and Shenyang Dongling District Real Estate Demolition and Relocation Administration. For the Wuxi Project, relocation has already been completed for land plots that we plan to sell in the coming 2 to 3 years. Moreover, as compared to the Shenyang Project, as Wuxi has a higher population density (as evidenced by expected relocation costs of RMB2,824.3 million as against RMB696.5 million for the Shenyang Project), in line with our prudent cash flow management policy, we control the relocation pace carefully to match relocation pace with the anticipated pace of land use rights sales.

Preparation of Land and Construction of the New Town

As project manager, the project company engages independent contractors to provide various services in connection with the construction of new towns, including clearing and levelling land, paving roads, installing infrastructure such as water, electricity, gas, roads and communication facilities, planting trees and other landscaping and erecting commercial properties. The construction of the new town occurs in three phases: site clearance; installation of the infrastructure; and construction of commercial and real estate properties.

The project company oversees the procurement of construction materials and services and typically invite competitive bids. Each bid is assessed based on the contractor's reputation for quality and price, the scope and adequacy of the proposed supplies or services and whether the proposal meets the standards and specifications required for each new town. Once the winning tender has been selected, the project company works closely with the chosen contractors in the execution of the development plans and closely monitor each phase of the construction to oversee the quality and timetable of completion of each new project and to control costs.

In addition, the project company's contracts with suppliers and construction companies typically contain warranties for quality and penalties for failure to complete the construction on a timely basis. As at the Latest Practicable Date, we had not had any material disputes with any of our major suppliers or contractors.

Sale of Land Use Rights and Operation of Commercial Properties

Once land parcels have been prepared, the project company cooperates with the local government to have the land use rights to the residential or commercial development parcels publicly auctioned, tendered or listed for sale by the relevant land authority. While the local government controls the timing of the sale of land use rights, the project company can assist in the sale by developing sales and marketing plans, identifying potential purchasers, providing tours and preparing marketing brochures.

The project company will also develop commercial properties, such as hotels, convention centers and retail shops in the new town. We own, lease or operate these commercial properties through a joint venture project company. In addition, we also entered into and intend to enter into agreements with the local government to develop and operate public amenities in the new town, such as parks.

By managing and, in some cases, operating these commercial properties and public amenities, we will be able to supplement and diversify our sources of revenue, thereby generating a steady and recurring cash flow and enhancing the value of the land parcels to be sold to third party property developers.

Mitigation of Risks in relation to Sale of Land Use Rights

As part of our business and as disclosed in the sections headed “Risk Factors – We do not decide on the exact timing of the sale of land use rights in new towns we develop, and the selling price of such land use rights is subject to market forces through the bidding process.” and “Risk Factors – Proceeds from the sale of land use rights are allocated by PRC governmental authorities in accordance with relevant laws, regulations and policies.”, we do not decide on the exact timing of the sale of land use rights, nor do we decide on the allocation of proceeds from the sale of land use rights. We have taken the measures below to mitigate the risks in relation thereto.

Timing of the sale of land use rights

If for any reason we are unable to sell the anticipated volume of land use rights in any given year, our business, financial condition and result of operations may be adversely impacted. However, alternative forms of financing may be available to bridge any liquidity gaps:

- *Cash in hand*

Cash reserves are usually generated and accumulated from the sale of land use rights produced by our Group’s development efforts and other fund raising activities. We retained cash reserves to the amount of RMB852.3 million as at June 30, 2010. We expect, in the absence of unforeseen circumstances, approximately RMB1,215.9 million of cash will be collected by the end of year 2010 pursuant to the recent sale of land use rights in Luodian from a land auction.

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- *Cash collection from sale of properties*

We also have revenue generation capability from our other lines of business, including the operation and sale of commercial properties. Based on our current estimates, cash collection from the sale of commercial office properties in the Luodian Project is expected to be RMB374 million, to be collected throughout a twelve-month period from August 2011 to August 2012. We are planning to develop low-density commercial office properties next to the golf course to be used as corporate headquarters. We have the land use rights to the relevant land plots, but are still in the process of getting the plans approved by the government. Based on our current estimates, cash collection from the sale of properties of the corporate headquarter project in the Luodian Project is expected to make a total net cash contribution of not less than RMB1.5 billion starting from year 2012.

- *Net operating cash inflow from commercial properties*

Operating cash inflow from golf operations is also available to supplement the liquidity needs of our Group. Average net cash flow generated from golf operations of our Group for the three years ended December 31, 2007, 2008 and 2009 and the six months ended June 30, 2010 was approximately RMB8.6 million per annum. Average net cash flow generated from the other commercial properties (including the hotel and convention center and the retail street) was immaterial during the three years ended December 31, 2007, 2008 and 2009 and the six months ended June 30, 2010. Nevertheless, with the continuous development of the new town projects and the resulting increase in population, net cash inflow from the other commercial properties is expected to increase.

- *Bank borrowings*

Bank borrowings, with their relatively short launch timeframe, lower cost of funding, immediate availability of funds and lower sensitivity to market fluctuations, also serve as a possible channel via which cash can be obtained to bridge any liquidity gaps. In order to maximize our funding options, we also have existing banking relationships with a number of PRC banks, including the Agricultural Bank of China, the Industrial and Commercial Bank of China and China Minsheng Banking Corp., Ltd.

As at June 30, 2010, our gearing ratio was 31.7%, which our management regards as healthy. We believe that we have the capacity to increase borrowings to support our operations if and when required. In order to minimize finance costs and to maximize leverage, we generally focus on obtaining collateralized bank borrowings. As at August 31, 2010, we owned uncollateralized assets valued at an aggregate of RMB725.5 million, which included investment properties at the retail street in the Wuxi Project valued at RMB180.5 million, the land use rights of the hotel and a parcel of residential land in the Wuxi Project valued at RMB345.0 million and the office hub in the Luodian Project valued at RMB200.0 million. Based on a loan-to-value ratio of 50% (which is reasonable based on our management's experience), a further facility amount of approximately

RMB362.8 million may be obtainable upon the collateralization of such investment properties. Recently, we have also been actively exploring the possibility of obtaining non-collateralized loans of RMB350 million from the China Construction Bank in the context of a project facility in support of the construction of an Ecological Park of Culture and Sports in the Wuxi Project. As at the Latest Practicable Date, our unutilized bank facilities amounted to RMB50 million. Our management expects that, as and when our Group's golf and hotel operations grow and begin generating increasing cash flows, the leveraging ability of our Group will correspondingly increase. Further, we will also continue to engage in proactive liability management to optimize the funding structure for our business needs. Moreover, we have historically been able to either meet our obligations under banking facilities as and when they fell due or negotiate maturity extensions to such loans, which demonstrates our Group's relationship with our bankers.

- *Equity and debt capital markets*

We have been listed on the SGX-ST since November 2007, with a proven ability to access the equity and debt capital markets. For example, in 2007, we raised RMB1,376.3 million for our initial public offering, and in the same year we placed RMB1,239.6 million worth of convertible bonds to four investors. As at the Latest Practicable Date, the funds raised through our initial public offering had been fully utilized. In the current context, these successful fund raising exercises demonstrate investor's confidence in the feasibility of our business model, and at the same time evidence our ability to effectively market our securities to willing investors. Further, upon our successful Listing, we will become dual-listed in Singapore and Hong Kong, two prominent Asian exchanges, which we believe would contribute to the likelihood of success of any future capital raising exercises.

Please refer to the sections headed "Financial Information – Cash Flow Management" and "Financial Information – Liquidity and Capital Resources" for further details.

Pricing of the sale of land use rights

As the land use rights of land parcels produced by our Group are sold to the open market through public auction, tender or listing, we believe competition among potential bidders will result in a transaction price which reflects the actual market value of the land use rights concerned.

As an illustration of the above, as disclosed in the section headed "Business – Residential Area" of this document, the average selling price to third party developers (buyers of land use rights) per site area in the Luodian Project has steadily increased from approximately RMB2,902.3 per sq.m. in 2007 to approximately RMB12,568.9 per sq.m. from January to August 2010, representing a very significant increase of approximately 333.1%, while over the same period, the weighted average starting bid rose from RMB2,902.3 per sq.m. in 2007 to

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RMB9,750.6 per sq.m. from January to August 2010, representing a rather more modest 236.0% increase. This divergence demonstrates that our Company has been able to achieve a sizeable premium above the starting bid.

Moreover, the cost of land development for the Luodian Project was approximately RMB1,128.7 per sq.m. in 2007 and RMB2,057.0 per sq.m. from January to August 2010, which shows that historically, we have been able to procure a starting bid price which provides a substantial buffer above the cost of land development.

We have also sought written confirmations from the local governmental authorities which confirm the practice whereby the relevant joint venture entity will provide its opinion on the Base Price based on, inter alia, land development costs and a reasonable return for developing the land. Therefore, so long as there is an eligible bidder, we are likely to be able to cover our costs for developing the relevant piece of land and achieve a reasonable return.

Proceeds Percentage

Allocation of the proceeds from the sale of land use rights is regulated by PRC governmental authorities in accordance with relevant laws, regulations and policies. As the method for determining the Proceeds Percentage has been laid out in the “Method of Management of Land Sale Proceeds” (《本市土地出讓金管理辦法》) promulgated jointly by Shanghai Municipal Development & Reform Commission, Shanghai Municipal Finance Bureau and Shanghai Municipal Bureau of Housing and Land Resources in 2001, and the “Method of implementation of the Opinion regarding the Promotion of Town Development in Shanghai” (《關於上海市促進城鎮發展試點意見實施細則的操作辦法》) promulgated jointly by Shanghai Municipal Development & Reform Commission, Shanghai Construction and Administration Commission, Shanghai Municipal Finance Bureau and Shanghai Municipal Bureau of Housing and Land Resources in 2002, both of which preceded the co-development agreement of the Luodian Project, the co-development agreement of the Luodian Project did not specify the Proceeds Percentage. The co-development agreements of each of the Wuxi Project and the Shenyang Project specified the indicative Proceeds Percentage applicable to each of these projects. The indicative Proceeds Percentages specified in the co-development agreements of each of the Wuxi Project and the Shenyang Project were determined as a result of communication between us and the relevant government authorities prior to the establishment of the project companies. As part of our efforts to ensure a steady revenue stream, the co-development agreements for the Wuxi Project and the Shenyang Project have been witnessed by the relevant local government, which shows that the relevant local government was aware of the execution of the co-development agreements, and one of the provisions of such co-development agreements is that the relevant local government will promote the development and economic interests of the Wuxi JV and the Shenyang JV, and included therein are indicative Proceeds Percentages.

Our PRC legal advisor, Jingtian & Gongcheng, is of the view that one possible recourse that we may have against any significant deviation from the indicative Proceeds Percentage would be to submit any such case of significant deviation to arbitration against the joint

venture partners in accordance with the relevant agreement. Moreover, our PRC legal advisor, Jingtian & Gongcheng, is of the view that we may have creditor's rights against the local governments, such that if for any reason a certain piece of saleable land cannot be sold, we may have the right to claim against the local government the costs we have incurred in the clearing and levelling of the saleable land as well as for the construction of ancillary public facilities. However, we cannot assure you that our claim will be successful. Please refer to the section headed "Risk Factors – Notwithstanding that we may have creditor's rights against local governments for our costs incurred for the clearing and levelling of saleable land as well as the construction of ancillary public facilities, should for any reason a certain piece of land developed by us cannot be sold, we cannot assure you that our claim will be successful." of this document for further details.

Moreover, we have also sought written confirmations from the local governmental authorities responsible for the channeling of land sale proceeds funds to the relevant joint venture entities that the relevant local government authorities will determine the Proceeds Percentage in accordance with the applicable co-development agreement and the then applicable laws, regulations and policies, and pay over such funds to the relevant joint venture entity. Depending on the applicable co-development agreement, factors to be considered in determining the Proceeds Percentage may include land development costs incurred by our Group, services rendered by our Group as overall project manager as well as prevailing government policies.

Compensation on Termination of Projects

There is no agreement on any compensation to be paid by the local government counterparties to us should any of our existing projects, being the Luodian Project, the Wuxi Project and the Shenyang Project, be terminated.

The Termination Agreement with provisions for compensation was entered into in relation to the termination of land infrastructure development of the Changchun Automobile New Town by Changchun JV, but there is no assurance that any similar termination agreement with provisions for compensation would be entered into should any of our existing projects be terminated.

LUODIAN PROJECT

Overview

In June 2001, the Shanghai City Government launched the "One City, Nine Towns" development plan in response to increasing congestion in downtown Shanghai. The "One City, Nine Towns" plan was established to encourage each of the district governments in the nine districts outside of downtown Shanghai to develop one experimental new town in order to encourage residents to move out of, and to divert the flow of tourists from, the congested downtown area of Shanghai.

In August 2002, SRE entered into a co-development agreement with an affiliate of the local government of the Baoshan district in Shanghai to develop the Luodian Project as one of the "Nine Towns". The term of the operation shall be 15 years from the date of the

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co-development agreement. Among the nine experimental new towns being developed under the “One City, Nine Towns” plan, the Luodian Project is the nearest to downtown Shanghai. The joint venture company to be formed shall have the exclusive right to develop the Luodian Project.

Sales of land use rights over land developed in the Luodian Project commenced in 2003 and are expected to continue till about 2015. From 2003 up till the Latest Practicable Date, land use rights over residential land parcels totaling 1,458,982 sq.m. developed by SGLD were sold by the LRC through public auctions, representing approximately 65.4% of the total saleable residential and residential/commercial land of the Luodian Project. In 2009, land use rights over land parcels totaling 199,088.1 sq.m. developed by SGLD were sold in the same manner. In particular, one plot of land achieved an unprecedented price of RMB9.12 million per mu.

In March 2009, the Luodian New Town was named as the “Experimental Town of the United Nations Development Program” and became one of the ten experimental sites for town reformation of Shanghai in September 2009. Over the years, the Luodian Project also received international and domestic recognition for its innovative new town design. The Luodian New Town was granted the status of the “United Nations Development Program pilot town” by the United Nations Development Program (UNDP) and the “National Development and Reform Pilot Small Town” by the NDRC. It became a member of the “European New Towns Platform”, the site for the “training center for the MBA Program organized jointly by the NDRC and the Paris HEC School of Business”, and the permanent base for Lake Meilan Cross-Strait Entrepreneurs Forum. In 2009, it was awarded the “most valued commercial real estate projects of the Yangtze River Delta”.

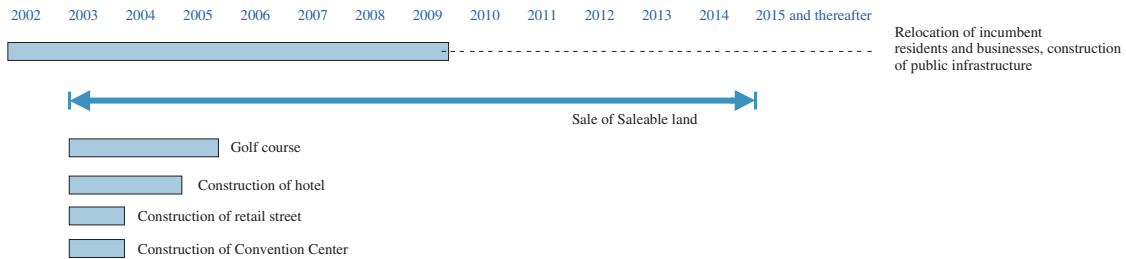
The following are the milestones of the Luodian Project:

2002	Entered into joint venture agreement with the local government Relocation and resettlement of residents commenced
2003	First sale of residential land by way of auction <i>(see note)</i>
2004	First golf course officially opened for business Construction of the retail street completed Construction of the Convention Center completed
2005	The Crowne Plaza Lake Malaren Shanghai hotel and the second golf course officially opened for business
2009	China Welfare Institute Lake Malaren Kindergarten officially opened Lake Malaren China New Town Development Forum was held in Luodian New Town
2010	Metro Line 7 was extended to Luodian New Town The China New Town Investment International Forum was held in Luodian New Town

Note: Please refer to the summary of the sale of residential land use rights in the Luodian Project under the section headed “Business – Luodian Project – Residential Area” in this document for further details.

BUSINESS

The Luodian Project was substantially completed in 2009, and based on the current pace of land use right sales for the Luodian Project and taking into account the total area of residential land over which land use rights are available for sale, we expect its Final Completion Date will be around December 2015. Set forth below is the progress timetable for the Luodian Project:



Location

Baoshan is one of Shanghai's 18 districts and is located just north of downtown Shanghai, as shown in the following map:



BUSINESS

Baoshan serves as one of Shanghai's industrial, transportation, energy, water supply and food production centers and is also one of China's major iron production and manufacturing bases. According to a census conducted by the local government, Baoshan had a total population of approximately 1.42 million in 2008. Baoshan's total GDP and GDP per capita in 2008 were RMB108.60 billion and RMB76,479, respectively. As indicated in the following map, the Luodian Project is located in the western part of Baoshan, approximately 28 kilometers from downtown Shanghai and currently connected to Shanghai downtown by the newly-constructed Metro Line No. 7:



The Luodian Project Master Plan

The site on which the Luodian Project was constructed consisted primarily of undeveloped land. As indicated in the table below, the Luodian Project covers a site area of approximately 6.80 million sq.m. and is expected to accommodate a population of 43,000.

Classification	Land Use	Site Area (sq.m.)	% of Total Site Area	Estimated	
				GFA (sq.m.)	% of Total GFA
Residential area		2,231,174	32.82%	1,980,250	78.34%
	Residential area sold	1,458,982	21.46%	1,457,735	57.67%
	Residential area available for future sale	772,192	11.36%	522,515	20.67%

BUSINESS

Classification	Land Use	Site Area (sq.m.)	% of Total Site Area	GFA (sq.m.)	Estimated % of Total GFA	
Residential/ Commercial available for sale		40,890	0.60%	102,225	4.04%	
	Residential/Commercial area sold	0	0.00%	0	0.00%	
	Residential/Commercial area available for sale	40,890	0.60%	102,225	4.04%	
Commercial		3,123,442	45.93%	384,368	15.21%	
	Golf courses (2 18-hole courses in operations)	2,587,409	38.05%	N/A	N/A	
	Commercial land available for further property development (including hotel with golf clubhouse and driving range)	336,491	4.95%	134,596	5.32%	
	Retail street in operations	90,329	1.33%	72,494	2.87%	
	Convention Center in operations	26,116	0.38%	33,537	1.33%	
	Transport hub under construction (including shopping mall under construction and office tower under planning)	17,969	0.26%	62,892	2.49%	
	Commercial property for self use as office	12,143	0.18%	5,303	0.21%	
	Commercial land available for sale	52,985	0.78%	75,546	2.99%	
	Public amenities		1,404,494	20.65%	60,983	2.41%
		General landscaping (including public utilities)	731,080	10.75%	N/A	N/A
Lake Meilan		200,000	2.94%	N/A	N/A	
Parks, museums, gym, tennis center and other facilities		473,414	6.96%	60,983	2.41%	
Total		<u>6,800,000</u>	<u>100.00%</u>	<u>2,527,826</u>	<u>100.00%</u>	

BUSINESS

Sales of land use rights of the residential portion of the Luodian Project commenced in 2003 and are expected to continue until the end of 2015. As at the Latest Practicable Date, approximately 1,458,982 sq.m. of saleable residential land had been sold, equivalent to approximately 65.4% of the total residential site area of the Luodian Project. The Luodian Project as a whole was approximately 90% complete in terms of land infrastructure and public facilities construction as at December 31, 2009, and construction of the ancillary public facilities of the Luodian Project was substantially completed by the end of 2009.

The current layout map of the Luodian Project is as follows:



Major terms of the joint venture and sharing of proceeds

Under the terms of the joint venture agreement, our joint venture partner, the Luodian JV Partner, an entity affiliated with the government of the Baoshan district, is required to make capital contributions to SGLD in accordance with its shareholdings, complete necessary procedures for land requisition, development, construction and planning, assist in obtaining financing as well as strive to ensure SGLD benefits from preferential policies and tax incentives available. We for our part shall make capital contributions to SGLD in accordance with our shareholdings and formulate plans to adopt investment and financing arrangements for the Luodian Project. The Luodian Project is funded by proceeds received from sale of saleable land, intra-group financing and bank loans.

If the occurrence of a force majeure event results in either party failing to fulfill the terms of the joint venture agreement, or if SGLD suffers losses for successive years, SGLD can be terminated upon unanimous approval of the board and the relevant government authority which first grants approval to the Luodian Project.

The Proceeds Percentage for the Luodian Project is approximately 64%, which changed once from the initial Proceeds Percentage of approximately 84%. The initial Proceeds Percentage of 84% was not stipulated in the co-development agreement relating to the Luodian Project, but was determined by reference to the “Method of Management of Land Sale Proceeds” 《本市土地出讓金管理辦法》 promulgated jointly by Shanghai Municipal Development and Reform Commission, Shanghai Municipal Finance Bureau and Shanghai Municipal Bureau of Housing and Land Resources in 2001, and the “Method of implementation of the Opinion regarding the Promotion of Town Development in Shanghai” 《關於上海市促進城鎮發展試點意見實施細則的操作辦法》 promulgated jointly by Shanghai Municipal Development and Reform Commission, Shanghai Construction and Administration Commission, Shanghai Municipal Finance Bureau and Shanghai Municipal Bureau of Housing and Land Resources in 2002. For the reasons for the change in the Proceeds Percentage and more information on the determination of the Proceeds Percentage, please refer to the section headed “Business – Business Operations – Sharing of Proceeds received from the Sale of Saleable Land”. For information on the mitigation of risks in relation to the Proceeds Percentage, please refer to the section headed “Business – Business Operations – Mitigation of Risks in relation to Sale of Land Use Rights – Proceeds Percentage” of this document.

Residential Area

Approximately 2,231,174 sq.m. of site area, representing 32.82% of the total site area is designated as residential area. Portions of this residential area have been divided into separate plots for the sale of land use rights to third party property developers through public auction, tender or listing. As at the Latest Practicable Date, approximately 1,458,982 sq.m. of the site area had been sold cumulatively, representing approximately 65.40% of the total residential site area of the Luodian Project. Renowned property developers such as China Enterprise, Vanke, Sino-Ocean Land and Landsea had either commenced construction or sales of developed residential properties.

BUSINESS

The following chart provides a summary of the sale of residential land use rights to third party developers in the Luodian Project for the period from January 2007 to the Latest Practicable Date:

Third party developers (Buyers of land use rights)	Property type	Site area (sq.m.)	Average selling price per sq.m. of site area (RMB/sq.m.)	Plot ratio	GFA (sq.m.)	Average selling price to third party developers per GFA (RMB/sq.m.)	Land premium (RMB'000)	Land premium allocated to our Group (RMB'000)
2007								
November 2007								
Shanghai Anderson Fuxing Land Co., Ltd.* (上海安信復興置地有限公司) (see Note 1)	Apartments and houses	120,594.8	2,902.3	1	120,594.8	2,902.3	350,000.0	230,977.8
2008								
January 2008								
Shanghai Jingrui Properties (Group) Co., Ltd.* (上海景瑞地產(集團)股份有限公司)	Apartments	82,528.9	4,459.0	1.2	99,034.7	3,715.9	368,000.0	236,261.0
August 2008								
Nanjing Landsea Properties Co., Ltd.* (南京朗詩置業股份有限公司)	Apartments and houses	62,859.2	5,106.7	1.2	75,431.0	4,255.5	321,000.0	205,562.3
Shanghai Cinda Yintai Land Property Co., Ltd.* (上海信達銀泰置業有限公司)	Apartments	29,966.0	5,561.6	1.2	35,959.2	4,634.7	166,660.0	106,402.1
Subtotal/Weighted average for 2008		175,354.1	4,879.6		210,424.9	4,066.3	855,660.0	548,225.4
2009								
April 2009								
Shanghai Oasis Garden Real Estate Co., Ltd.* (上海綠洲花園置業有限公司) (see Note 1)	Apartments and houses	96,842.0	4,361.7	1.2	116,210.4	3,634.8	422,400.0	271,504.5
September 2009								
Shanghai Shunchi Real Estate Co., Ltd.* (上海順馳置業有限公司), a wholly-owned subsidiary of China Enterprise	Apartments	102,246.1	13,692.0	1.5	153,369.2	9,128.0	1,399,950.0	887,788.2
Subtotal/Weighted average for 2009		199,088.1	9,153.5		269,579.6	6,760.0	1,822,350.0	1,159,292.7

BUSINESS

Third party developers (Buyers of land use rights)	Property type	Site area (sq.m.)	Average selling price per sq.m. of site area (RMB/sq.m.)	Plot ratio	GFA (sq.m.)	Average selling price to third party developers per GFA (RMB/sq.m.)	Land premium (RMB'000)	Land premium allocated to our Group (RMB'000)
2010								
August 2010								
Beijing Yuangan Real Estate Co., Ltd.* (北京遠乾置業有限公司), a subsidiary of Sino-Ocean Land Holdings Limited	Villa	43,325.5	12,059.9	0.6	25,995.3	20,099.8	522,500.0	334,400 (Note 2)
Beijing Yuangan Real Estate Co., Ltd.* (北京遠乾置業有限公司), a subsidiary of Sino-Ocean Land Holdings Limited	Villa	107,824.9	12,773.5	0.6	64,694.9	21,289.2	1,377,300.0	881,472 (Note 2)
Subtotal/Weighted average for 2010		151,150.4	12,568.9		90,690.2	20,948.2	1,899,800.0	1,215,872

Note 1: These entities are members of the SRE Group

Note 2: These figures are expected sale proceeds allocated to our Group. We expect to receive such proceeds by the end of 2010.

On September 21, 2010, the Shanghai Municipal Bureau of Planning and Land Resources (上海市規劃和國土資源管理局) pre-listed a parcel of land of approximately 35,642 sq.m. in the Luodian Project (approximately 70% of which is for residential use, with the remaining for commercial use) for auction, with a Base Price of approximately RMB374.3 million.

Commercial Properties

Approximately 3,123,442 sq.m. (representing 45.93% of the total site area of the Luodian Project) is designated for commercial property development. The GFA of the area is approximately 384,368 sq.m. We have acquired the land use rights to portions of the Luodian Project designated for commercial development, inclusive of the land on which SGLD has constructed the Crowne Plaza Lake Malaren Shanghai hotel, a European-styled retail street, the Convention Center and the command center.

Hotel

The Crowne Plaza Lake Malaren Shanghai hotel, one of the few international hotels in the Baoshan district, is a nine-floor luxury hotel with a golf clubhouse and a driving range. The hotel and golf clubhouse have a combined GFA of approximately 49,709 sq.m. and are adjacent to two 18-hole golf courses. The hotel includes 274 well-equipped guest rooms and suites. The main facilities include restaurants, bars, gyms, spas, fitness center and an indoor swimming pool. The hotel also serves as a venue for wedding celebrations.

BUSINESS

In 2003, SGLD acquired the land use rights to the hotel site for a term of 40 years expiring on July 17, 2043. On June 20, 2007, SGLD and Shanghai Lake Malaren Hotel Management entered into an agreement with the Hotel Manager to operate and manage the Crowne Plaza Lake Malaren Shanghai hotel. According to the terms of the agreement, SGLD and Shanghai Lake Malaren Hotel Management shall authorize the Hotel Manager to manage the hotel, and the Hotel Manager is authorized to manage the daily operations of the hotel independently and exclusively in return for a management fee. The management fee consists of a fixed pre-commencement management fee of US\$200,000, and a variable fee payable on a monthly basis from the commencement of operation of the Crowne Plaza Lake Malaren Shanghai hotel consisting of a basic management fee calculated as a percentage of the adjusted monthly revenue, and an incentive management fee calculated as a percentage of the total monthly gross profit margin. For the three years ended December 31, 2007, 2008 and 2009 and the six months ended June 30, 2010, the aggregate management fee (exclusive of the fixed early stage preparation fee) was RMB4,595, RMB568,208, RMB557,138 and RMB509,049, respectively. The initial term of the agreement is 10 years starting from the date the hotel commenced operation, and the term will be extended automatically for another term of ten years unless terminated by either party.

Golf Courses

The golf courses were designed by Peter Thomson, a five-time winner of the British Open and three-time champion of the Australian Open. Construction of the two golf courses was completed in 2005. The golf courses, operated and managed by Shanghai Lake Malaren Golf Club Co. Ltd., comprise two 18-hole golf courses divided into the South Lake Course and the North Forest Course. They were one of the few in the PRC to be recognized by Audubon International Environment Protection Association, an established environmental education organization based in New York which has assisted, amongst others, hotels and golf course to promote “green” consciousness.

The South Lake Course commenced operation in August 2004 and the North Forest Course commenced operation in September 2005.

The golf courses will be further upgraded by Jack Nicklaus, a former PGA champion and currently, a leading golf course designer, to PGA tour standards. Renovations are expected to be completed by 2011.

In May 2010, SGLD entered into an agreement with IMG, a diversified sports, media and entertainment company for hosting international golf tournaments.

We do not own the golf courses but manage them through Shanghai Lake Malaren Golf Club Co. Ltd., a joint venture with Shanghai Luonan. We hold a 95% equity interest in Shanghai Lake Malaren Golf Club Co. Ltd., which is entitled to the fees from the sale of golf memberships.

BUSINESS

Retail Street

SGLD has also acquired land use rights to approximately 72,494 sq.m. of GFA designated for retail development. Construction of the retail street was completed in 2004. In 2005, SGLD entered into an agreement for the grant of land use rights with the relevant land authority so that the retail street built on the land can be operated for commercial purposes. SGLD's land use rights to the area where the retail street is located have a term of 50 years, expiring on October 25, 2055.

By June 2010, SGLD had leased out more than 80% of the retail street where factory outlets, boutiques and restaurants are located. The outlets on the retail street were opened to the public in January 2009. International brands are available in the retail shops. We are currently in negotiations with potential lessees for the remaining shops on the retail street.

Convention Center

The Convention Center, located on land to which SGLD owns the land use rights, has a GFA of over 33,000 sq.m. It was completed in 2004 and contains: auditoriums, multi-function halls, conference rooms, an exhibition hall, a theater, restaurants, high-tech meeting rooms in circular plenary style with individual monitors and working stations, hotel guest rooms, an underground parking garage, and various entertainment facilities and is regularly used by large corporations for hosting different kinds of business events. In 2010, SGLD co-hosted with the NDRC the first China New Town Investment International Forum for the promotion of new town development.

SGLD's land use rights to the area where the Convention Center is located have a term of 50 years, expiring on October 25, 2055.

Occupancy Rates

The occupancy rates of the Crowne Plaza Lake Malaren Shanghai hotel and the Convention Center, and the retail street during the three years ended December 31, 2007, 2008 and 2009 and the six months ended June 30, 2010 were as follows:

Occupancy Rates	2007	2008	2009	Six months ended June 30, 2010
	<i>(%)</i>	<i>(%)</i>	<i>(%)</i>	<i>(%)</i>
Crowne Plaza Lake Malaren Shanghai hotel and Convention Center	23.2	24.6	24.5	37.7
Retail street	14.7	15.3	60.5	80.2

BUSINESS

The improvement in the occupancy rate of the Crowne Plaza Lake Malaren Shanghai hotel and the Convention Center in 2010 is primarily attributable to the management efforts of the Hotel Manager and the launch of the Shanghai World Expo although the degree of improvement was limited by the business mix of the hotel. Due to its location, the hotel was generally frequented by tourist groups, leading to an uneven distribution of occupancy biased towards weekends, with weekdays being relatively quiet. In order to further improve the hotel's occupancy rate, we have stepped up our promotion campaign on the back of the Shanghai World Expo. Further, we have initiated discussions with travel agents to improve the weekday occupancy rate through the spreading out of tourist groups throughout the week. As a result of the above measures, the occupancy rate of the hotel reached an average of 40.2% for July and August 2010. The improvement in the occupancy rate of the retail street is primarily due to the increasing population residing in the Luodian New Town. We expect that as the transport infrastructure of the area improves with the expected completion of the second phase of Metro Line No.7 at the end of 2010 and the transport hub at the beginning of 2011, and the anticipated continued increase in the population residing in Luodian New Town, the occupancy rates of the hotel and the retail street would likely continue to improve.

Public Amenities

The Luodian Project also includes a number of public amenities, including an artificial lake (Lake Meilan) which is connected to the Panjing River to form natural navigable waterways. Yachts can enter Lake Meilan from the Yangtze River. The facilities will include parks, an art exhibition hall and a world class indoor tennis court. Elementary and high schools, kindergartens and a high quality hospital are being built on schedule. Notable projects such as the China Welfare Institute Lake Malaren Kindergarten has settled in Luodian New Town.

With support from the government of Baoshan district, there was significant progress on transportation infrastructure in Luodian New Town. Hutai Road, the main road to Luodian New Town, was widened in early 2010. Metro Line No. 7, passing through five districts of Shanghai, has been extended to Luodian New Town. Once opened, Metro Line No. 7 will reduce the time needed for commuting between Shanghai downtown and Luodian New Town to 40 minutes. SGLD also bought a plot of commercial land covering 17,969 sq.m. adjacent to the Metro Line No. 7 station for the construction of a transportation hub and a commercial block that will include a shopping mall and office tower.

WUXI PROJECT

Overview

Wuxi is located in eastern China, approximately 120 kilometers from Shanghai. It was ranked 11th in a 2006 study of China's most competitive cities and was ranked third by Forbes Magazine in 2008 amongst China's "Best Places to do Business".

Wuxi New District, located in the southeastern part of Wuxi, is approximately six kilometers from the city center and is an important economic development and international industrial center of the Yangtze River Delta. Hongshan District is located within the Wuxi New

BUSINESS

District and is the site on which our new town is being developed. It is approximately 20 kilometers from downtown Wuxi and is adjacent to Wuxi’s high technology and industrial parks. The Taibo Tomb District, a famous tourist attraction, is also located within our Wuxi New Town.

In February 2007, our Company entered into a co-development agreement with the Wuxi JV Partner to develop the Wuxi Project. The term of the operation shall be 50 years from the date of the co-development agreement. The joint venture company to be formed shall have the exclusive right to develop the Wuxi Project.

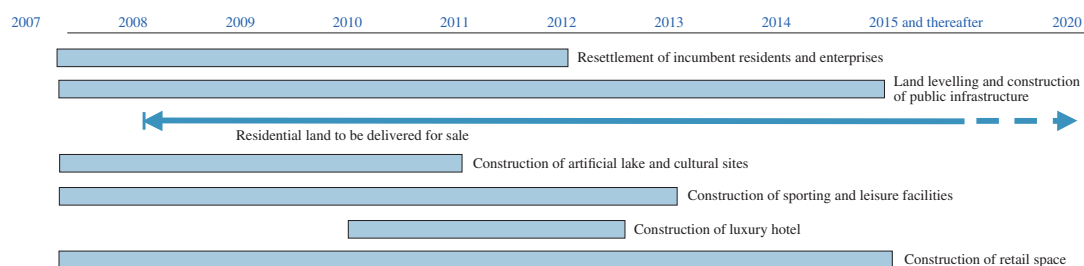
On March 6, 2007, the Wuxi JV was formally established to develop Wuxi New Town which is a key construction project of Wuxi. The following are the milestones of the Wuxi Project:

- | | |
|------|---|
| 2007 | Entered into the joint venture agreement with the local government
Relocation and resettlement of residents commenced
First sale of residential land by way of public auction <i>(see note)</i> |
| 2008 | First batch of resettlement housing completed
The annual Wu Culture Festival was first hosted in the Wu Culture Square

Construction of the first phase of the retail street completed |
| 2010 | Construction of two major roads connecting Wuxi New Town to the Wuxi – Zhanjiang Highway completed |

Note: Please refer to the summary of the sale of residential land use rights in the Wuxi Project under the section headed “Business – Wuxi Project – Residential Area” in this document for further details.

The Wuxi Project is expected to be substantially completed by 2015, and based on the current pace of land use right sales for the Wuxi Project and taking into account the total area of residential land over which land use rights are available for sale, we expect its Final Completion Date will be around December 2020. Set forth below is the anticipated progress timetable for the Wuxi Project:



BUSINESS

Location

Wuxi is located in Jiangsu Province, approximately 120 kilometers from Shanghai.

According to a census conducted by the local government, Wuxi had a total population of approximately six million in 2007. Wuxi's total GDP and GDP per capita in 2009 were RMB441.95 billion and RMB73,053, respectively.

The following map shows the location of Wuxi in the Yangtze River Delta area:



The Wuxi Project is being developed in the Wuxi New District, approximately 15 kilometers from Wuxi's city center, as indicated in the map below:



BUSINESS

Wuxi New District was established in 1992 and has become the center of Wuxi's high technology and industrial area, as well as one of the major industrial parks in the entire Yangtze River Delta. Wuxi New District is managed by the New District Administrative Committee of Wuxi People's Municipal Government which targets to improve the level of manufacturing capability and create job opportunities. Wuxi New District focuses on the development of high-tech industries, airport logistics, business and trade, research and development, as well as ecological cultural tourism. Apart from manufacturing industries, software and out-sourcing industries are both on the rise in Wuxi New District.

According to a census conducted by the Wuxi local government in 2008, Wuxi New District's current local population was approximately 300,000. It is estimated that Wuxi New District will have a population of 800,000 by 2020.

Currently, Wuxi New District is home to Wuxi Singapore Industrial Park, Taihu Lake Science Park, Wuxi Airport Logistic Park, the Customs/Export Processing Zone and Wuxi National Software Park. The administrative area amounts to 220 square kilometers. As of the end of 2008, over 70 Fortune 500 companies had established their operations in the area, including international brands such as Nikon, Toshiba, Volvo and Siemens. The residential area to be provided from the Wuxi Project, which is adjacent to these technology and industrial parks, will become a convenient residential premise for workers and employees based therein.

The Wuxi Project is expected to be easily accessible by public roads and transportation, including several major highways and railways such as the Shanghai-Nanjing Expressway, National Highway 312, the Shanghai Beijing Express Railway and the Shanghai Nanjing Intercity Express Railway. The Shanghai-Nanjing high speed railway commenced operations in July 2010. Directly connected to the Wuxi New District, it shortens travel time to Shanghai to approximately 30 minutes. The Wuxi Terminal of the main Beijing-Shanghai railway line is within walking distance of the Wuxi Project. It takes only approximately 30 minutes to travel from Shanghai to the Wuxi Project by train. The Beijing-Hangzhou Grand Canal, Wangyu River and Bodu River also run through the Wuxi city center. The site for the Wuxi Project is also near the Wuxi International Airport, which is only 8 kilometers away.

The Wuxi Project Master Plan

Once completed, the Wuxi Project is expected to span approximately 8.6 million sq.m. of site area and 5.6 million sq.m. of GFA, with a population of 80,000. The layout of the Wuxi Project is expected to be as follows:



BUSINESS

Under the current version of the Wuxi Project master plan approved by the relevant district government, the Wuxi Project will be developed into a “a town for human culture, leisure, life and business” that combines ecological tourism with the Wu culture characteristics. The anticipated land allocation is as set forth in the following table:

Type	Land usage	% of Total		% of Total	
		Site Area (sq.m.)	Site Area	GFA (sq.m.)	GFA
Residential		3,606,669	41.55%	5,162,365	92.88%
	Residential area sold	372,586	4.29%	364,274	6.55%
	Residential area available for future sale	3,234,083	37.26%	4,798,091	86.33%
Commercial		226,100	2.60%	228,210	4.11%
	Hotel	74,800	0.86%	74,800	1.35%
	Retail area	151,300	1.74%	153,410	2.76%
Public Amenities		4,847,231	55.85%	167,390	3.01%
	Scenic park	1,949,131	22.45%	N/A	N/A
	Sports park				
	Landscape	1,164,800	13.42%	N/A	N/A
	Infrastructure	949,800	10.94%	N/A	N/A
	Rivers/ponds/lakes	544,100	6.27%	N/A	N/A
	Schools	192,300	2.22%	112,120	2.02%
	Local community center	34,400	0.40%	42,570	0.76%
	Hospital/clinics	12,700	0.15%	12,700	0.23%
Total		8,680,000	100.00%	5,557,965	100%

Major terms of the joint venture and sharing of proceeds

Under the terms of the joint venture agreement, our joint venture partner, Wuxi JV Partner, a wholly state-owned entity under the direct supervision of the New District Administrative Committee of the Wuxi municipal government, is required to make capital contributions to Wuxi JV in accordance with its shareholdings, complete necessary procedures for land requisition, development, construction and planning, assist in obtaining financing as well as strive to ensure Wuxi JV benefits from preferential policies and tax incentives available. We for our part shall make capital contributions to Wuxi JV in accordance with our shareholdings and formulate plans to adopt investment and financing arrangements for the Wuxi Project.

Either party may terminate the joint venture agreement upon, amongst others, the failure by either party to comply with the terms of the agreement which results in the operational failure of the Wuxi JV, the occurrence of serious losses, or a force majeure event.

BUSINESS

The Proceeds Percentage for the Wuxi Project is approximately 83%, which changed from the indicative Proceeds Percentage of 90% stipulated in the co-development agreement relating to the Wuxi Project. For the reasons for the change of the Proceeds Percentage from the indicative Proceeds Percentage and more information on the determination of the Proceeds Percentage, please refer to the section headed “Business – Business Operations – Sharing of Proceeds received from the Sale of Saleable Land”. For information on the mitigation of risks in relation to the Proceeds Percentage, please refer to the section headed “Business – Business Operations – Mitigation of Risks in relation to Sale of Land Use Rights – Proceeds Percentage” of this document.

Residential Area

The current version of the Wuxi Project master plan contemplates the development of residential properties with a GFA of approximately 5.16 million sq.m., representing approximately 92.9% of the total GFA available. The residential area will be divided into separate plots for the sale of land use rights to third party property developers.

During the year 2007, land use right over a land parcel of 48,620.3 sq.m. (representing 1.3% of the total saleable residential land of the Wuxi Project) were sold to Shanghai Zhongqing Development Co., Ltd. (上海仲慶房地產開發營銷有限公司) at a selling price of RMB76.9 million or a selling price per sq.m. of the GFA of RMB1,506.3. In February 2010, land use rights over two additional plots of land totaling 119,680.1 sq.m. were sold to Wuxi Singapore Real Estate Development Co., Ltd. (無錫星洲置業發展有限公司) at an aggregate selling price of RMB244.0 million and an average selling price per sq.m. of the GFA of RMB1,800.1. As a result, the average selling price of the Wuxi Project to third party developers increased from RMB1,506.3 per sq.m. of GFA in 2007 to RMB1,800.1 per sq.m. of GFA up to the Latest Practicable Date in 2010.

Sales of land use rights to the residential portion of the Wuxi Project commenced in 2007 and are expected to continue until the end of 2020.

As at the Latest Practicable Date, only 303,374 sq.m. of saleable residential land had been sold to third party developers, equivalent to approximately 8.4% of the total residential site area of the Wuxi Project. In addition, 69,212 sq.m. of saleable residential land was acquired by our Group for self-development purposes in 2008 at a consideration of RMB125 million. We currently expect to obtain the land use rights certificate by the end of 2010 and to commence development shortly thereafter. We currently do not expect the self-development of residential land from our projects to form a major part of the business of our Group. The Wuxi Project as a whole was approximately 49% complete in terms of land infrastructure and public facilities construction as at December 31, 2009.

BUSINESS

The following chart provides a summary of the sale of residential land use rights to third party developers in the Wuxi Project for the period from January 2007 to June 2010:

Third party developers (Buyers of land use rights)	Site area (sq.m.)	Average selling price per sq.m. of site area (RMB/sq.m.)	Plot ratio	GFA (sq.m.)	Average selling price to third party developers per GFA (RMB/sq.m.)	Land premium (RMB'000)	Land premium allocated to our Group (RMB'000)
2007							
November 2007							
Shanghai Zhongqing Development Co., Ltd.* (上海仲慶房地產 開發營銷有限公司)	48,620.3	1,581.6	1.05	51,051.3	1,506.3	76,900.0	64,123.9
2009							
October 2009							
Wuxi New District Economic Development Group Corporation* (無錫市新區經濟發展集團)	135,073.7	1,500.0	0.8	108,059.0	1,875.0	202,610.0	169,179.4
2010							
February 2010							
Wuxi Singapore Real Estate Development Co., Ltd.* (無錫星洲置業發展有限公司)	53,768.9	2,008.6	1.05	56,457.3	1,913.0	108,000.0	90,180.0
February 2010							
Wuxi Singapore Real Estate Development Co., Ltd.* (無錫星洲置業發展有限公司)	65,911.2	2,063.4	1.2	79,093.4	1,719.5	136,000.0	113,560.0
Subtotal/Weighted average for 2010	119,680.1	2,038.8		135,550.7	1,800.1	244,000.0	203,740.0

Land sales of residential land use rights to third party developers in relation to the Wuxi Project had taken place in 2007, 2009 and 2010, and based on the contract signed with the government and management's experience from previous land sales and the current pace of development, our Company expects land sales to continue at a similar pace.

Commercial Properties

Approximately 226,100 million sq.m., representing 2.6% of the total site area of the Wuxi Project, is designated for commercial property development. The commercial area of the Wuxi Project is planned to have a GFA of approximately 228,210 sq.m.

Major planned commercial properties include sporting and leisure facilities, a luxury five-star hotel, a retail and entertainment area and offices that aim to attract world class companies. We intend to acquire land use rights to construct commercial properties ourselves.

As at the Latest Practicable Date, we had obtained the land use right certificates for the retail street and the hotel area. We have executed the land use right grant contract for the residential area and paid the land premium, but have not obtained the relevant land use right certificate.

Land Premiums and Commencement of Construction for the Hotel Area and the Residential Area

As advised by our PRC legal advisor, Jingtian & Gongcheng, the land premiums of the hotel area and the residential area were paid by us after the respective payment date in the relevant land use right grant contracts. So far as the hotel area is concerned, we have paid a penalty of RMB729,370 for late payment of the land premium of the hotel area on July 12, 2010, as a result of which our PRC legal advisor is of the view that the land use right of the hotel area and the relevant land grant deposits will not be revoked by the government. So far as the residential area is concerned, according to the land use right grant of the residential area, the government has the right to revoke the land use rights and keep the land grant deposits of the residential area and require us to pay compensation amounting to 20% of the land premium of the residential area, being RMB20,000,000.

In addition, the construction of the hotel and the residential area did not commence before the respective commencement dates stated in the relevant land use right grant contracts and their supplemental contracts because there was a delay in the provision of the land to us by the government. We plan to commence the construction of the hotel and residential area as soon as practicable and in any event not later than the end of 2010 and in the first quarter of 2011, respectively, and we are now applying for permits for the delayed construction of the hotel and the residential area. Our PRC legal advisor, Jingtian & Gongcheng, is of the view that there will be no material legal impediment for us to obtain the permits once application has been made in accordance with applicable laws and procedures. According to the land use right grant contracts and the relevant laws and regulations, in the event that the projects do not commence within one year after May 30, 2010 and August 30, 2010, respectively, rectification would have to be by way of the payment of a fine in the sum of approximately 20% of the land premium, and in the event that the projects have not commenced within two years after May 30, 2010 and August 30, 2010, respectively, the government has the right to revoke the land use rights granted to us over the hotel area and the residential area. The total amount of investment made in relation to the hotel and the residential areas is RMB21.7 million and RMB20.6 million,

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respectively. Based on the current schedule of commencement of works, no fines will be imposed, and therefore, we are of the view that the above non-compliance will not have a material impact on our operations or finances.

Public Amenities

Approximately 55.9% of the total site area of the Wuxi Project is currently designated for public amenities, including green belts, schools, parks, rivers, roads, lakes and hospitals. Under the current master plan, a major feature of the Wuxi Project is that it will encircle a significant cultural conservation area known as the “Taibo Tomb District”. The “Taibo Tomb District” commemorates Wu Taibo, the son of an emperor who came to Wuxi over 3,000 years ago and founded the “Wu culture,” creating a city with rich “Wu culture” elements. Exhibitions, meetings, leisure and tourism activities relating to “Wu culture” will be held. The “International Wu Cultural Festival”, including the Taibo worship ceremony and folk cultural temple fair, is held here in April each year, attracting tens of thousands of people from China and different parts of the world. In addition, Wuxi New Town consists of the Wu Culture Square and the retail street, surrounded by the Hongshan Forest Park and the Ecological Sports and Entertainment Resort.

SHENYANG PROJECT

Overview

Shenyang is the PRC’s fifth largest city in terms of population and was ranked 3rd amongst second tier cities in China by the Chinese Academy for the Social Sciences in a 2010 study of China’s “Most Competitive Cities.” It is also one of the key cities within the Pan Bohai Rim Economic Region and an economic and trade center of northeastern China. Located within the Da Hun Nan area, the Shenyang Project is approximately 25 kilometers from Shenyang’s city center.

The strategic planning of the Da Hun Nan area by the PRC governmental authorities has generally been completed. Under the strategic plan, the new administrative, cultural and transportation centers of Shenyang will be situated in the Da Hun Nan area, where our Shenyang Project is also located. According to the strategic plan, the Da Hun Nan area will be transformed into a “new center, new landmark, new hub and new energy”.

In addition, Liaoning Province will be hosting the 12th National Games in 2013 and Shenyang will become the designated main venue for all competition events of the National Games. This will further enhance the land value and potential of the surrounding area where our Shenyang Project is located.

In February 2007, our Company entered into a co-development agreement with the Shenyang JV Partner to develop the Shenyang Project. The term of the operation shall be 50 years from the date of the co-development agreement. The joint venture company to be formed shall have the exclusive right to develop the Shenyang Project.

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On March 6, 2007, the Shenyang JV was formally established. The milestones of the Shenyang Project are as follows:

- 2007 Entered into the joint venture agreement with the local government
Relocation and resettlement of residents commenced
First batch of resettlement housing completed

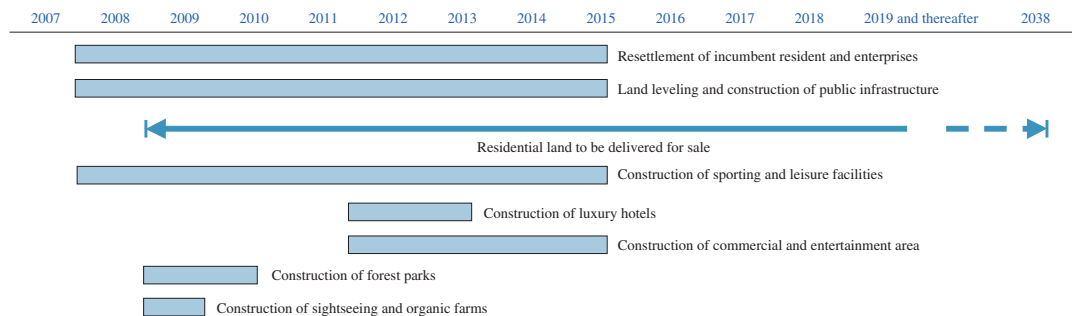
- 2008 First sale of residential land by way of public auction^(see note)

Note: Please refer to the summary of the sale of residential land use rights in Shenyang Project under the section headed “Business – Shenyang Project – Residential Area” in this document for further details.

Sales of land use rights for residential development began in 2008 and are expected to continue until around 2038.

As at the Latest Practicable Date, only 439,871 sq.m. of saleable residential land had been sold, equivalent to approximately 4% of the total residential site area of the Shenyang Project. The Shenyang Project as a whole was approximately 45% complete in terms of land infrastructure and public facilities construction as at December 31, 2009.

The Shenyang Project is expected to be substantially completed by 2015, and based on the current pace of land use right sales for the Shenyang Project and taking into account the total area of residential land over which land use rights are available for sale, we expect its Final Completion Date will be around December 2038. The anticipated progress timetable for the Shenyang Project is as follows:



Location

Shenyang is the capital of Liaoning Province and is located near its center, in northeastern China, as indicated in the map below:

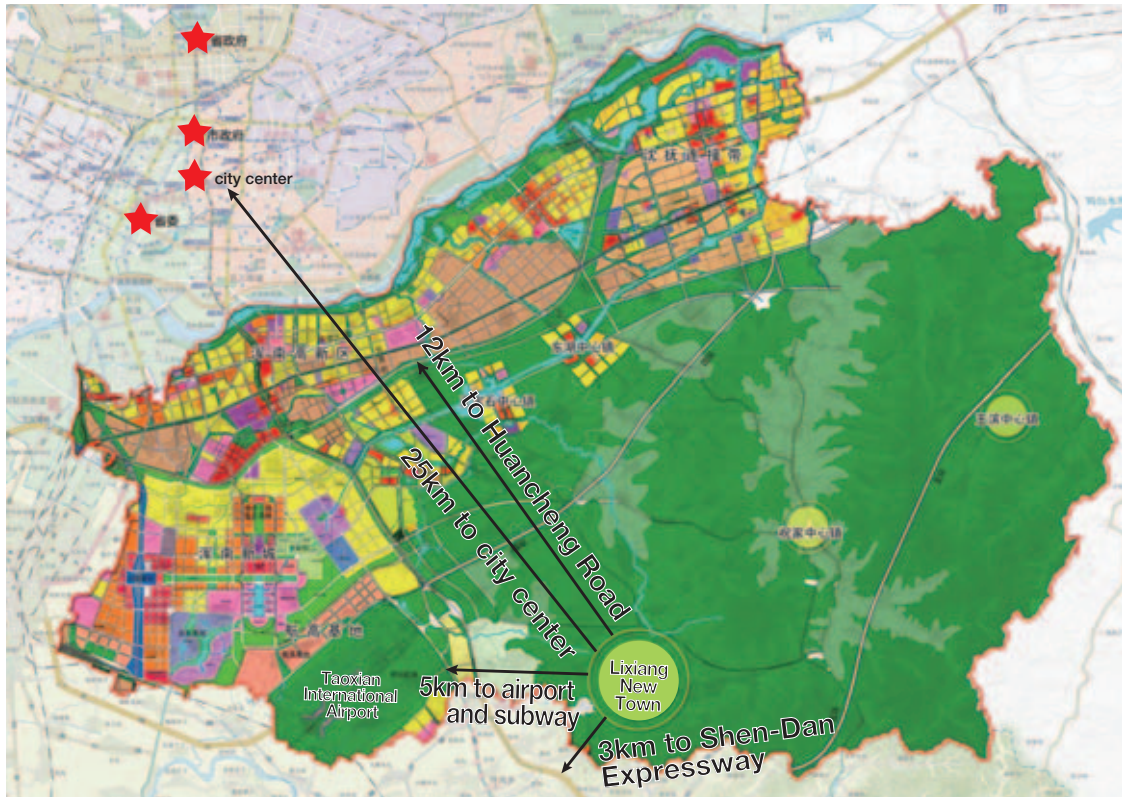


Liaoning Province is located at the south of Northeastern China, covering an area of 148,000 sq.km., with 14 provincial municipalities and 100 counties. By the end of 2009, the total population of Liaoning Province had grown to 42.71 million while its GDP amounted to RMB1,506.56 billion. In addition, there was rapid growth in real estate development and investment. In 2009, total investment amount in real estate amounted to RMB264 billion, representing an increase of 28.1% for the same period in 2008.

According to a census conducted by the local government, Shenyang had a total population of approximately 7.86 million in 2009. Shenyang's total GDP and GDP per capita in 2009 were RMB435.9 billion and RMB55,816, respectively. Shenyang is surrounded by an extensive network of expressways, including the Beijing-Shenyang Expressway, and enjoys both domestic and international air connections through the Shenyang Taoxian International Airport and other smaller airports. In November 2005, the Shenyang City Government announced the start of construction of a subway in Shenyang. Subway Route No. 1 has commenced operations on trial basis in October 2010. Subway Route No. 2, which stops at Taoxian International Airport, is currently under construction.

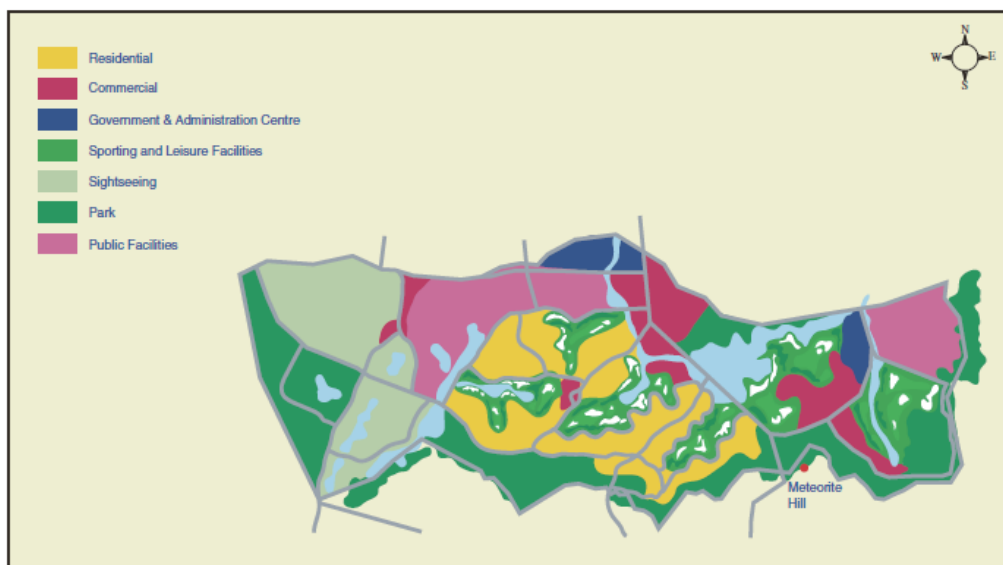
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As indicated in the map below, the Shenyang Project is located just 25 kilometers outside of Shenyang's city center, 5 km from Taoxian International Airport and 3 km from Shen-Dan Expressway:



The Shenyang Project Master Plan

Once completed, the Shenyang Project is expected to have a site area of approximately 20.5 million sq.m. and a GFA of approximately 11.4 million sq.m. The layout of the Shenyang Project is expected to be as follows:



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The current version of the Shenyang Project master plan is based on the planning philosophy of “ecology, harmony and centralization”. “Ecology” emphasizes the quality of the ecological environment through extensive green spaces, with the Changbai Mountain forest as a focal point. “Harmony” refers to the integration of man-made structures and natural landscapes, with amenities targeted at the diverse needs of the population. “Centralization” refers to the centralization of certain public amenities to achieve economies of scale and enhance land value.

With the objective of building an ecological city, our master plan focuses on developing an integrated Shenyang New Town of ecological leisure, tourism and living.

The anticipated land allocation is as set forth in the following table:

Classification	Land Use	Site Area (sq.m.)	% of Total Site Area	GFA (sq.m.)	Estimated % of Total GFA
Residential area		11,634,300	56.61%	10,723,000	93.88%
	Residential area sold	439,871	2.14%	484,627	4.24%
	Residential area available for future sale	11,194,429	54.47%	10,238,373	89.64%
Commercial		1,214,600	5.91%	470,000	4.11%
	Administrative and office	59,100	0.29%	25,000	0.22%
	Business and financial	984,300	4.79%	370,000	3.23%
	Cultural and entertainment	171,200	0.83%	75,000	0.66%
Public Amenities		7,701,900	37.48%	230,000	2.01%
	Hospital	193,700	0.94%	90,000	0.79%
	School	135,000	0.66%	70,000	0.61%
	Social welfare center	16,300	0.08%	5,000	0.04%
	Transportation hub road and square	1,728,200	8.41%	5,000	0.04%
	Municipal	268,600	1.31%	60,000	0.53%
	Greenery	5,360,100	26.08%	N/A	N/A
Total		20,550,800	100%	11,423,000	100%

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Major terms of the joint venture and sharing of proceeds

Under the terms of the joint venture agreement, our joint venture partner, Shenyang JV Partner, a wholly state-owned entity primarily engaged in the management of state-owned assets and land levelling in the Shenyang Dongling district, is required to make capital contributions to Shenyang JV in accordance with its shareholdings, complete necessary procedures for land requisition, development, construction and planning, assist in obtaining financing as well as strive to ensure Shenyang JV benefits from preferential policies and tax incentives available. We for our part shall make capital contributions to Shenyang JV in accordance with our shareholdings and formulate plans to adopt investment and financing arrangements for the Shenyang Project. In particular, we are responsible for conducting feasibility study of the master plan and other detailed plans, as well as participate in the project's real estate development when appropriate. The Shenyang Project is primarily funded by proceeds received from sale of saleable land from the Luodian Project and intra-group financing.

Either party may terminate the joint venture agreement by serving a 90-day notice to the other party upon the occurrence of, amongst others, a material breach of the agreement committed by either party and failure to remedy such breach within a certain period, the stipulation in any governmental policy that will have a material adverse effect on the Shenyang JV or either party, or the occurrence of a force majeure event.

The Proceeds Percentage for the Shenyang Project is approximately 70%, which was stipulated indicatively in the co-development agreement relating to the Shenyang Project. For more information on the determination of the Proceeds Percentage, please refer to the section headed "Business – Business Operations – Sharing of Proceeds received from the Sales of Saleable Land". For information on the mitigation of risks in relation to the Proceeds Percentage, please refer to the section headed "Business – Business Operations – Mitigation of Risks in relation to Sale of Land Use Rights – Proceeds Percentage" of this document.

Residential Area

The current version of the Shenyang Project master plan contemplates the development of residential properties with a site area of approximately 11.63 million sq.m., representing 56.6% of the total site area available. The residential area is expected to be divided into separate plots for the sale of land use rights. As at the Latest Practicable Date, only 432,182 sq.m. of saleable residential land had been sold to third party developers, equivalent to 3.7% of the total residential site area of the Shenyang Project.

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The following chart provides a summary of the sale of residential land use rights to third party developers in the Shenyang Project for the period from January 2007 to June 2010:

Third party developers (Buyers of land use rights)	Site area (sq.m.)	Average selling price per sq.m. of site area (RMB/sq.m.)	Plot ratio	GFA (sq.m.)	Average selling price to third party developers per GFA (RMB/sq.m.)	Land premium (RMB'000)	Land premium allocated to our Group (RMB'000)
March 2008							
Shenyang Lvkang Property Co. Ltd.* (瀋陽綠康置業有限公司) (see note)	79,421.8	731.0	1.1	87,363.9	664.5	58,057.3	40,640.1
Shenyang Lvkang Property Co. Ltd.* (瀋陽綠康置業有限公司) (see note)	167,341.6	728.0	1.1	184,075.7	661.8	121,824.7	85,277.3
December 2008							
Shenyang Lvkang Property Co. Ltd.* (瀋陽綠康置業有限公司) (see note)	185,418.0	740.0	1.1	203,959.8	672.7	137,209.3	96,046.5
Subtotal/Weighted average for 2008	432,181.4	733.7		475,399.4	667.0	317,091.3	221,963.9

Note: Shenyang Lvkang Property Co. Ltd. (瀋陽綠康置業有限公司) is a member of the SRE Group.*

No sale of residential land use rights took place in 2009 and 2010. Based on the contracts signed with the government and management's assessment of the current pace of development, we expect land sales to take place in 2011.

Commercial Properties

Approximately 1.2 million sq.m., representing 5.91% of the total site area of the Shenyang Project, is designated for commercial property development. The commercial area is planned to have a GFA of approximately 470,000 sq.m. Major planned commercial properties include a shopping mall, hotels, and hot spring resort. As at the Latest Practicable Date, we had not obtained any land use rights for commercial properties. We expect to obtain land use rights for the commercial properties of the Shenyang Project by the end of 2011 or early 2012.

Public Amenities

Approximately 37.48% of the total site area of the Shenyang Project is currently designated for public amenities. We expect the public amenities to include hospitals and other health clinics, schools, amenities centers, markets and a social welfare center.

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There is a meteorite park which celebrates the numerous meteorite sites in Shenyang. The meteorite park will be designated as a tourist destination in Shenyang New Town with the construction of tourist facilities and the provision of related goods and services.

OTHER PROJECTS

In November 2007, our wholly-owned subsidiary, CNTD (Changchun) (then known as Winlee Investment Limited), entered into a co-development agreement (《關於合作開發長春汽車產業開發區—核心區協議書》), as supplemented by the supplemental agreement to the co-development agreement (《關於合作開發長春汽車產業開發區—核心區協議書補充協議》) dated January 31, 2008 (the “Changchun Co-development Agreement”), with the Changchun Committee to develop the Changchun Auto Industry Development Zone, with a view to developing a new town therein. The Changchun Committee is independent of, and not connected with, our Group. CNTD (Changchun) also entered into a joint venture agreement (the “Changchun JV Agreement”) with Changchun Kaida to incorporate the Changchun JV, whereby US\$23.84 million was contributed by us as capital contribution for an 80% equity participation in Changchun JV. Changchun Kaida was interested in the remaining 20% of the shares of Changchun JV. According to the Changchun JV Agreement, Changchun Kaida was responsible for applying for the approval for the establishment of Changchun JV in the PRC, providing assistance to Changchun JV in relation to the purchase or lease of office equipment, vehicles and communication equipment and dealing with other works with which Changchun JV was entrusted.

Key matters stipulated in the Changchun Co-development Agreement included, inter alia, the adoption by government authorities of Changchun JV as the town developer of the Changchun Automobile New Town, the implementation of the detailed master plan and detailed renovation plan by the Changchun JV, the construction lands for public ancillary facilities being allocated and the obtaining of approval for the Changchun JV to benefit from preferential policies and tax incentives, and the sharing of the proceeds amount received from the sale of saleable land by the relevant land authorities. As the abovementioned key matters stipulated in the Changchun Co-development Agreement could not be implemented, on December 23, 2009, CNTD (Changchun) entered into the Termination Agreement with the Changchun Committee to terminate the land infrastructure development of the Changchun Automobile New Town by Changchun JV.

As the Changchun Committee was unable to fulfill the requirements as set out in the Changchun Co-development Agreement, according to the Termination Agreement, the Changchun Committee will fully repay our Group within a year from the date of the Termination Agreement, although no detailed repayment schedule had been set out in the Termination Agreement, for, firstly, the cost of construction, which shall be determined by independent qualified professional parties after conducting construction audits, and, secondly, the cost of relocation that have been incurred by our Group in accordance with the relevant relocation agreements, and compensate our Group for finance costs (including certain related miscellaneous expenditure) at an interest rate of 10% per annum based on the time lapsed since the actual date when such finance costs were incurred by our Group. According to a confirmation letter dated August 31, 2010 issued by the Changchun Auto Industry Development Zone New Town Construction Management Office* (長春汽車產業開發區汽車新

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城建設管理辦公室), the body responsible for carrying out the plans to develop the Changchun Automobile New Town under the direction and supervision of the Changchun Committee, the Changchun Auto Industry Development Zone New Town Construction Management Office confirmed that the Changchun Committee will pay compensation to Changchun JV by way of installments in accordance with the terms of the Termination Agreement. As of the Latest Practicable Date, independent qualified professional parties had substantially completed the exercise of determining the cost of construction and had valued such cost at approximately RMB64.1 million in respect of 7 contracts, with our claim for another contract of approximately RMB15 million yet to be determined. As of July 31, 2010, the Changchun Committee had paid RMB33 million as compensation pursuant to the Termination Agreement. For details on the collection and usage of the receivables from the Changchun Committee, please refer to the section headed “Financial Information – Certain Statement of Financial Position Items – Prepayments and other Receivables” of this document.

In accordance with the Termination Agreement, the parties confirmed that Changchun JV may participate in further property developments in the Changchun Auto Industry Development Zone on terms to be agreed. As of the Latest Practicable Date, no such terms had been agreed, and we may conduct discussions with the Changchun Committee as and when the opportunity arises. Since the Termination Agreement did not terminate the Changchun JV Agreement or cause Changchun JV to cease its operations, there are no potential damages or liabilities payable by our Group to Changchun Kaida as a result of the Termination Agreement.

MAJOR SUPPLIERS

Construction Work

We generally outsource construction work to independent construction companies that specialize in different aspects of new town development, such as facilities construction, power transmission and ecological protection. We select our construction contractors based on their reputation, price and references. Our contractors are typically selected through a tender process. Contractors are typically required to provide contractual assurances on quality and completion dates. In the event of delay or poor quality of work, the construction contractor may be required to pay a penalty. Our project company monitors cost control closely during the construction. In addition, we require construction companies to comply with PRC laws and regulations relating to the quality of construction as well as our own standards and specifications. The contractors are also subject to our quality control procedures, including the examination of materials and supplies, on-site inspection and production of progress reports.

Relocation and Resettlement

Due to the nature of our business, our projects require the services of a relocation office to deal with the relocation and resettlement of incumbent residents and businesses. The relocation office, which is affiliated to the local governmental authority, is designated to oversee relocation of residents and businesses in the vicinity. In the Luodian Project, 上海市寶山區羅店鎮拆遷辦公室(隸屬於羅店鎮政府) (Relocation Office of Luodian of Baoshan District in Shanghai, affiliated to the Luodian township government) provides relocation services to the relevant local government in accordance with the initiatives and specifications

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of the relocation plan as set by the relevant local government. In return, we pay the relocation fees in phases and as determined by the terms under the relocation and resettlement commission agreements to the relevant local government. The relocation fees are subject to changes in government policy, the population to be relocated, compensation fees and length of the relocation period. Please refer to the section headed “Business – Relocation and Resettlement” for further details.

For each of the three years ended December 31, 2007, 2008 and 2009 and the six months ended June 30, 2010, purchases from our single largest supplier accounted for approximately 20.1%, 23.0%, 48.2% and 33.5% respectively, of our total purchases.

For the same periods, purchases from our five largest suppliers accounted for approximately 60.0%, 48.9%, 82.2% and 69.1% respectively, of our total purchases. None of our Directors, their associates or our Shareholders holding more than 5% of our issued Shares has any interest in the five largest suppliers.

MAJOR CUSTOMERS

We operate on a distinctive business model and the usual concept of customers under the Listing Rules is not applicable to us. We receive a significant portion of the land premium from the relevant PRC land authorities when they sell land use rights over the land we develop to third party property developers through public auction, tender or listing. The relevant PRC land authorities are responsible for the collection as well as remittance of such land premium after the deduction of certain mandatory deductions. Please refer to the section headed “Business – Distinctive Business Model” of this document for further details. During the Track Record Period, the proceeds generated by the sale of land use rights accounted for a major part of our revenue.

COMPETITION

Developing new towns is capital intensive and requires specialized industry knowledge. To the best of our knowledge, local governments and state-owned companies are involved in the development of new towns and in the production of saleable land. According to the co-development agreements of our Luodian Project, Wuxi Project and Shenyang Project, the joint venture companies shall have the exclusive right to develop the project areas stipulated therein. Outside of such stipulated project areas, we believe that our major competitors are large national or regional property developers affiliated to local governmental authorities or state-owned companies which engage in the development of residential and commercial developments as well as new town development. The principal competitive factors influencing the new town development sector generally and in the cities in the PRC where we operate include, among others, the planning, the design, the quality and workmanship of the projects, the location of the new towns, the marketing strategies adopted by the developers and the timing of the launch of the development projects.

To the best of our knowledge, there are no published statistics that can be used to accurately measure our market share of the new town development business in the PRC.

INSURANCE

PRC laws, regulations and government rules do not require new town developers to purchase insurance policies for their projects. We also insure against liability for personal injuries that may occur to our employees during the construction of our properties. However, our insurance does not cover construction workers engaged by our construction contractors, who are required to maintain accident insurance for their construction workers under PRC law.

Our subsidiaries maintain management liability insurance coverage in connection with their business operations. In addition, we also purchase employee-related insurance, such as medical insurance and social welfare insurance, for our employees.

ENVIRONMENT AND SAFETY FEATURES

We are subject to PRC national and local environmental laws and regulations governing air pollution, noise emissions, water and waste discharge and other environmental matters. Major environmental laws and regulations to which we are subject include the Regulations on the Administration of Environmental Protection of Construction Projects (建設項目環境保護管理條例), the Procedures on the Administration of Environmental Protection of Construction Projects (建設項目環境保護管理程序) and the Provisions on the Inspection and Acceptance of Environmental Protection of Construction Projects (建設項目竣工環境保護驗收管理辦法).

Some of our projects must pass environmental assessments and we must submit environmental impact study reports to the relevant governmental authorities before approvals are granted for our projects. The environmental impact study reports include various standards and procedures that we must comply with during the compliance period of each of our projects. Upon completion of a new town development, the governmental authorities will inspect the site to ensure our compliance with applicable environmental standards.

Our new town development department is in charge of coordinating the preparation of environmental impact studies by qualified environmental assessment agencies and the governmental inspection and acceptance by the relevant governmental authorities.

We have also set up a supporting department under each of the project companies and one of its important responsibilities is to regularly examine and supervise whether our Group and relevant construction contractors are in compliance with applicable environmental laws. For example, the supporting department of SGLD has been in operation since 2002 and its manager and deputy manager have been working with the department for 2 years and 8 years, respectively.

The cost of compliance with applicable environmental rules and regulations for the three years ended December 31, 2007, 2008 and 2009 and the six months ended June 30, 2010 were approximately RMB0.1 million, RMB0.1 million, RMB0.1 million and RMB0.4 million, respectively, and taking into account the anticipated growth of our projects and historical expenditures, it is expected that the cost of compliance going forward will be not more than RMB1 million per annum in the near future.

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Based on the due diligence exercise conducted by our PRC legal advisor, Jingtian & Gongcheng, our PRC legal advisor is of the opinion that, except for the administration center occupied by Shenyang JV and the command center (Phase I) occupied by SGLD, environmental impact assessment reports were produced and approved by competent environmental protection authorities prior to the commencement for all construction projects of commercial properties owned by our Group and applications have been made for environmental protection completion inspections for such projects, and there has not been any material violation by our subsidiaries in the PRC of the relevant environmental protection rules and regulations since their respective establishment.

As at the Latest Practicable Date, there has not been any major accident at any of the project development sites operated by us since the establishment of our relevant subsidiaries in the PRC. To the best of our knowledge, we have complied in all material respects with applicable environmental laws and regulations and have not breached any applicable environmental laws or regulations since the establishment of our relevant subsidiaries in the PRC.

PROPERTIES

The following table summarizes, by categories, the details of: (i) Group I – Properties held and occupied by our Group in the PRC; (ii) Group II – Properties held by our Group for investment in the PRC; (iii) Group III – Property held by our Group for sale and under construction in the PRC; and (iv) Group IV – Properties held by our Group for future development in the PRC.

Properties held and occupied by our Group in the PRC

Description	Location	Total Site Area	Estimated GFA	Land Use Term	Appraised Value as at August 31, 2010
Command center	Baoshan District, Shanghai	12,142.7 sq.m.	5,302.88 sq.m.	September 6, 2006 to September 5, 2056	RMB45 million
Convention Center	Baoshan District, Shanghai	26,116 sq.m.	33,537.26 sq.m.	October 26, 2005 to October 25, 2055	RMB207 million
Crowne Plaza Lake Malaren Shanghai hotel	Baoshan District, Shanghai	336,491 sq.m.	above ground GFA: 37,477.35 sq.m. and under ground GFA: 12,231.48 sq.m.	July 18, 2003 to July 17, 2043	RMB459 million
Unit No. 815 of retail street	Wuxi, Jiangsu Province	31,715.60 sq.m.	2,916.64 sq.m.	Expire on November 29, 2047	RMB16.5 million

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Properties held by our Group for investment in the PRC

Description	Location	Total Site Area	Estimated GFA	Land Use Term	Appraised Value as at August 31, 2010
Various shops in retail street	Baoshan District, Shanghai	90,329 sq.m.	72,494.23 sq.m.	October 26, 2005 to October 25, 2055	RMB420 million
Retail portion of transport center	Baoshan District, Shanghai	17,969.20 sq.m.	above ground GFA: 15,282 sq.m. and under ground GFA: 10,277 sq.m.	for transport use: December 15, 2009 to December 14, 2059 for commercial use: December 15, 2009 to December 14, 2049	RMB233 million
Retail street and the remaining land plot on the west side of Xinhong Road	Wuxi, Jiangsu Province	88,903.40 sq.m.	Completed: 12,161.94 sq.m. To be developed: 51,450 sq.m.	Expire on November 29, 2047	RMB164 million

Property held by our Group for sale and under construction in the PRC

Description	Location	Total Site Area	Estimated GFA	Land Use Term	Appraised Value as at August 31, 2010
Office portion of transport center	Baoshan District, Shanghai	17,969.20 sq.m.	above ground GFA: 41,200 sq.m. and under ground GFA: 10,700 sq.m.	for transport use: December 15, 2009 to December 14, 2059 for commercial use: December 15, 2009 to December 14, 2049	RMB97 million

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Properties held by our Group for future development in the PRC

Description	Location	Total Site Area	Estimated developable GFA	Land Use Term	Appraised Value as at August 31, 2010
A parcel of land beside Crowne Plaza Lake Malaren Shanghai hotel	Baoshan District, Shanghai	Not available*	97,119.05 sq.m.	July 18, 2003 to July 17, 2043	RMB291 million
A parcel of land on the west side of Xinhong Road	Wuxi, Jiangsu Province	69,212.40 sq.m.	83,054.88 sq.m.	40 years for commercial use, 70 years for residential use and 50 years for other use	RMB125 million
A parcel of land on the north side of Xixian Road	Wuxi, Jiangsu Province	74,762.90 sq.m.	82,239.19 sq.m.	Expire on February 3, 2050	RMB120 million

* We are unable to provide evidence to ascertain a separate site area for this portion of land, because this portion of land and the land occupied by the hotel and clubhouse are recorded in the same land use right certificate as one whole piece of land, and our Group cannot provide evidence to ascertain a separate site area for the portion of land excluding the site area occupied by the hotel and clubhouse. According to the land use right certificate obtained by us, we own this piece of land legally.

SALES AND MARKETING

We employ a sales and marketing team in each city where we have new town developments. Our sales managers and marketing managers cooperate closely to determine appropriate advertising and sales plans for a particular new town development. They also work together to plan and organize on-site procedures, conduct market research, arrange promotional activities and collect customer data.

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Our sales and marketing initiatives include, among others, advertising in newspapers, magazines and outdoor advertising media. We participate in real estate exhibitions and on-site sales centers and provide shuttle services for our potential customers interested in visiting and viewing our projects. Our sales and marketing teams either develop and design strategies internally or work closely with advertising agencies, design houses, print media companies and event coordinators.

Our sales and marketing efforts have successfully attracted renowned property developers in the cities where our new towns are located.

INTELLECTUAL PROPERTIES

Please refer to the section headed “Statutory and General Information – Further Information about the Business of our Group – Intellectual Property Rights of our Group” in Appendix VI to this document for further information about the intellectual properties of our Group.

LEGAL PROCEEDINGS

From time to time, we may be involved in various legal proceedings arising from the ordinary course of business. As at the Latest Practicable Date, no member of our Group was engaged in any litigation or arbitration of material importance and no litigation or claim of material importance was known to our Directors to be pending or threatened against any member of our Group.

PERMITS, LICENSES AND APPROVALS

As advised by our PRC legal advisor, Jingtian & Gongcheng, we have obtained all requisite permits, licenses and approvals for our operations.

COMPLIANCE AND INTERNAL CONTROLS

There were incidents in the past where non-compliance of laws and regulations have taken place in relation to our business. Details of incidents where the relevant PRC laws and regulations have not been fully complied with are summarized below.

Alleged occupation of agricultural land by Shenyang JV

Our Shenyang JV occupied a portion of agricultural land to build a sports and recreation park and club facilities, with an informal understanding with local governmental authorities that assistance would be given for the obtaining of the relevant land use rights. Notwithstanding such informal understanding, our Shenyang JV was unable to obtain the relevant land use right in time, and pursuant to inspections carried out by the relevant land authorities, our Shenyang JV paid an administrative fine of approximately RMB14.7 million to the Liaoning Department of Land and Resources. The abovementioned facilities generated revenue of approximately RMB0.5 million and RMB0.1 million for the years ended December 31, 2008 and 2009, respectively. Based on agreements we entered into with our third party

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contractors, we will recover the full amount of the fine from such third party contractors. The club facility with a carrying value of approximately RMB26.5 million as at December 31, 2009 was written off and the agricultural land was reinstated at a cost of approximately RMB4.1 million, most of the costs of which will also be recovered from such third party contractors pursuant to the aforesaid agreement. As a result, a net loss of RMB4.3 million was recorded in our profit and loss account for the six months ended June 30, 2010. As of the Latest Practicable Date, RMB6.0 million had been recovered pursuant to the aforesaid agreement. On June 30, 2010, Shenyang JV received an official letter from Liaoning Department of Land and Resources stating that the case was officially closed. We consider that there will be no substantial negative effect on the construction of Shenyang New Town. In addition, our Directors are of the view that the possibility of incurring losses in respect of such breach is remote, and therefore no provision is required.

Acquisition of certain land use rights by Luodian JV not through public auction, tender or listing

Under relevant PRC law, sale of land use rights for commercial, tourism, entertainment and residential purposes must be conducted by the relevant local governmental authority through public auction, tender or listing. However, we acquired our land use right certificates in connection with several commercial properties located in the Luodian Project, including the retail street, the Convention Center, Crown Plaza Lake Malaren Shanghai hotel, the Golf Clubhouse and a plot of commercial land, directly from the local government rather than through a public auction, tender or listing because at the time, the relevant local government authority had not yet fully implemented the provision of the relevant laws.

As at the Latest Practicable Date, the relevant land administrative authorities had not issued any documents to revoke the relevant land use rights, and our Group had already duly paid the relevant land premium in accordance with the relevant land use right grant contracts and had already obtained valid land use right certificates. According to a confirmation letter endorsed by the Baoshan Bureau of Planning and Land Resources, which is the competent authority, the bureau will not revoke the relevant land use rights because they were not acquired through the prescribed process.

Enforceability of SGLD Golf Course Lease

The SGLD Golf Course Lease for the two golf courses in the Luodian Project that have already been completed may be difficult to enforce continually. For the three years ended December 31, 2007, 2008, and 2009 and the six months ended June 30, 2010, these golf courses generated revenue of approximately RMB56.9 million, RMB61.2 million, RMB56.2 million, and RMB18.3 million, which accounted for approximately 15.7%, 10.9%, 5.2% and 10.4% of our Group's total revenue for the same period, respectively. The Luodian township government may not possess the authority to grant us the rights specified in the SGLD Golf Course Lease because it has not provided to us the required documents, including the PRC Government approvals and land use rights certificates.

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We have not demanded documentary proof from the Luodian township government as we believe that it is not appropriate to do so in light of its status as a municipal government entity. Although we have been advised by our PRC legal advisor, Jingtian & Gongcheng, and have obtained written confirmation from the Luodian township government, that if our Group is not able to use the golf courses according to the SGLD Golf Course Lease due to land use right issues, our Group is entitled to claim compensation in accordance with the SGLD Golf Course Lease and if any liabilities arise out of the construction of the golf courses, or if a third party brings tort claims against us in connection with the use of the golf courses, such liabilities and claims will be borne by the Luodian township government. If we are unable to enforce the contracts that we entered into with the relevant local PRC governmental authorities or their related entities, including the SGLD Golf Course Lease, our business, financial condition and results of operations may be adversely affected.

No approval for SGLD's incorporation and expansion of its business scope to include golf course operation from MOFCOM as required under PRC law

SGLD was established on September 26, 2002. It expanded its business scope to include "golf course and golf course for practice purposes" on October 13, 2003. Under PRC laws in effect at the time, any total investment of foreign direct investment in China exceeding US\$100 million, or any such investment in a restricted industry (as defined in the Guidance Catalog for Foreign Investment 《外商投資產業指導目錄》) exceeding US\$50 million, must be approved by MOFCOM. Our total investment in SGLD was RMB1,170,070,000 or US\$141,364,021 based on the basic exchange rate as published by the PBOC on September 26, 2002 when SGLD was incorporated. Accordingly, under PRC laws in effect at the time, MOFCOM's approval was required for the incorporation of SGLD and its subsequent expansion of business scope to include golf course operation. We followed the designated procedures by submitting our project proposal to the local branch of MOFCOM in Shanghai, which approved our investment in SGLD and SGLD's incorporation as well as the expansion of SGLD's business scope. The local branch of MOFCOM in Shanghai, however, did not provide us with the relevant documentation for transferring our proposal to the head office of MOFCOM. The procedures for seeking government approval were revised in March 2009, and we are no longer required to obtain any approval from the head office of MOFCOM for SGLD's incorporation under current PRC laws. We had consulted with the local branch of MOFCOM in Shanghai, whereby it was noted to us that, among other things, given the fact that they approved SGLD's incorporation at the time and subsequently approved reorganizations of SGLD, and that approval of the head office of MOFCOM is not required under current PRC laws, it is unlikely that MOFCOM authorities would request the subsequent obtaining of approval for incorporation. We have also been advised by our PRC legal advisor, Jingtian & Gongcheng, that such approval is no longer required for SGLD's incorporation under current PRC laws, and it is unlikely that SGLD's business license will be revoked, and therefore, the lack of such approval does not adversely affect SGLD's legal existence and ability to operate as an independent legal person under PRC law.

BUSINESS

SGLD's expansion of its business scope to include "golf course and golf course for practice purposes" required the approval of the head office of MOFCOM under PRC laws then in effect. Therefore, the relevant authorities, including the head office of MOFCOM, may require SGLD to seek supplemental approval from the head office of MOFCOM. If SGLD fails to obtain such supplemental approval, the relevant authorities may order the cessation of its operation of golf course and golf course for practice purposes through voiding the local approval granted by the Shanghai authorities. As SGLD's application for expansion of its business scope to the Shanghai Foreign Investment Commission was made in accordance with the then prevailing rules, SGLD and our Group will not be subject to any administrative penalty in this regard. However, we cannot assure you that the PRC Government, including MOFCOM, will not take action to revoke SGLD's business license or order SGLD to cease its operations of its golf course and golf course for practice purposes through voiding the local approval granted by the Shanghai authorities. Such actions may materially and adversely affect our financial condition and results of operations.

No approval obtained for SLMGC's establishment from the Shanghai Foreign Investment Commission as required under relevant PRC regulations

SLMGC was established on July 6, 2004 with SGLD holding a 95% interest. Pursuant to relevant PRC regulations then in effect, "the construction and operation of golf course" belonged to the "restricted" category for foreign investment. Therefore, the establishment of SLMGC required approval from the Shanghai Foreign Investment Commission (now known as the Shanghai Commission of Commerce). We followed the designated procedures by submitting our application for the establishment of SLMGC to the Shanghai Administration of Industry and Commerce, which registered our application and issued a business license to SLMGC but did not require us to obtain the approval of the Shanghai Foreign Investment Commission at the time. As a result, we did not apply to obtain the approval for SLMGC's establishment from the Shanghai Foreign Investment Commission. Our Group may be required to apply for an approval from the Shanghai Commission of Commerce for SLMGC, and if the Shanghai Commission of Commerce refuses to issue such approval or if the relevant government authorities consider that there is a deficiency in SLMGC's establishment procedures, it may take action to revoke SLMGC's business license or order SLMGC to cease its operations. As of the Latest Practicable Date, the Shanghai Commission of Commerce or other relevant governmental authority had not required us to obtain such approval, nor taken any action against us in connection with the absence of such approval. Since SLMGC's establishment has been registered with the Shanghai Administration of Industry and Commerce, and our Company confirms that as at the time of establishment of SLMGC, its shareholders acted in good faith and did not make any false, misleading or inaccurate statements, our PRC legal advisor, Jingtian & Gongcheng, is of the view that it is unlikely for SLMGC or our Group to be punished in this regard. However, we cannot assure you that the relevant governmental authority will not require us to obtain such approval. As such, failure to obtain the approval may cause disruption to the business operations of SLMGC.

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Revenue generated by SLMGC for the three years ended December 31, 2007, 2008 and 2009 and the six months ended June 30, 2010 were approximately RMB46.4 million, RMB44.7 million, RMB40.0 million and RMB10.1 million, which accounted for approximately 12.8%, 7.9%, 3.7% and 5.8% of our Group's total revenue for the same period, respectively.

Certain land use rights in the Wuxi Project owned by us may be revoked and penalties may be imposed because the land premiums were paid by us after the respective payment dates stated in the relevant land use right grant contracts, and the delay in commencement of the construction of the hotel and the residential area may result in penalties

As advised by our PRC legal advisor, Jingtian & Gongcheng, the land premiums of the hotel area and the residential area in the Wuxi Project were paid by us after the respective payment dates in the relevant land use right grant contracts. So far as the hotel area is concerned, we paid a penalty of RMB729,370 for late payment of the land premium of the hotel area on July 12, 2010, as a result of which our PRC legal advisor is of the view that the land use right of the hotel area and the relevant land grant deposits will not be revoked by the government. So far as the residential area is concerned, according to the land use right grant of the residential area, the government has the right to revoke the land use rights and keep the land grant deposits of the residential area and require us to pay compensation amounting to 20% of the land premium of the residential area, being RMB20,000,000.

In addition, the construction of the hotel and the residential area did not commence before the respective commencement dates stated in the relevant land use right grant contracts and their supplemental contracts because there was a delay in the provision of the land to us by the government which resulted in a delay in the commencement of the construction of the hotel and the residential area. We plan to commence the construction of the hotel and residential area as soon as practicable and in any event not later than the end of 2010 and in the first quarter of 2011, respectively, and we are now applying for permits for the delayed construction of the hotel and the residential area. Our PRC legal advisor, Jingtian & Gongcheng, is of the view that there will be no material legal impediment for us to obtain the permits once application has been made in accordance with applicable laws and procedures. According to the land use right grant contracts and relevant laws and regulations, in the event that the projects do not commence within one year after May 30, 2010 and August 30, 2010, respectively, rectification would have to be by way of the payment of a fine in the sum of approximately 20% of the land premium, and in the event that the projects do not commence within two years after May 30, 2010 and August 30, 2010, respectively, the government has the right to revoke the land use rights granted to us over the hotel area and the residential area.

No permits in the construction of certain commercial properties

As the Luodian Project is located in the suburbs of Shanghai and SGLD needed to construct a temporary office at the beginning of the project, the construction project planning permit, the permit for commencement of construction work and the house ownership certificate for the command center (Phase I) occupied by SGLD were not applied for and the command

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center (Phase I) did not undergo acceptance examination at completion. According to the relevant laws and regulations, SGLD may be ordered to dismantle the command center (Phase I) within a certain time limit, and a fine of not more than the cost of the command center (Phase I) may be imposed concurrently, being RMB9.2 million. SGLD is currently communicating with the relevant authorities about the application process of the relevant permits and preparing the required application documents, and it is expected that SGLD will apply for the aforesaid permits, an examination at completion and the house ownership certificate for the command center (Phase I) before the end of 2010.

Our PRC legal advisor, Jingtian & Gongcheng, is of the view that there is no material legal impediment for our Group to obtain the relevant certificates and permits once we apply in accordance with applicable laws and procedures. Based on the availability of rectification action and the lack of legal impediment, we are of the view that the above non-compliance will not have a material impact on our operations or finances.

Further, as the Shenyang JV has not obtained land use right certificates for its golf club and administration center because the government authorities slowed down the approval of the relevant applications due to personnel changes, land use permits, construction project planning permits, permits for commencement of construction work and house ownership certificates were not obtained for the golf club and administration center and the golf course and administration center had not undergone acceptance examinations at completion. The golf club has been confiscated for the reasons stated in the section headed “Risk Factors – Our business operations are subject to extensive government regulation”. According to the relevant laws and regulations, Shenyang JV may be ordered to dismantle the administration center within a certain time limit, and a fine of not more than the cost of the administration center may be imposed concurrently, being RMB9.7 million. As of the Latest Practicable Date, Shenyang JV had paid the land premium for the land occupied by the administration center, and it is currently communicating with the relevant authorities about the application process of the relevant permits and preparing the required documents, and it is expected that we will apply for a land use right certificate, the aforesaid permits, an examination at completion and the house ownership certificate for the administration center before the end of 2010. Our PRC legal advisor, Jingtian & Gongcheng, is of the view that there is no material legal impediment for our Group to obtain the relevant certificates and permits once application has been made in accordance with applicable laws and procedures. For the legal and financial implications of the non-compliance in relation to the golf club, please refer to the paragraph headed “Risk Factors – Our business operations are subject to extensive government regulation”. Based on the availability of rectification action and the lack of legal impediment, we are of the view that the above non-compliance in relation to the administration center will not have a material impact on our operations or finances.

No registration for leased commercial properties

Due to the rapid expansion of the operations of our commercial properties, we were unable to register all lease agreements for our commercial properties. SGLD and Wuxi JV have executed more than 100 lease agreements in respect of commercial properties and most of them have not been registered in accordance with relevant PRC laws and regulations. However, we have been advised by our PRC legal advisor, Jingtian & Gongcheng, that the failure to register a lease agreement does not affect the legality and validity of such lease agreements, nor would we be subject to any penalty under PRC laws and regulations.

Reasons for breaches and measures taken by us

As disclosed in the paragraph headed “Risk Factors – The PRC legal system is still maturing and the interpretation and application of PRC laws and regulations involves uncertainty”, a certain degree of uncertainty exists in connection with the application of existing laws and regulations to certain events or circumstances. In particular, policies are often promulgated by different levels of the PRC government, with varying laws, regulations, circulars, directives, government orders and implementation rules, as a result of which certain inconsistencies may exist between the interpretation and implementation of such laws and regulations by different levels of PRC government. Given the status of our JV partners as local government affiliates and our collaboration with them, we have, at different points of time in the past, consulted with local governmental authorities on compliance issues and acted upon their views, but due to the abovementioned uncertainties and complexities and upon scrutiny by our PRC legal advisor, Jingtian & Gongcheng, we have found instances where the relevant PRC laws and regulations were not strictly complied with.

In order to ensure compliance with relevant laws and regulations in the PRC, training on PRC laws and regulations have been provided by our PRC legal advisor, Jingtian & Gongcheng on August 12, 2010 to our Directors, our legal department staff and the management of our project companies. The content of training includes: 1) the approval and registration procedures of foreign invested enterprises; 2) permits, licenses and approvals required for our Group’s operations; 3) laws and regulations relating to new town development and property development: planning, grant of land use rights, resettlement, development, construction and completion of a property project; 4) environmental protection requirements; 5) appointment of directors; 6) lease and rent of properties; and 7) management of material agreements.

Moreover, a compliance checklist in relation to the laws and regulations covered in the above training is being developed by our PRC legal advisor, Jingtian & Gongcheng, whereby it is expected that the management of project companies will be required to complete the compliance checklist and submit such checklist semi-annually to our Directors so as to ensure compliance at the project company level. Regular PRC legal training will be provided by our PRC legal advisor, Jingtian & Gongcheng, semi-annually to our Directors and our Group’s employees after Listing to update their knowledge on new laws and regulations. Jingtian & Gongcheng is engaged on a retainer basis as our PRC legal advisor to provide legal advice to our Company as and when necessary.

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Our Directors and the Sponsor are of the view that the above measures would improve our staff's awareness of relevant laws and regulations, increase accountability and provide adequate assistance to our Group to reduce the risk of non-compliance of laws and regulations after Listing.

In light of 1) the non-intentional nature of the non-compliance incidents; 2) the steps taken by us in improving our management's and staff members' awareness of compliance issues through the provision of regular training; 3) the implementation of a compliance framework through the development of a compliance checklist; and 4) the engagement of PRC legal counsel to provide legal advice on a retainer basis, and combined with the depth of experience of our management team and in particular, our chairman and vice-chairman, who have over 20 and 16 years' experience in property development, including approximately eight years' experience in the new town development industry in the PRC, we are of the view that our Directors and senior management have sufficient experience and knowledge in our Group's business and operations so as to procure our compliance with laws and regulations on a continuous basis, and to discharge their duties under the relevant provisions of the Listing Rules.

RELATIONSHIP WITH SRE

RELATIONSHIP WITH SRE

The ultimate parent of our Group, SRE, is a limited company incorporated in Bermuda which shares are listed on the Main Board of the Stock Exchange (Stock Code: 1207). Sinopower, a wholly-owned subsidiary of SRE and the immediate holding company of our Company, was interested in approximately 61.54% of the issued Shares as at the Latest Practicable Date. Such 61.54% interest comprises approximately 50.04% of the total number of issued Shares held directly by Sinopower, approximately 9.5% of the total number of issued Shares lent to J.P. Morgan Securities pursuant to the Stock Borrowing and Lending Agreement and approximately 2% of the total number of issued Shares deemed acquired by Sinopower pursuant to the Sale and Repurchase Agreement.

The SRE Group is an integrated property developer and is primarily engaged in the development and sale of residential and commercial properties in Shanghai, Shenyang and Haikou, the PRC with a focus on middle to high-end residential properties.

As at the Latest Practicable Date, SRE was owned as to approximately 34.64% by SREI, a company incorporated in the BVI. Mr. Shi Jian, the executive chairman of our Company and his spouse owned in aggregate 63% of the issued share capital of SREI whereas Mr. Li Yao Min, an executive Director, and Mr. Yue Wai Leung Stan, a non-independent non-executive Director, respectively owned 5% and 2% of the issued share capital of SREI.

Management Independence

Our Board comprises 12 Directors, of which 7 are executive Directors, 1 is a non-independent non-executive Director and 4 are independent non-executive Directors. Mr. Shi Jian and Mr. Li Yao Min, being executive Directors and Mr. Yue Wai Leung Stan, being a non-independent non-executive Director, are also executive directors of SRE. Pursuant to their respective service agreements, both Mr. Shi and Mr. Li will each devote about 50% of his time and attention to the affairs of our Company even though they hold concurrent executive directorships in SRE. As a non-independent non-executive Director, Mr. Yue is not involved in the day-to-day management of our Company. However, pursuant to his letter of appointment, Mr. Yue attends regular Board meetings and votes in respect of resolutions proposed thereat. Accordingly, the time and attention devoted by Mr. Yue to the affairs of our Company is substantially less than that devoted to the affairs of SRE, where he is an executive director. Other than Mr. Shi, Mr. Li and Mr. Yue, none of the remaining Directors hold senior management positions in SRE.

Our 4 independent non-executive Directors provide checks and balances over the Board's decision-making on significant transactions. The audit committee of the Board, which comprises solely of 3 independent non-executive Directors, are responsible for reviewing potential conflicts of interest (if any) as well as reviewing interested persons transactions (if any) falling within the scope of Chapter 9 of the Listing Manual and connected transactions (if any) falling within the scope of Chapter 14A of the Listing Rules. Such committee is also responsible for reviewing and approving the financial reporting process and internal control systems of our Group.

RELATIONSHIP WITH SRE

Other than the audit committee, we have also established a remuneration committee to ensure that Directors and senior management are properly remunerated without being over-compensated as well as to review the remuneration of employees related to our Directors and substantial Shareholders to ensure that their remuneration packages are in line with staff remuneration guidelines. We also have a nominating committee which is responsible for ensuring that only persons with capability and relevant experience are appointed as Directors and to assess the independence of our Directors on an annual basis.

Despite the common directorships between our Company and SRE, we have been functioning independently from SRE since we first listed on the SGX-ST on November 14, 2007. We have a separate management team and separate functional departments including accounting, administration, human resources and company secretarial departments from that of SRE, and all essential administration and daily operations of our Group had been and will continue to be independently carried out by our Group without any support from Sinopower and/or SRE.

In light of the above, our Directors consider that we are capable of managing our business and operations independently from the SRE Group and we do not need to rely on any management support from Sinopower, SRE and/or the SRE Group.

Business delineation

Although our Group and the SRE Group each owns a hotel in Shanghai, the PRC, these two hotels do not compete with each other. Crowne Plaza Lake Malaren Shanghai hotel, the hotel owned by our Group, is a golf resort hotel located in the Baoshan district, a northern suburb of Shanghai. The revenue of our Group attributable to its hotel operations for the three years ended December 31, 2007, 2008 and 2009 and the six months ended June 30, 2010 was approximately RMB32,265,000, RMB32,194,000, RMB29,744,000 and RMB24,399,000 respectively, representing approximately 8.9%, 5.7%, 2.7% and 13.8% of our Group's total revenue for the relevant periods respectively. The loss incurred by our Group attributable to its hotel operations for the three years ended December 31, 2007, 2008 and 2009 was approximately RMB51,087,000, RMB185,875,000 and RMB45,829,000 respectively, representing approximately 17.6% and 16.4% of our Group's losses for the two years ended December 31, 2007 and 2008 respectively and 13.4% of our Group's profit for the year ended December 31, 2009. The loss of our Group attributable to its hotel operations for the six months ended June 30, 2010 was approximately RMB18,655,000, representing approximately 14.4% of our Group's loss for the relevant period. Shanghai Skyway Pullman Hotel, the hotel owned by the SRE Group is a business hotel located in Luwan District, which is in the city center of Shanghai near to the Xujiahui Business District. Since these two hotels are essentially of different nature and cater for different categories of customers, and as hotel business is neither the principal business of our Group nor that of the SRE Group, our Directors do not consider that the ownership of the said hotels constitute any competing business between our Group and the SRE Group.

RELATIONSHIP WITH SRE

Our Group has a clear business focus, distinct from that of the SRE Group. Our Group is principally engaged in the business of the planning and development of large-scale new town projects in the suburban areas of Shanghai, Wuxi and Shenyang whereas the SRE Group is principally engaged in the business of the development and sale of residential and commercial properties in Shanghai, Shenyang and Haikou, the PRC, with a specific focus on the mid-range to high-end residential properties. The SRE Group is currently not involved in the business of the development of new towns other than through Sinopower's shareholding interest in us. As far as our Directors are aware, SRE is not actively sourcing for investments and is currently not contemplating to be involved in the development of any new towns in the PRC. As at the Latest Practicable Date, neither SRE nor any member of the SRE Group carried on any business that competed with that of our Group.

Operational independence

We do not rely on the SRE Group to establish or maintain our business relationship with new or existing customers or suppliers. We liaise and negotiate the terms of our new town projects directly with the relevant local government and negotiate and enter into contracts with our suppliers independently without the assistance or involvement of the SRE Group. Further, we have our own operations team and functional departments, all of which are independent of and separate from, and do not rely on, the SRE Group. Save for the common directorship between our Company and SRE as mentioned above, there is no overlapping in either the management or operations team of our Group and the SRE Group.

Financial independence

On September 9, 2009, our Company issued the CB3 to Sinopower, a wholly-owned subsidiary of SRE, to finance the repurchase of a total of RMB505,940,000 in principal amount of the Senior Notes ("Senior Notes Purchase"). Although the financing of the Senior Notes Purchase was by way of issue of the CB3 to Sinopower, our Directors do not consider our Company to be financially dependent on its Controlling Shareholders. The decision to finance the Senior Notes Purchase by issue of the CB3 was made after discussions with various potential investors, upon which our Company's management was of the view that under the then global market and economic conditions, financing the Senior Notes Purchase by way of issue of the CB3 to Sinopower offered more favorable terms to our Company than if our Company obtained funding by other means. On April 19, 2010, Sinopower had elected to fully convert the CB3 to 754,145,894 Shares.

During the Track Record Period, there were sums due from our Group to the SRE Group, which were all repaid within the Track Record Period. As at December 31, 2009, there was an amount of RMB47 million due from a non wholly-owned subsidiary of SRE to our Group, which amount was subsequently repaid to our Group in full on June 29, 2010. As at the Latest Practicable Date, there was neither any outstanding loan nor other non-trade payables between our Group and the SRE Group. Our Directors do not expect our Group to be financially dependent on Sinopower, SRE and/or the SRE Group after the Listing and are of the view that we are able to maintain financial independence from Sinopower, SRE and the SRE Group.

RELATIONSHIP WITH SRE

MEASURES TO MITIGATE POTENTIAL CONFLICTS OF INTEREST

Notwithstanding that the SRE Group does not carry on any business that competes with our Group, in light of the common directorships between us and SRE, we had taken the measures set out below since November 2007 to safeguard our interests in the event any conflict of interest between the SRE Group and our Group may arise.

To mitigate any potential conflict of interest between the SRE Group and our Group, Mr. Shi Jian has undertaken that so long as he maintains more than 5% interest (direct or deemed) in our Company and/or is a director of both SRE and our Company, he will:

- (i) disclose any situations of conflict between the SRE Group and our Group to the Board (to the extent that he is aware of such conflict) and abstain from voting or participating in the decision-making process in relation to those matters; and
- (ii) procure that SREI abstain from voting on any resolutions requiring SRE's shareholders' approval relating to transactions between the SRE Group and our Group.

In addition, Mr. Li Yao Min has also undertaken that so long as he is a director of both SRE and our Company, he will disclose any situations of conflict between the SRE Group and our Group to the Board (to the extent that he is aware of such conflict) and abstain from voting or participating in the decision-making process in relation to those matters.

In addition, Mr. Yue Wai Leung Stan has also undertaken with our Company that so long as he is a director of both SRE and our Company, he will disclose any situations of conflict between the SRE Group and our Group to the Board (to the extent that he is aware of such conflict) and abstain from voting or participating in the decision-making process in relation to those matters.

As set out in the section headed "Directors, Senior Management and Staff – Directors" of this document, Ms. Gu Biya has over 19 years of experience in the real estate development industry and served as a director and the general manager of SGLD from 2002 to February 2007. She was appointed as a Director in November 2006 and was responsible for overseeing the development of the Wuxi Project. Following her re-appointment as a Director and chief operating officer in January 2010, she is now responsible for enhancing the operational effectiveness and efficiency of our Company. Mr. Mao Yiping joined our Group in November 2006 and has been responsible for overseeing the development of the Shenyang Project since April 1, 2007. Mr. Yang Yonggang joined our Group in April 2007 and is responsible for overseeing the legal affairs of our Group. Since these Directors have served in our Group for more than 3 years, they have sufficient experience to manage the business and operations of our Group. In relation to the knowledge and expertise of our Directors, Ms. Gu Biya had completed a program in relation to the financing and management of a real estate company whereas Ms. Song Yiqing is a qualified accountant. Some of our independent non-executive Directors hold professional qualifications such as being a qualified accountant, a qualified

RELATIONSHIP WITH SRE

company secretary or being members of the Institute of Bankers or the Singapore Institute of Directors and all our independent non-executive Directors have served as directors in other listed companies. To further ensure that our Directors have sufficient knowledge to discharge their duties as a Director, Mr. Yang Yonggang and Mr. Shi Janson Bing had attended training updates on the Listing Manual provided by the SGX-ST; whereas Ms. Song Yiqing and Mr. Henry Tan Song Kok had attended training updates on developments on the IFRS organized by various international accounting firms. Therefore, notwithstanding that Mr. Shi, Mr. Li and Mr. Yue shall abstain from voting at or participating in the board meetings in respect of transactions with the SRE Group where conflicting interest may arise, the remaining Directors will still have sufficient experience and knowledge to ensure proper functioning of the Board.

In the event that both our Group and the SRE Group engage in the same business and/or compete with each other for the same project, the following procedures will be adopted:

- (a) the nominating committee of our Board will review and assess the appropriateness of Mr. Shi remaining as the executive chairman and Mr. Li remaining as the chief executive officer and co-vice chairman of our Company and make their recommendations to our Board accordingly;
- (b) should the nominating committee of our Board deem it appropriate that Mr. Shi will continue to remain as the executive chairman and Mr. Li as the chief executive officer and co-vice chairman of our Company, our Board will consider how to address and resolve the conflicts of interest which have arisen; and
- (c) any proposals from our Board will be endorsed and approved by the audit committee of our Board before it is implemented.

CONNECTED TRANSACTION BETWEEN OUR GROUP AND THE SRE GROUP

Particulars of a continuing connected transaction between a member of our Group and a member of the SRE Group is set out in the section headed “Connected Transaction” of this document.

UNDERTAKINGS FROM SRE AND SINOPOWER

Subject to the waiver from strict compliance with Rule 10.07(1) of the Listing Rules granted by the Stock Exchange (particulars of which are set out in the section headed “Waivers from Strict Compliance with the Listing Rules – Share Disposal Restriction Waiver” of this document), SRE had in connection with Rule 10.07(1) of the Listing Rules, undertaken to the Stock Exchange and our Company that it shall not:

- (i) during the period commencing on the date of this document and ending on the date which is six months from the Listing Date (the “**First Six-Month Period**”) dispose of, or enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of our Shares in respect of which SRE is shown in this document to be the beneficial owner; and

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- (ii) during the period of six months commencing from the expiry of the First Six-Month Period (the “**Second Six-Month Period**”) dispose of, or enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of our Shares referred to in paragraph (i) above if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, SRE would cease to be regarded a Controlling Shareholder.

Subject to the waiver from strict compliance with Rule 10.07(1) of the Listing Rules granted by the Stock Exchange (particulars of which are set out in the section headed “Waivers from Strict Compliance with the Listing Rules – Share Disposal Restriction Waiver” of this document), Sinopower had in connection with Rule 10.07(1) of the Listing Rules, undertaken to the Stock Exchange and our Company that it shall not:

- (i) save for the disposal of Shares to the Bridging Dealer pursuant to the Stock Borrowing and Lending Agreement and the Sale and Repurchase Agreement or as a result of a deemed disposal of Shares by Sinopower upon any issue of securities by our Company within six months from the Listing Date, during the First Six-Month Period, dispose of, or enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of our Shares in respect of which Sinopower is shown by this document to be the beneficial owner; and
- (ii) during the Second Six-Month Period, dispose of, or enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of our Shares referred to in paragraph (i) above if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, Sinopower would cease to be regarded a Controlling Shareholder.

Each of SRE and Sinopower has also undertaken to the Stock Exchange and our Company that, for the period commencing on the date of the Listing Document and ending on the date which is twelve months from the Listing Date, it shall:

- (i) when it pledges or charges any of the securities of our Company beneficially owned by us in favor of an authorized institution pursuant to Note (2) to Rule 10.07(2) of the Listing Rules, immediately inform our Company in writing of such pledge or charge together with the number of securities so pledged or charged; and
- (ii) when 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 in writing of such indications.

Our Company will inform the Stock Exchange as soon as it has been informed of the matters above (if any) and disclose such matters by way of announcement.

CONNECTED TRANSACTION

Continuing connected transaction exempt from independent shareholders' approval requirement

Our Group had entered into the following transaction which is expected to continue after the Listing and which will constitute a non-exempt continuing connected transaction of our Group under the Listing Rules which is subject to the reporting, annual review and announcement requirements but is exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

Provision of property management services by Shanghai Lake Malaren Property Management to SGLD

Shanghai Lake Malaren Property Management, a subsidiary of SRE, has since 2005 been providing property management services in respect of the Luodian New Town to SGLD, which is our subsidiary. Historically, the management fees charged by Shanghai Lake Malaren Property Management up to February 2010 only covered the wages of staff seconded to provide management services to SGLD, while other management expenses (such as those for maintenance of greenery and cleaning of rivers and drainage) were directly borne by SGLD. The amounts paid by SGLD to Shanghai Lake Malaren Property Management in respect of such property management transactions for the three years ended December 31, 2007, 2008 and 2009 and the two months ended February 28, 2010 were RMB2.98 million, RMB3.80 million, RMB4.32 million and RMB1.2 million respectively. The amounts of other management expenses referred to above for the three years ended December 31, 2007, 2008 and 2009 and the two months ended February 28, 2010 which were directly borne by SGLD were approximately RMB2.1 million, RMB2.3 million, RMB2.7 million and RMB0.5 million respectively.

On July 7, 2010, SGLD and Shanghai Lake Malaren Property Management entered into the Property Management Agreement pursuant to which Shanghai Lake Malaren Property Management agreed to continue to provide property management services to SGLD in respect of the Luodian New Town for a term from July 1, 2010 to December 31, 2012 at a fixed management fee of RMB869,373.90 per month, out of which Shanghai Lake Malaren Property Management shall be responsible for payment of the wages of management staff and their social insurance and statutory benefits, and other management expenses including those for daily operations and maintenance of and insurance for the common areas and shared facilities of the Luodian New Town, cleaning and sanitation, maintenance of greenery and social order of the new town, administration and relevant taxes. The management fee was determined with reference to the costs to be incurred by Shanghai Lake Malaren Property Management for managing the Luodian New Town. This payment arrangement with Shanghai Lake Malaren Property Management started in March 2010. For the period from March 1, 2010 (being the date of commencement of such payment arrangement) to June 30, 2010, the management fees incurred by SGLD and payable to Shanghai Lake Malaren Property Management were RMB3.5 million. Under the Property Management Agreement, SGLD provides premises with a GFA of 132.1 sq.m. to Shanghai Lake Malaren Property Management for use as property management office free of charge. It is expected that the management fee payable by SGLD to Shanghai

CONNECTED TRANSACTION

Lake Malaren Property for the three years ending December 31, 2010, 2011 and 2012 will not exceed RMB9.9 million, RMB10.5 million, and RMB10.5 million respectively (the “Annual Cap Amount(s)”). The Annual Cap Amount for the year ending December 31, 2010 was arrived at based on the management fees charged by Shanghai Lake Malaren Property Management on SGLD for the period from January 1, 2010 to June 30, 2010 and the management fee payable by SGLD under the Property Management Agreement for the period from July 1, 2010 to December 31, 2010, and the Annual Cap Amounts for the two years ending December 31, 2011 and 2012 were arrived at based on the management fee payable by SGLD under the Property Management Agreement for these two years.

Shanghai Lake Malaren Property Management was previously our subsidiary until the transfer of its entire equity interest to Shanghai Good Property Management, a subsidiary of SRE. In 2007 and 2009, Shanghai Lake Malaren Property Management incurred a loss of approximately RMB0.2 million and approximately RMB0.4 million respectively, while a profit of approximately RMB0.04 million was recorded for 2008. The net asset value of Shanghai Lake Malaren Property Management as at December 31, 2007, 2008 and 2009 were approximately RMB3.7 million, RMB3.7 million and RMB3.3 million, respectively. Pursuant to an agreement dated March 26, 2010 entered into between SGLD, SLMGC and Shanghai Good Property Management, SGLD and SLMGC agreed to sell their respective 52% and 48% equity interest in Shanghai Lake Malaren Property Management for an aggregate consideration of RMB3.04 million, which was based on the net asset value of Shanghai Lake Malaren Property Management as at March 28, 2010. All legal formalities in relation to the transfer were completed in June 2010.

Shanghai Good Property Management is a specialized property management company in Shanghai with over ten years’ experience in property management. Shanghai Good Property Management obtained the ISO9001 Certificate of Conformity Quality Management System Certification and ISO14001 Environment Management System Certificate in 2004. In addition, in 2007, Shanghai Good Property Management also obtained the Grade I qualification of Property Management Enterprises as examined and approved by the Ministry of Construction of the PRC. It is reasonable to expect that Shanghai Lake Malaren Property Management being under the control of and guidance by Shanghai Good Property Management will facilitate the enhancement of the quality of services of Shanghai Lake Malaren Property Management for the overall management of the new town and properties owned by SGLD in the Luodian Project.

Our Directors (including the independent non-executive Directors) considered that the Property Management Transaction has been and will continue to be conducted in the ordinary and usual course of business of our Group, on arm’s length basis and on normal commercial terms or on terms no less favorable than those available to independent third party customers of Shanghai Good Property Management that are fair and reasonable and in the interests of our Group and our Shareholders as a whole, and both the terms of the Property Management Transaction and the Annual Cap Amounts as set out above are fair and reasonable.

As Shanghai Lake Malaren Property Management is a subsidiary of SRE, which in turn is our substantial Shareholder, Shanghai Lake Malaren Property Management falls within the definition of a connected person of our Company within the meaning of the Listing Rules.

CONNECTED TRANSACTION

Since the Property Management Transaction is expected to continue after the Listing, it will constitute a continuing connected transaction of our Company under Chapter 14A of the Listing Rules upon the Listing. As the relevant percentage ratios calculated in accordance with Rule 14.07 of the Listing Rules in respect of the Annual Cap Amounts exceed 0.1% but are less than 5%, the Property Management Transaction is only subject to the reporting, annual review and announcement requirements but is exempt from the independent shareholders' approval requirements under Chapter 14A of the Listing Rules pursuant to Rule 14A.34 of the Listing Rules.

Our Directors (including the independent non-executive Directors) considered that disclosure of the Property Management Transaction by way of announcement upon Listing in full compliance with the Listing Rules would add unnecessary administrative costs to us given the disclosure that has been made in this document. They also consider that inclusion of particulars of the Property Management Transaction in this document should constitute sufficient disclosure to our Shareholders and investors and should achieve the same purpose as the disclosure requirements under Chapter 14A of the Listing Rules aim to achieve. We have therefore applied for, and the Stock Exchange has granted, a waiver from strict compliance with the announcement requirement under Chapter 14A of the Listing Rules in respect of the Property Management Transaction for the three financial years ending December 31, 2010, 2011 and 2012. For the Property Management Transaction:

- (i) the relevant management fees payable by our Group in respect of the Property Management Transaction for each of the three financial years ending December 31, 2010, 2011 and 2012 shall not exceed the corresponding Annual Cap Amount; and
- (ii) our Company shall comply with the annual review requirements under Rule 14A.37 and 14A.38 of the Listing Rules and the reporting requirements under Rule 14A.45 of the Listing Rules in respect of the Property Management Transaction for each of the three financial years ending December 31, 2010, 2011 and 2012.

Confirmation from the Sponsor

The Sponsor considers that:

- (i) the above continuing connected transaction has been entered in the ordinary and usual course of business of our Group on normal commercial terms that are fair and reasonable and in the interest of our Shareholders as a whole; and
- (ii) the Annual Cap Amounts set for the above continuing connected transaction are fair and reasonable.

DIRECTORS, SENIOR MANAGEMENT AND STAFF

DIRECTORS

Our Board currently consists of 12 Directors, comprising 7 executive Directors, 1 non-independent non-executive Director and 4 independent non-executive Directors.

The following table sets out certain information relating to our Directors:

Name	Age	Position(s)	Date of commencement of directorship
Mr. Shi Jian	56	Executive Director, chairman of the Board and authorized representative	January 11, 2007
Mr. Li Yao Min	60	Executive Director, chief executive officer, co-vice chairman and authorized representative	January 11, 2007
Ms. Gu Biya	52	Executive Director and chief operating officer	January 7, 2010
Ms. Song Yiqing	30	Executive Director and chief financial officer	April 30, 2010
Mr. Mao Yiping	41	Executive Director	November 30, 2006
Mr. Yang Yonggang	57	Executive Director	June 3, 2009
Mr. Shi Janson Bing	27	Executive Director	December 12, 2007
Mr. Yue Wai Leung Stan	50	Non-independent non-executive Director and co-vice chairman	September 30, 2006
Mr. Henry Tan Song Kok	46	Independent non-executive Director	September 25, 2007
Mr. Loh Weng Whye	64	Independent non-executive Director	September 25, 2007
Mr. Kong Siu Chee	64	Independent non-executive Director	November 30, 2006
Mr. Lam Bing Lun Philip	67	Independent non-executive Director	November 30, 2006

DIRECTORS, SENIOR MANAGEMENT AND STAFF

Executive Directors

Mr. Shi Jian

Mr. Shi Jian, aged 56, is the founder of our Company. He was born in the PRC and has lived in Hong Kong for over 10 years. He was appointed to our Board on January 11, 2007 and has been the executive chairman of our Company since April 1, 2007.

Mr. Shi is responsible for the development of our corporate strategies. He is involved in assessing the businesses in which our Company is involved and reassesses each strategy regularly to determine whether it has succeeded or needs replacement by a new strategy to meet changed circumstances. He also provides guidance to the chief executive officer of our Company in developing plans to achieve each strategy. In addition, Mr. Shi is responsible for developing and maintaining good working relationships with government authorities and joint venture partners. He also sits on the boards of various companies within our Group.

Mr. Shi served in the People's Liberation Army from 1970 to 1986, the highest rank attained being colonel. From 1993 to 1995, he was the general manager of the Universal Mansion project in Shanghai from which he obtained substantial experience in the development of commercial property. He has more than 20 years' experience in business management and the property development industry, including over eight years' experience in new town development in the PRC.

Mr. Shi is also a founder and is concurrently the executive chairman of SRE. He is the father of Mr. Shi Janson Bing, an executive Director. In view of his shareholding in SREI, Mr. Shi is our largest Shareholder at the natural person level.

Mr. Li Yao Min

Mr. Li Yao Min, aged 60, was appointed to our Board on January 11, 2007 and has been the executive vice chairman of our Company since April 1, 2007. Mr. Li was previously appointed as co-vice chairman on December 1, 2008 and has subsequently been re-designated as chief executive officer and co-vice chairman since January 7, 2010.

Mr. Li is responsible for identifying investment opportunities to meet our strategies. He is also responsible for making high-level initial assessments of the investment opportunities and their potential returns and developing working relationships with government authorities and joint venture partners. He also sits on the boards of various companies within our Group.

DIRECTORS, SENIOR MANAGEMENT AND STAFF

From 1992 to 1993, he was attached to Shanghai Golden World Commercial Building Co., Ltd. as a general manager, responsible for the overall management and development of commercial property. He has over 16 years of experience in business management and the property development industry, including over eight years' experience in new town development in PRC.

Mr. Li is one of the founders and is concurrently the executive vice chairman of SRE.

Ms. Gu Biya

Ms. Gu Biya, aged 52, joined our Group in November 2006 and was previously appointed to our Board on November 30, 2006. She was responsible for overseeing the development of the Wuxi Project. On June 1, 2009, Ms. Gu resigned from our Board as she had a surgical operation but was appointed as executive Director and chief operating officer on January 7, 2010 upon recovery. She is now responsible for enhancing the operational effectiveness and efficiency of our Company. She also sits on the boards of various companies within our Group.

Ms. Gu obtained a bachelor's degree in economics and management from the Central Party School in June 1992 and obtained an International Real Estate Advanced Leadership Program Certificate upon completion of a course relating to the financing and management of a real estate company jointly organized by the Harvard University's Graduate School of Design, the graduate school of design of the Harvard University, and the Tsinghua University for real estate professionals in China in March 2005. She was a member of the Shanghai City, Baoshan District Chinese People's Political Consultative Conference National Committee from October 2004 until the change of office bearers of the committee in 2008. She was awarded the 2005 China Construction Industry Top 100 Managers Award in October 2005 from China Management Science Research Institute, China Architectural Culture Center and China Construction Newspaper.

Based on the records from Shanghai Changning District Human Resources Service Center, Ms. Gu has over 19 years of management experience in the real estate industry. She has joined the SRE group since 1997. In 2002, she was appointed as a director and the general manager of SGLD and was responsible for the operations of the company until February 2007. As at the Latest Practicable Date, Ms. Gu did not hold any position in the SRE Group.

Ms. Song Yiqing

Ms. Song Yiqing, aged 30, joined our Group as chief financial officer since March 8, 2010 and was appointed as executive Director on April 30, 2010. She is in charge of financial planning and investment management as well as investor relations affairs for our Group. She also sits on the boards of various companies within our Group.

Ms. Song obtained a master's degree of business administration from the Wharton Business School of the University of Pennsylvania in May 2007, a master's degree in accounting from The College of William and Mary in Virginia in December 2002 and a

DIRECTORS, SENIOR MANAGEMENT AND STAFF

bachelor's degree of arts in international trade and English from the Shanghai Institute of Foreign Trade in July 2000. She is a member of the American Institute of Certified Public Accountants. She has seven years of experience in international accounting, global investment banking and global strategy consulting. She provided professional financial consultancy and other advisory services to different global industry sectors.

Mr. Mao Yiping

Mr. Mao Yiping, aged 41, joined the SRE Group in 1993. He subsequently joined our Group in November 2006 and was appointed as an executive Director on November 30, 2006. He has been the general manager for the Shenyang Project since April 1, 2007 and is responsible for overseeing the development of the Shenyang Project. He also sits on the boards of various companies within our Group.

Mr. Mao obtained a bachelor's degree in mechanical engineering from the Shanghai Jiao Tong University in July 1991 and a master's degree in business administration from the City University of Hong Kong in November 2003.

Mr. Yang Yonggang

Mr. Yang Yonggang, aged 57, joined our Group as a vice president since April 2007 and was appointed as executive Director on June 3, 2009. He is responsible for overseeing the legal affairs of our Group. He also sits on the boards of various companies within our Group.

Mr. Yang obtained a bachelor's degree in philosophy from the Xinan Jiaotong University in China in July 1982. He joined the Shanghai Tiedao University in China and became assistant professor in 1993. He later joined SRE in January 2001 as head of administration and was responsible for investment and legal matters. As at the Latest Practicable Date, Mr. Yang did not hold any position in the SRE Group.

Mr. Shi Janson Bing

Mr. Shi Janson Bing, aged 27, joined our Group in December 2007 and was appointed as an executive Director on December 12, 2007. He is responsible for project development and plays a significant role in the negotiation process for new projects and joint ventures, as well as the development of the same. Mr. Shi graduated from the University of Southern California and obtained a bachelor's degree in accounting in May 2007. He sits on the boards of various companies within our Group and has been the chairman of Shanghai Lake Malaren Hotel Management since the beginning of 2009. He is the son of Mr. Shi Jian, our executive chairman.

DIRECTORS, SENIOR MANAGEMENT AND STAFF

Non-independent Non-executive Director

Mr. Yue Wai Leung Stan

Mr. Yue Wai Leung Stan, aged 50, joined our Group as an executive Director on September 30, 2006 and served as chief executive officer from April 2007 to November 2008. Mr. Yue was re-designated as co-vice chairman on December 1, 2008 and non-independent non-executive Director on June 3, 2009. Mr. Yue is responsible for assisting the chairman in formulating corporate strategies and providing guidance to our Company in the implementation of corporate strategies and business management. He also sits on the boards of various companies within our Group.

Mr. Yue obtained a bachelor's degree in administration studies from the York University in Toronto, Canada in June 1984. He is a member of the American Institute of Certified Public Accountants and the Hong Kong Institute of Certified Public Accountants.

Mr. Yue has over 20 years of experience in the finance and administration sectors in both private and public companies in Hong Kong and the PRC. He also served with international accounting firms in Hong Kong, the PRC and the United States. He was the managing director of Genesis Capital Consulting & Management Limited, where he was in charge of business development. From May 2004 to April 2007, he held the position of chief financial officer at SRE. He has been appointed as co-chief executive officer of SRE since June 3, 2009 and is responsible for the corporate finance function.

Independent non-executive Directors

Mr. Henry Tan Song Kok

Mr. Henry Tan Song Kok, aged 46, was appointed to our Board on September 25, 2007. He is also the chairman of the audit committee of our Company and a member of the remuneration committee and the investment committee of our Company.

Mr. Tan obtained a bachelor's degree in accountancy with first class honors from the National University of Singapore in June 1988. He is a fellow of the Institute of Certified Public Accountants of Singapore, a member of the Institute of Chartered Accountants in Australia, the Institute of Internal Auditors (Singapore Chapter) and the Singapore Institute of Directors.

Mr. Tan is currently the managing director of Nexia TS Public Accounting Corporation and the chairman of Nexia China. He is also the Asia Pacific regional chairman and a board member of Nexia International. He also sits on the board of Ascendas Fund Management (S) Limited, which is the manager of Ascendas REIT, a fund listed on the SGX-ST. He served as president of Spirit of Enterprise from October 2006 to October 2008, a charity organization. Mr. Tan sits on the Financial Reporting Committee of the Institute of Certified Public Accountants in Singapore and was a member of the Complaints and Disciplinary Panel of the Accounting and Corporate Regulatory Authority in Singapore until May 16, 2010 when his term of office ended.

DIRECTORS, SENIOR MANAGEMENT AND STAFF

Mr. Tan also sits on the boards of Chosen Holdings Limited, Raffles Education Corporation Limited, YHI International Limited and Pertama Holdings Limited, all being companies listed on the SGX-ST.

Mr. Loh Weng Whye

Mr. Loh Weng Whye, aged 64, was appointed to our Board on September 25, 2007. He is also the chairman of the nominating committee and a member of the audit committee, the remuneration committee and the investment committee.

Mr. Loh obtained a bachelor's degree in engineering and a master of science in industrial engineering, both from the University of Singapore in June 1970 and May 1979, respectively. He is a Professional Engineer (Singapore), a Member of the Singapore Institute of Directors (MSID) and was elected a Fellow of the Institution of Engineers, Singapore (FIES) in 1995.

He is a veteran in infrastructure development and energy industries in Singapore and the region, with four decades of experience at senior appointments with the civil service, government-linked companies and the private sector. While with the Public Utilities Board of Singapore, he headed the division responsible for the management and commissioning of power station projects worth more than S\$3 billion. He was also the founding General Manager (Projects) of Tuas Power Ltd. Mr. Loh was formerly President of ST Energy Pte Ltd. and SembCorp Energy Pte Ltd. He was appointed Advisor to Green Dot Capital Pte Ltd., an investment and holding company under Temasek Holdings (Pte) Ltd. He was also the Senior Advisor to YTL Power International Berhad in the recent S\$3.8 billion acquisition of PowerSeraya Ltd.

Currently, Mr. Loh sits on the boards of several Singapore and overseas corporations, including several companies listed on the main-board of SGX-ST, namely our Company, Leeden Limited and BH Global Marine Limited. He is Senior Advisor to OTM21 (S) Pte Ltd., a company in the waste-to-energy industry. He also serves as an advisor or a director in public organizations and charity bodies. He was on the mechanical and production engineering advisory/consultative committees of the National University of Singapore and the Nanyang Technological University for eight years respectively, and was appointed as the examiner (mechanical) of the Singapore Professional Engineers Board for over ten years.

Mr. Kong Siu Chee

Mr. Kong Siu Chee, aged 64, was appointed to our Board on November 30, 2006. He is also the chairman of the remuneration committee and a member of the nominating committee and the investment committee.

Mr. Kong obtained a bachelor's degree in arts from HKU in November 1969 and a master degree in business administration from the Chinese University of Hong Kong in December 1980. He is an associate of The Chartered Institute of Bankers in the United Kingdom.

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Mr. Kong began his career in 1969 with Standard Chartered Bank, where he served in various managerial positions for 24 years. In 1993, he pursued his new business interest in the telecommunications sector and was a director of Champion Technology Holdings Limited from 1993 to 1994 and a director of Kantone U.K. Ltd. from 1994 to 1996. Between 1999 and 2005, he served as a director, executive vice president and alternate chief executive officer of CITIC Ka Wah Bank Limited, and was also a director and the managing director of CITIC International Financial Holdings Limited from 2002 to 2005.

Mr. Lam Bing Lun Philip

Mr. Lam Bing Lun Philip, aged 67, was appointed to our Board on November 30, 2006. He is also the chairman of the investment committee and a member of the audit committee, the nominating committee and the remuneration committee.

Mr. Lam obtained a diploma in management studies from the Hong Kong Polytechnic (now known as the Hong Kong Polytechnic University) in July 1974. Mr. Lam is active in community affairs and has served as a member on the board of review of the Hong Kong Inland Revenue Department for three years. He is a fellow of The Chartered Institute of Management Accountants (U.K.), an associate of The Certified Management Accountants (Canada), The Institute of Chartered Secretaries and Administrators, The Chartered Institute of Bankers and the Hong Kong Institute of Certified Public Accountants. He is also a member of the Establishment and Finance Committee of the Prince Philip Dental Hospital in Hong Kong.

Mr. Lam began his career in 1963 with Hang Seng Bank Limited. Mr. Lam first joined HKU in 1975 and has served as the Director of Finance since 1990. In this role, he is responsible for overseeing and managing HKU's overall financial affairs. He also spent three years in Canada from 1982 to 1985, where he served as the chief accountant and comptroller in the Overseas Bank Canada.

Mr. Lam was also a director of Enterpriseasia Limited, a company formerly listed on the London Stock Exchange, since July 2001 up to January 2010 when the company was deregistered in the United Kingdom.

Directors' Remuneration

The remuneration of our Directors is determined with reference to the performance of our Group and each of our Directors as well as the pay and employment conditions within the same industry and in comparable companies, and also taking into account factors such as efforts, time commitment and responsibilities of Directors.

For the three years ended December 31, 2007, 2008 and 2009 and the six months ended June 30, 2010, the aggregate remuneration paid by our Company to the then Directors were approximately RMB15.16 million, RMB24.17 million, RMB20.99 million and RMB7.34 million respectively.

DIRECTORS, SENIOR MANAGEMENT AND STAFF

Under the arrangements currently in force and contemplated under the new service agreements entered into by our Company with each of Mr. Shi Jian, Mr. Li Yao Min, Ms. Gu Biya, Mr. Mao Yiping, Mr. Yang Yonggang, Mr. Shi Janson Bing and Ms. Song Yiqing and the new appointment letters entered into by our Company with Mr. Yue Wai Leung Stan, Mr. Henry Tan Song Kok, Mr. Loh Weng Whye, Mr. Kong Siu Chee and Mr. Lam Bing Lun Philip as mentioned above, it is expected that an aggregate sum of approximately HK\$11.72 million (excluding any discretionary performance bonus which may be paid to the executive Directors) will be paid by our Group to our Directors as remuneration in respect of the year ending December 31, 2010.

Depending on the performance of our Group, the executive Directors (and certain senior management of our Company) are collectively entitled to a discretionary performance bonus (the “Bonus”) in respect of each financial year of our Company, which, if granted, shall be calculated based on the audited consolidated net profit before tax less minority interests but before deducting the Bonus (“Group Net Profit”) for that financial year. The Bonus for the relevant financial year will be calculated based on our Group Net Profit as set out in the table below:

Group Net Profit	Percentage of Group Net Profit constituting the Bonus
The first RMB100 million	1%
The second RMB100 million	3%
The third RMB100 million	5%
The fourth RMB100 million	7%
The fifth RMB100 million	9%
The amount above RMB500 million	11%

The Bonus, if any, shall be payable in one lump sum no later than one month from the date of approval of the consolidated financial statements of our Group for that financial year. Distribution among the executive Directors (and certain senior management of our Company) is subject to the review and approval of the remuneration committee of the Board.

Due to market downturn, as from November 1, 2008, the remuneration of Mr. Shi Jian was reduced from HK\$1 million per annum to HK\$1.00 million per annum; the remuneration of Mr. Yue Wai Leung Stan, who was then an executive Director, was reduced from HK\$3 million per annum to HK\$2 million per annum; the remuneration of Mr. Cheng Wai Ho (who was then an executive Director and who resigned from directorship on February 2, 2010) was reduced from HK\$2.5 million per annum to HK\$1.5 million per annum; the remuneration of Mr. Li Yao Min was reduced from HK\$2 million per annum to HK\$1.5 million per annum and the remuneration of Mr. Shi Janson Bing was reduced from HK\$1 million per annum to HK\$800,000 per annum. The remuneration of Mr. Cheng Wai Ho was increased to HK\$2 million on July 1, 2009 and reinstated to HK\$2.5 million on October 1, 2009. Mr. Yue Wai Leung Stan was re-designated as a non-independent non-executive Director on June 3, 2009 and his remuneration was adjusted to HK\$240,000 per annum. Save as disclosed herein, there has been no arrangement under which a Director has waived or agreed to waive any emoluments for each of the three years ended December 31, 2007, 2008 and 2009.

DIRECTORS, SENIOR MANAGEMENT AND STAFF

Further Details of our Directors

Save as disclosed in this section headed “Directors, Senior Management and Staff” and in Appendix VI to this document, each of our Directors confirms with respect to him/her that: (i) he/she has not held any directorships during the three years preceding the date of this document in any public companies the securities of which are listed on any securities market in Hong Kong or overseas; (ii) he/she does not have any relationship with any other Directors, senior management or substantial Shareholders or the Controlling Shareholders of our Company; (iii) he/she does not hold any positions in our Company or other members of our Group; (iv) he/she does not have any interests in our Shares within the meaning of Part XV of SFO; (v) there is no other information that should be disclosed for him/her pursuant to the requirements under Rules 13.51(2)(h) to 13.51(2)(v) of the Listing Rules; and (vi) there are no other matters that need to be brought to the attention of holders of securities of our Company.

None of our Directors is interested in any business (other than the business of our Group) which competes or is likely to compete, either directly or indirectly, with the business of our Group.

SENIOR MANAGEMENT

Apart from our Directors, the senior management of our Group includes:

Ms. Liu Suyin

Ms. Liu Suyin, aged 54, joined our Group in 2007. She is a vice-president of our Company as well as the general manager of SGLD and is responsible for overseeing the Luodian Project since end of 2007.

Ms. Liu obtained a master’s degree in business administration from Asia International Open University (Macau) in November 2006. She joined the SRE Group in 2002 and was a member of the senior management of various subsidiaries of SRE principally responsible for overseeing property development projects and hotel management until she joined our Group in 2007. She was appointed as a committee member of the 6th Baoshan District Political Consultative Committee on December 30, 2009. As at the Latest Practicable Date, Ms. Liu did not hold any position in the SRE Group.

JOINT COMPANY SECRETARIES

Ms. Low Siew Tian

Ms. Low Siew Tian, aged 40, is a chartered secretary of the Singapore Association of the Institute of Chartered Secretaries and Administrators. She has over 15 years’ experience in corporate secretarial practice and is currently overseeing the company secretarial matters of several public companies listed on the SGX-ST as well as private limited companies incorporated in Singapore and assisting in compliance matters of foreign companies registered in Singapore.

DIRECTORS, SENIOR MANAGEMENT AND STAFF

Given Ms. Low's knowledge and experience in handling corporate secretarial matters, we believe that Ms. Low is capable of discharging the functions as a company secretary. However, Ms. Low is not ordinarily resident in Hong Kong as required under Rule 8.17 of the Listing Rules and does not possess the required professional qualifications under Rule 8.17(2) of the Listing Rules for secretaries of issuers listed on the Stock Exchange. We have therefore applied to the Stock Exchange for, and have been granted, waivers from strict compliance with Rule 8.17 of the Listing Rules such that we may continue to retain Ms. Low Siew Tian as one of our joint company secretaries for at least 3 years after the Listing. Please refer to the section headed "Waivers from Strict Compliance with the Listing Rules – Company Secretary Qualifications Waiver" in this document for details of such waiver.

Ms. Kwok Yu Ching

Ms. Kwok Yu Ching, aged 45, is a director of the Corporate Services Division of Tricor Services Limited. She is a chartered secretary and an associate of both The Hong Kong Institute of Chartered Secretaries ("HKICS") and The Institute of Chartered Secretaries and Administrators. She is also a holder of Practitioner's Endorsement Certificate of HKICS. Ms. Kwok has been providing professional services to companies listed on the Stock Exchange for over 20 years. Ms. Kwok has been appointed as a joint company secretary of our Company with effect from October 15, 2010.

COMPLIANCE ADVISOR

We have appointed Shenyin Wanguo Capital (H.K.) Limited as our compliance advisor upon the Listing in compliance with Rule 3A.19 of the Listing Rules. Pursuant to Rule 3A.23 of the Listing Rules, our compliance advisor shall advise us under the following circumstances:

- before the publication of any regulatory announcement, circular or financial report;
- where a transaction, which might be considered as a notifiable or connected transaction, is contemplated, including share issues and share repurchases; and
- where the Stock Exchange makes an inquiry of us regarding unusual movements in the price or trading volume of our Shares.

The term of appointment will commence on the Listing Date and end on the date on which we distribute our annual report in respect of our financial results for the first full financial year commencing after the Listing Date.

BOARD COMMITTEES

Audit committee

Our Company established an audit committee in September 2007 with terms of reference which were amended on October 7, 2010 to comply with the Code on Corporate Governance Practices as set out in Appendix 14 to the Listing Rules. The primary duties of the audit

DIRECTORS, SENIOR MANAGEMENT AND STAFF

committee are to review and approve the financial reporting process and internal control systems of our Group. The members of the audit committee currently comprise Mr. Henry Tan Song Kok (acting as chairman of the audit committee), Mr. Lam Bing Lun Philip and Mr. Loh Weng Whye, all of whom are independent non-executive Directors.

Remuneration committee

Our Company established a remuneration committee in September 2007 with terms of reference which were amended on October 7, 2010 to comply with the Code on Corporate Governance Practices as set out in Appendix 14 to the Listing Rules. The primary duties of the remuneration committee are to review and determine the terms of remuneration packages, bonuses and other compensation payable to Directors and senior management of our Group. The members of the remuneration committee currently comprise all the independent non-executive Directors, namely, Mr. Kong Siu Chee (acting as chairman of the remuneration committee), Mr. Henry Tan Song Kok, Mr. Lam Bing Lun Philip and Mr. Loh Weng Whye.

Nominating committee

Our Company established a nominating committee in September 2007 with terms of reference which were amended on October 7, 2010 to comply with the Code on Corporate Governance Practices as set out in Appendix 14 to the Listing Rules. The primary duties of the nominating committee are to make recommendations to our Board on the appointment of Directors and the management of the Board succession. The members of the nominating committee currently comprise Mr. Loh Weng Whye (acting as chairman of the nominating committee), Mr. Lam Bing Lun Philip and Mr. Kong Siu Chee, all of whom are independent non-executive Directors.

Investment committee

Our Company established an investment committee in September 2007. The primary duties of the investment committee are to review the management's recommended investment opportunities and strategies and recommended portfolio financial goals and requirements, as well as to review and evaluate the performance of the investment portfolio of our Group. The members of the investment committee currently comprise all the independent non-executive Directors, namely, Mr. Lam Bing Lun Philip (acting as chairman of the investment committee), Mr. Kong Siu Chee, Mr. Henry Tan Song Kok, and Mr. Loh Weng Whye.

DIRECTORS, SENIOR MANAGEMENT AND STAFF

STAFF

As at the Latest Practicable Date, our Group had a total of 1,182 full-time employees. A breakdown by function is set out below:

Function	Hong Kong	PRC	Total
Management (including Directors)	7	31	38
Sales and marketing	0	72	72
Finance/Accounting	2	46	48
Human resources	0	15	15
Office administration	1	39	40
Procurement	0	40	40
Engineering/Project development	0	30	30
Hotel staff	0	400	400
Golf club staff	0	320	320
General and others (including drivers, security guards, ashmen, technicians and repairmen)	1	178	179
	<u>11</u>	<u>1,171</u>	<u>1,182</u>
Total	<u>11</u>	<u>1,171</u>	<u>1,182</u>

Pension schemes

In Hong Kong, we operate a defined contribution retirement benefits scheme under the Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong) for all of our employees in Hong Kong. Contributions are made based on a percentage of the employees' basic salaries and are charged to our profit and loss account as they become payable. Our contributions as employer vest fully with the employees when we contribute to the scheme. We contribute 5% of the relevant monthly salary to such scheme and our employees contribute the lower of HK\$1,000 or 5% of their monthly salary to such scheme as employee mandatory contributions.

In the PRC, we participate in the relevant social insurance contribution plans organized by the relevant local governmental bodies. In accordance with relevant PRC laws, members of our Group operating in the PRC are required to pay a monthly social insurance premium covering pension insurance, medical insurance, unemployment insurance, occupational injury insurance and maternity (where applicable) for their relevant employees. We are also required by the relevant PRC regulations to register with a competent housing provident fund management center and make contributions to the respective housing provident funds for our employees.

DIRECTORS, SENIOR MANAGEMENT AND STAFF

Our Directors are of the view that our Group has maintained a good working relationship with its staff. Our Group has not in the past experienced any labor disputes which had caused any disruption of its normal business operations.

During the Track Record Period, no emoluments were paid by our Group to the five highest paid individuals as an inducement to join or upon joining our Group, or as compensation for loss of office.

SHARE SCHEMES

Our Board had on July 5, 2007 passed a resolution approving a one-off Management Grant pursuant to which a total of then 380 shares of our Company were awarded to certain of the then directors and employees of our Company, the Entitled Persons, as an incentive for their continued service to our Company. The number of shares under the Management Grant was subsequently increased to 28,500,000 Shares after the Share Split.

Prior to the Share Split, the number of shares to be allotted to the Entitled Persons under the Management Grant were as follows:

Entitled Person	Number of shares to be allotted prior to the Share Split
Mr. Li Yao Min	79
Mr. Yue Wai Leung Stan	79
Mr. Yang Yonggang	68
Ms. Gu Biya	40
Mr. Cheng Wai Ho	40
Mr. Mao Yiping	33
Mr. Tai Kuo-Lin	25
Mr. Ma Da Yu	10
Mr. Sun Xiaomeng	3
Ms. Zhang Qiong	3
	<hr/>
Total:	<hr/> 380 <hr/>

DIRECTORS, SENIOR MANAGEMENT AND STAFF

After the Share Split, the number of Shares to be allotted to the Entitled Persons under the Management Grant were adjusted as follows:

Entitled Person	Number of Shares to be allotted after the Share Split
Mr. Li Yao Min	5,925,000
Mr. Yue Wai Leung Stan	5,925,000
Mr. Yang Yonggang	5,100,000
Ms. Gu Biya	3,000,000
Mr. Cheng Wai Ho	3,000,000
Mr. Mao Yiping	2,475,000
Mr. Tai Kuo-Lin	1,875,000
Mr. Ma Da Yu	750,000
Mr. Sun Xiaomeng	225,000
Ms. Zhang Qiong	225,000
Total:	<u>28,500,000</u>

In accordance with the terms of the Management Grant, our Shares to be allotted pursuant to the Management Grant will vest as follows:

- (a) 10% at the end of the 12th month after the date of listing of our Company on the main board of the SGX-ST;
- (b) 15% at the end of the 24th month after the date of listing of our Company on the main board of the SGX-ST;
- (c) 20% at the end of the 36th month after the date of listing of our Company on the main board of the SGX-ST;
- (d) 25% at the end of 48th month after the date of listing of our Company on the main board of the SGX-ST; and
- (e) the remaining 30% at the end of the 60th month after the date of listing of our Company on the main board of the SGX-ST,

provided that the relevant Entitled Persons remain in service within our Group on the vesting day and he/she has not tendered his/her resignation.

DIRECTORS, SENIOR MANAGEMENT AND STAFF

Following the cessation of employment with our Group by Mr. Ma Da Yu, Ms. Zhang Qiong and Mr. Cheng Wai Ho on November 22, 2007, June 30, 2008 and March 8, 2010 respectively, their entitlements under the Management Grant were forfeited.

The exercise price is RMB8.00 per share before adjustment for the Share Split and approximately RMB0.0001067 per Share after adjustment for the Share Split, which is payable upon exercise by the relevant Entitled Persons of his/her award.

Application has been made to the Listing Committee for the listing of, and permission to deal in, our Shares which may be allotted pursuant to the Management Grant.

Our Company had on April 23, 2008 adopted the 2008 Option Scheme whereby eligible employees of our Group (including executive Directors) may be granted options to subscribe for Shares. No options had been granted under the 2008 Option Scheme since its adoption. The 2008 Option Scheme had been terminated prior to the Listing on September 3, 2010 and no options may be granted under such scheme on or after September 3, 2010.

Our Company had also on April 23, 2008 adopted the Performance Share Plan whereby eligible key management executives of our Group (including executive Directors) may be awarded fully-paid new Shares without any monetary consideration or their equivalent cash value at the time of release of the awards or combinations thereof upon such key management executives having achieved prescribed performance targets. No awards had been granted under the Performance Share Plan since its adoption. The Performance Share Plan had been terminated prior to listing on September 3, 2010 and no awards may be granted under such plan on or after September 3, 2010.

Our Company had on September 3, 2010 conditionally adopted the Share Option Scheme whereby certain eligible persons (including but not limited to any Directors, officers and employees of our Group (whether full-time or part-time) may be granted options to subscribe for Shares. Please refer to the section headed “Share Schemes – Share Option Scheme” in Appendix VI to this document for a summary of the principal terms of the Share Option Scheme.

SUBSTANTIAL SHAREHOLDERS

SUBSTANTIAL SHAREHOLDERS

Immediately following completion of the Introduction, so far as is known to any Director or the chief executive of our Company, the following persons will have interests or short positions in the shares, underlying shares or debentures of our Company which will fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO once our Shares are listed in Hong Kong or who will be directly or indirectly interested in 10% or more of the nominal value of any class of shares carrying rights to vote in all circumstances at general meetings of any other members of our Group:

Interests in our Company

Name of persons	Number of Shares	Approximate shareholding percentage
Sinopower (<i>Note 1</i>)	2,396,781,817	61.54%
SRE (<i>Note 2</i>)	2,396,781,817	61.54%
SREI (<i>Note 2</i>)	2,396,781,817	61.54%
OZM (<i>Note 3</i>)	506,607,037	13.01%
OZH (<i>Note 3</i>)	506,607,037	13.01%
OZCM (<i>Note 3</i>)	506,607,037	13.01%
Mr. Daniel Saul Och (<i>Note 3</i>)	506,607,037	13.01%

Notes:

1. Of the 2,396,781,817 Shares, 1,948,879,252 Shares were directly held by Sinopower, 370,006,467 Shares were lent to J.P. Morgan Securities pursuant to the Stock Borrowing and Lending Agreement, and 77,896,098 Shares were deemed acquired by Sinopower pursuant to the Sale and Repurchase Agreement.
2. As Sinopower is a wholly-owned subsidiary of SRE, SRE is deemed to be interested in the 2,396,781,817 Shares which Sinopower is interested in under the SFO. As SREI is interested in more than one-third of the issued share capital of SRE, SREI is also deemed to be interested in the same 2,396,781,817 Shares which SRE is deemed interested in under the SFO.
3. These 506,607,037 Shares are held as to 235,238,245 Shares by OZ Master Fund, Ltd., 227,357,070 Shares by OZ Asia Master Fund, Ltd. and in aggregate 44,011,722 Shares by other funds managed by OZM and/or OZM's wholly-owned subsidiary. As OZM and/or OZM's wholly-owned subsidiary manage the investments of the OZ Funds on a discretionary basis, OZM is deemed interested in the 506,607,037 Shares held by the OZ Funds. OZH is the sole general partner of, and is authorized to manage and represent OZM and accordingly, OZH is also deemed interested in the same 506,607,037 Shares which OZM is deemed interested in under the SFO. OZCM is the sole shareholder of OZH and accordingly is deemed interested in the same 506,607,037 Shares which OZH is deemed interested in under the SFO. As Mr. Daniel Saul Och holds more than 70% of the voting rights in OZCM, he is also deemed interested in the same 506,607,037 Shares which OZCM is deemed interested under the SFO.

SUBSTANTIAL SHAREHOLDERS

Interests in other members of our Group

Name of persons	Name of member of our Group	Approximate percentage of interest
上海羅店資產經營投資有限公司 (Luodian JV Partner)	SGLD	27.37%
上海羅店旅遊服務發展有限公司 (Shanghai Luodian Tourism Services Development Co. Ltd.)	上海美蘭湖旅遊發展有限公司 (Shanghai Lake Malaren Tourism Development)	10%
瀋陽市東陵區國有資產經營有限公司 (Shenyang JV Partner)	瀋陽李相新城置業有限公司 (Shenyang JV)	10%
無錫市新區城市投資發展有限公司 (Wuxi JV Partner)	無錫鴻山新城鎮開發有限公司 (Wuxi JV)	10%
無錫市新區城市投資發展有限公司 (Wuxi JV Partner)	無錫鴻山新城鎮綠化環保建設有限公司 (Wuxi Hongshan New Town Virescence Environmental Protection Construction)	10%
長春凱達發展有限公司 (Changchun Kaida Development Co. Ltd.)	長春新城汽車產業建設有限公司 (Changchun JV)	20%

Save as disclosed in this section headed “Substantial Shareholders”, so far as our Directors are aware, immediately following completion of the Introduction, no person will have interests or short positions in the shares, underlying shares or debentures of our Company which will fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO once our Shares are listed or who is will be directly or indirectly interested in 10% or more of the nominal value of any class of shares carrying rights to vote in all circumstances at general meetings of any other members of our Group.

SHARES

AUTHORIZED AND ISSUED SHARES

As at the Latest Practicable Date, the shares of our Company comprised the following:

Maximum number of Shares issuable:

10,000,000,000 Shares of no par value

Issued and fully paid Share:

3,894,804,926 Shares

RMB2,778,779,551.90*

* As our Shares have no par value, this amount represents the total amount received by our Company for the issue of our Shares (excluding transaction costs).

RANKING

Our Shares are ordinary shares of our Company and rank equally with each other in all respects, including the right to participate fully in all dividends or other distributions declared, made or paid on our Shares in respect of a record date which falls after the date of this document.

GENERAL MANDATE GIVEN TO OUR DIRECTORS TO ISSUE SHARES

At the extraordinary general meeting held on September 3, 2010, our Directors were granted a general mandate to allot, issue and deal with any unissued Shares and to make or grant offers, agreements and options which might require the exercise of such power of a total number not exceeding 50% of the total number of Shares in issue immediately following completion of the Introduction after adjusting for (i) new Shares arising from the conversion or exercise of convertible securities subsisting immediately following completion of the Introduction; (ii) new Shares arising from exercising options or vesting of share awards outstanding or subsisting immediately following completion of the Introduction; and (iii) any subsequent bonus issue, consolidation or subdivision of Shares, of which the aggregate number of Shares allotted or agreed conditionally or unconditionally to be allotted or issued otherwise than on a pro rata basis to existing Shareholders (including pursuant to a rights issue) shall not exceed 20% of the total number of Shares in issue immediately following completion of the Introduction.

This general mandate to issue Shares will take effect upon Listing and will remain in effect until whichever is 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 by the Articles or any other applicable laws of the BVI to be held; or

SHARES

- (iii) the passing of an ordinary resolution of our Shareholders in general meeting revoking, varying or renewing such mandate.

GENERAL MANDATE GIVEN TO OUR DIRECTORS TO REPURCHASE SHARES

Our Directors have been granted a general unconditional mandate (the “Repurchase Mandate”) to exercise all the powers of our Company to repurchase Shares with a total number not exceeding 10% of the total number of issued Shares immediately following the completion of the Introduction.

The Repurchase Mandate only relates to repurchases made on the Stock Exchange or the SGX-ST, and which are in accordance with all applicable laws and regulations, including but not limited to, the provisions of the BVI BC Act, the Listing Rules and the Listing Manual. A summary of the relevant Listing Rules is set out in the section headed “Further information about our Company – Repurchase by our Company of its own securities” in Appendix VI to this document.

The Repurchase Mandate will remain in effect until whichever is the earliest of:

- (i) the conclusion of the next annual general meeting of our Company;
- (ii) the date by which the next annual general meeting is required to be held;
- (iii) the date on which the purchases or acquisitions of Shares pursuant to the Repurchase Mandate are carried out to the full extent mandated; or
- (iv) the date on which the authority conferred by the Repurchase Mandate is revoked or varied by our Shareholders in a general meeting.

RULE 9.09 OF THE LISTING RULES

We have applied for, and the Stock Exchange has granted to our Company, a waiver from strict compliance with Rule 9.09(b) of the Listing Rules in respect of any dealings in our Shares by the OZ Funds or OZM or by Shareholders who currently hold less than 10% of the total issued Shares but who may acquire further Shares and become substantial Shareholders during the period from 4 clear business days before the expected hearing date for the Introduction until the Listing is granted. Please refer to the section headed “Waivers from Strict Compliance with the Listing Rules – Dealings by Connected Persons Waiver” in this document for details of such waiver. Any other connected persons of our Company are restricted from dealing in our Shares in the aforesaid period under Rule 9.09(b) of the Listing Rules.

SHARES

RULES 10.07 AND 10.08 OF THE LISTING RULES

We have applied for, and the Stock Exchange has granted to our Company, a waiver from strict compliance with Rule 10.07(1) of the Listing Rules to allow Sinopower to dispose of its interests in our Company during the period commencing on the date of this document and ending on the date which is 6 months from the Listing Date where such disposal is made pursuant to the Stock Borrowing and Lending Agreement and the Sale and Repurchase Agreement. Please refer to the section headed “Waivers from Strict Compliance with the Listing Rules – Share Disposal Restriction Waiver” in this document for details of such waiver.

We have applied for, and the Stock Exchange has granted to our Company, a waiver from strict compliance with the restrictions on further issue of securities within the first 6 months from the Listing Date under Rule 10.08 of the Listing Rules and a consequential waiver from strict compliance with Rule 10.07(1)(a) of the Listing Rules in respect of the deemed disposal of Shares by the Controlling Shareholders upon the issue of securities by our Company within the first 6 months from the Listing Date. Please refer to the section headed “Waivers from Strict Compliance with the Listing Rules – Share Issue Restriction Waiver” in this document for details of such waiver.

FINANCIAL INFORMATION

You should read the following discussion and analysis of our financial condition and results of operations in conjunction with our consolidated financial statements and the related notes included elsewhere in this document. In general, the financial results discussed below relate to our consolidated financial data. This discussion contains forward-looking statements that reflect our current views with respect to future events and financial performance. Our actual results may differ materially from those anticipated in these forward-looking statements as a result of factors such as those set forth under the section headed “Risk Factors” and elsewhere in this document. Our consolidated financial statements have been prepared in accordance with the IFRS. Our consolidated financial statements for the years ended December 31, 2007, 2008 and 2009 and the six months ended June 30, 2010 have been audited.

BASIS OF PRESENTATION

We are a holding company incorporated in the BVI. We listed on the SGX-ST on November 14, 2007 after a series of reorganizations. Please refer to the section headed “History and Development” of this document.

Our financial information has been prepared in accordance with the IFRS on a historical cost basis, except for investment properties under construction as of December 31, 2009 and June 30, 2010, certain financial instruments, and completed investment properties, which have been measured at fair value. Our financial information comprises our financial statements and those of our subsidiaries. All intra-group balances, income and expenses, and unrealized gains and losses arising from intra-group transactions are eliminated in full on consolidation. See Note 2.1 to our consolidated financial statements for additional information on the basis of which we have prepared our financial information.

OVERVIEW

Our Company is an established non state-owned new town developer in the PRC. We focus on planning and developing large-scale new town projects in the suburbs of some of PRC’s largest cities, with each current project covering an area of at least six million sq.m. New town projects are typically initiated by local governments that set forth general parameters such as location and size and invite potential new town developers to conduct feasibility studies and produce a master plan for their review. Upon securing a mandate, we will develop the project through a majority-owned joint venture project company that we form with affiliates of the local government. Once the governmental authority and we have agreed on a basic deal structure, we then enter into a binding co-development agreement setting out our respective duties and responsibilities.

As overall project manager, we are involved in every aspect of the development process, from drawing up detailed development plans, selecting sites, obtaining project financing, preparing and clearing the land, relocating and resettling incumbent residents and businesses at our cost, setting up the new town infrastructure and public facilities, to building commercial properties. In addition, we may also own, operate and manage certain commercial properties in the completed new town.

FINANCIAL INFORMATION

We do not normally acquire land use rights to the land underlying our new town projects, except for land on which we intend to develop commercial properties, and a parcel of residential land in the Wuxi Project acquired by our Group for self-development purposes in 2008. While the local government generally retains title to the land, we have been receiving a portion of the proceeds from the sale of land use rights, the amount of which is authorized and approved by the relevant governmental authority. Such sale proceeds account for a major part of our revenue.

Each new town project primarily comprises residential and commercial land parcels cleared and ready for sale. The relevant land authorities typically sell residential land and commercial land through public auction, tender or listing to real estate property developers, which may include our project companies, which in turn own, operate and may manage commercial properties such as hotels, convention centers and retail facilities. In addition, we enter into agreements with the relevant local government to build, manage and operate public amenities, such as recreational parks.

In 2007, 2008 and 2009, and the six-month periods ended June 30, 2009 and 2010, we recorded revenue of RMB363.2 million, RMB564.1 million, RMB1,087.4 million, RMB337.1 million and RMB176.2 million, respectively. We recorded a loss attributable to owners of our Company of RMB287.4 million, RMB845.5 million and RMB92.3 million for the years ended December 31, 2007 and 2008 and the six months ended June 30, 2010, respectively, and a profit attributable to owners of our Company of RMB166.6 million and RMB8.8 million for the year ended December 31, 2009 and the six months ended June 30, 2009, respectively.

FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Our results of operations have been affected by the following factors:

Frequency and Timing of Sales of Land Use Rights

During the periods under review, our primary source of revenue had been from land development, including the development of land infrastructure and the construction of ancillary public facilities. We receive these revenues out of proceeds from the sale of land use rights in the new town projects that we develop.

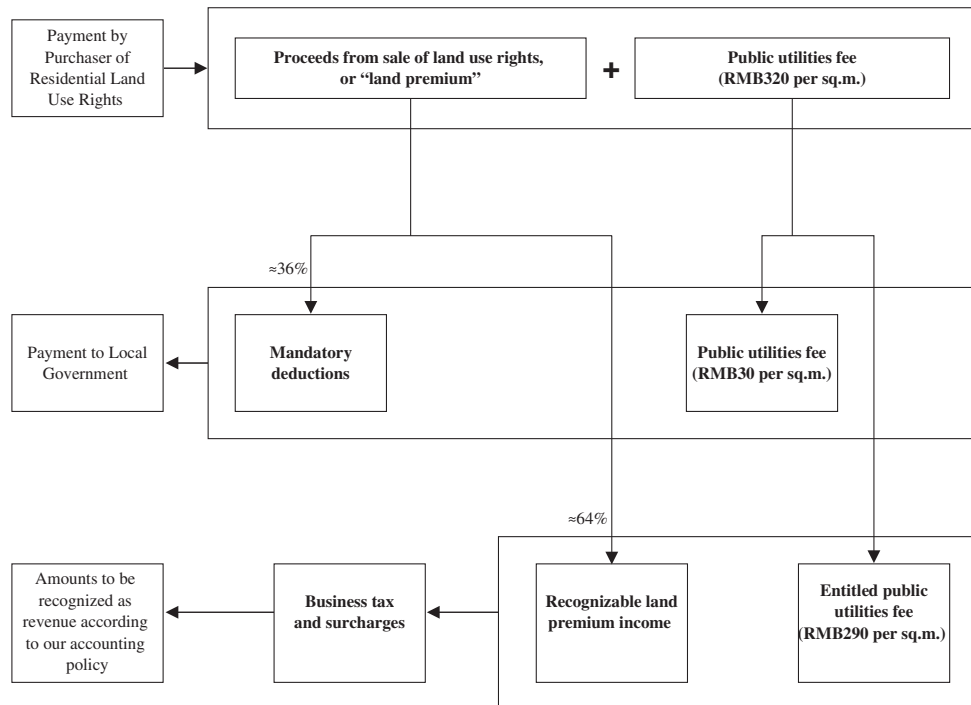
We do not decide on the exact timing of the sale of land use rights in the new towns we develop. Please refer to the section headed “Risk Factors – Risks Relating to our Business – We do not decide on the exact timing of the sale of land use rights in the new towns we develop, and the selling price of such land use rights is subject to market forces through the bidding process.” As a result, our revenue may fluctuate significantly between periods.

Revenue from the Sale of Land Use Rights

During the periods under review, our revenue had been derived primarily from land development in the Luodian Project. The proceeds from the sale of land use rights for land located in Shanghai is referred to as the “land premium”. We receive a portion of the land premium as well as a portion of the public utilities fee, as discussed below.

FINANCIAL INFORMATION

The following diagram illustrates the sources of our revenue from land development in the Luodian Project.



Land premium

The sale of land use rights by the relevant local government generates funds known as the land premium. Local governments deduct a number of mandatory deductions from the land premium. The mandatory deductions vary from time to time, depending on the policy of the local governments, but have equaled approximately 36% of the proceeds from the sale of land use rights for the Luodian Project during the periods under review. Accordingly, approximately 64% of the land premium has been treated as our recognizable revenue during the periods under review. Land use rights purchasers are required to pay the land premium to the local governments within two months after execution of the land use rights purchase contract. Land premium is remitted to us after mandatory deductions are deducted by the local governments. We also pay business tax and surcharges of approximately 5% on our recognizable land premium income.

Public utilities fee

Developers that purchase residential land use rights in the city of Shanghai are required to pay the governmental authorities a public utilities fee equal to RMB320 per sq.m. of the GFA covered by the relevant land use rights, out of which we are entitled to receive approximately RMB290 per sq.m. of the GFA pursuant to an agreement entered into between us and the local governmental authorities. Revenue to be registered on land area is approximately RMB200 per sq.m. of land area (not GFA) which is determined by dividing total estimated public utilities fee by total estimated land area expected to be

FINANCIAL INFORMATION

sold. For a sale of land use rights involving a GFA of more than 10,000 sq.m., 20% of the public utilities fee is payable to the governmental authorities by the land use rights purchaser before it obtains a construction permit; 50% of the public utilities fee is typically payable within six months to a year after the payment of the first 20% of the public utilities fee; and the remaining 30% of the public utilities fee is payable by the land use rights purchaser within one to one-and-a-half years after the payment of the first 20% of the public utilities fee. The local governmental authorities typically remit our portion of the public utilities fee to us as such amounts are received, after the necessary processing and administrative procedures.

Wuxi Project and Shenyang Project

With respect to the Wuxi Project and the Shenyang Project, revenue is affected by co-development agreements and the applicable laws, regulations and government policies in those jurisdictions. The Wuxi JV and the Shenyang JV have each recognized revenue equal to approximately 83% and 70%, respectively, of the proceeds from the sale of land use rights for the Track Record Period. We are still in discussions with the relevant local authorities as to whether public utilities fees will form part of our compensation in relation to the Wuxi Project, the Shenyang Project, or both.

Revenue Recognition

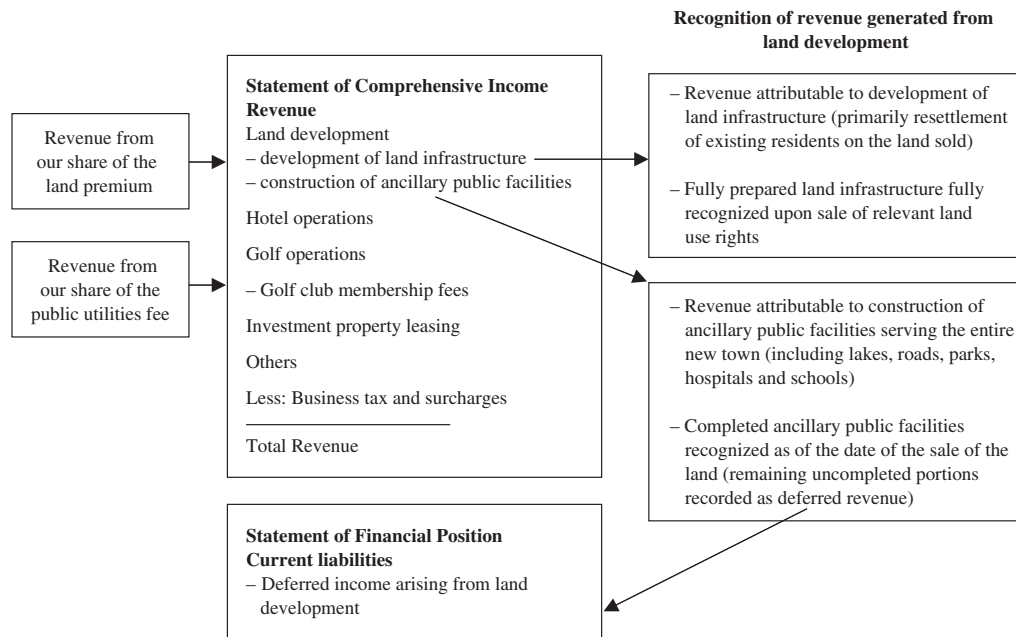
Recognition of revenue from land development

We recognize revenue from our share of the land premium by separately allocating the proceeds into two components, one attributable to the development of land infrastructure (primarily resettlement of existing residents on the land sold) and the other to the construction of ancillary public facilities (including the construction of public facilities serving the entire new town, such as lakes, roads, parks, hospitals and schools owned by the local governments). The allocation of revenue from our share of the land premium to land infrastructure and ancillary public facilities is based on the relative fair value of the construction work, determined by reference to the relative estimated construction costs of each component, as the nature of construction work for the components is similar.

Revenue attributable to land infrastructure is recognized in full upon the sale of the relevant land use rights, provided that the land is fully prepared for the purchaser to begin construction. Revenue attributable to ancillary public facilities, however, is recognized for the portions of the ancillary public facilities completed at the date of sale of the land. The remaining revenue attributable to uncompleted portions of ancillary public facilities is recognized as deferred revenue and recorded as a current liability in the statement of financial position, and will be recognized as revenue when they are completed.

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The following diagram illustrates our recognition of revenue generated from land development in the Luodian Project.



Recognition of revenue derived from golf membership fees

We typically receive payments in monthly installments over a 12 to 36 month period for the golf club memberships we sell. The term of the SGLD Golf Course Lease is 40 years. Revenue derived from the sale of golf club memberships is recognized using the “straight-line method” over the remaining lease term of the SGLD Golf Course Lease. Amounts not recognized are treated as deferred revenue. We sell golf club memberships through our staff, to whom we pay a selling commission at the rate of 7% of the total proceeds of memberships sold. The commissions are amortized over the same period as our revenue from the related sale of golf club memberships. We also receive revenue from annual fees paid on all golf club memberships. Revenue derived from annual fees is recognized using the “straight-line method” over a 12-month period.

Change in fair value of our investment properties

Investment properties are interests in land and buildings (including the leasehold interest under an operating lease for a property which would otherwise meet the definition of an investment property) held to earn rental income, for capital appreciation, or both, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the end of the reporting period.

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The valuation of investment properties was performed by DTZ Debenham Tie Leung Limited. We recognize gains or losses in the fair value of certain investment properties we own, which primarily consist of the retail street in the Luodian Project and the retail street in the Wuxi Project. We recognize the fair value of our investment properties as a non-current asset in the statement of financial position, and reflect gains and losses in the fair value of those investment properties in our profit or loss.

Since January 1, 2009, we have carried investment properties under construction at fair value with changes in fair value recognized as gains or losses. For the years ended December 31, 2007 and 2008, we stated investment properties under construction at cost. The change in treatment of investment properties under construction resulted from our prospective application of an amendment to IAS 40 that expanded the scope of investment properties subject to IAS 40 to include properties being constructed or developed for future use as an investment property.

Costs Related to Debt Instruments

Costs related to debt instruments mainly comprise interest costs and losses on convertible bonds other than interest costs. Interest costs are incurred on the outstanding amount of indebtedness. Losses on our convertible bonds other than interest costs were attributable to a mark-to-market revaluation of derivatives embedded in our convertible bonds. We will not incur further losses on our convertible bonds because we have repurchased and cancelled them or they have been converted into Shares in full.

CRITICAL ACCOUNTING POLICIES

Our consolidated financial statements are prepared in accordance with the IFRS and based on the selection and application of appropriate accounting policies under the IFRS. Several of these policies were more critical than others as they required us and our management to make significant estimates and assumptions that, if changed, could materially alter our stated results of operations or financial condition. The most significant of these assumptions and estimates are discussed below.

Investment Properties

Investment properties are measured initially at cost including transaction costs. Transaction costs include transfer taxes, professional fees for legal services, etc. The carrying amount also includes the cost of replacing part of any existing investment property at the time that cost is incurred if the recognition criteria are met.

Subsequent to initial recognition, investment properties are stated at fair value. Gains or losses arising from changes in the fair values are included in the income statement in the year in which they arise. Starting from January 1, 2009, we have applied the recent amendment to IAS 40, which revised the scope of investment properties such that properties being constructed or developed for future use as an investment property is now classified as investment properties. Our accounting policy for investment properties is to subsequently state them at fair value with changes in fair values recognized in profit or loss.

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Investment properties are revalued at the end of each reporting period by independent professionally qualified valuers. For completed investment properties, the valuer has adopted an income approach that takes into account the rental income of the properties derived from the existing leases or achievable in the existing market, with due allowance for the reversionary income potential of the leases, which have then been capitalized to determine the market value at an appropriate capitalization rate. Where appropriate, reference has also been made to comparable sale transactions available in the relevant market. These valuations are based on certain assumptions, which are subject to uncertainty and might materially differ from the actual results. In making the estimates, we consider information from current prices in an active market for similar properties and use assumptions that are mainly based on market conditions existing at the end of each reporting period.

For investment properties under construction, where the fair value cannot be reliably measured, the properties were measured at cost until the earlier of the date construction was completed and the date at which fair value became reliably measurable. This choice depends on a number of factors including the stage of completion of the properties, the leasing activities in the market and whether reliable data is available. For investment properties under construction, the valuer has adopted the direct comparison approach by making reference to (i) comparable sales evidence as available in the relevant market, (ii) the accrued construction costs, (iii) fees relevant to the stage of construction as at the date of valuation and (iv) the remaining costs and fees expected to be incurred for completing the development.

Carrying Amount of Land Development for Sale

Our properties under development are stated at the lower of cost and net realizable value. Based on our experience and taking into account the nature of the land and market condition, we estimate net realizable value (i.e. the revenue to be derived from land use right sales by governmental authorities, less costs to completion and the costs to be incurred in realizing the revenue from land use right sales based on prevailing market conditions). We evaluate costs incurred as compared with our estimate of net realizable value, and, to the extent the cost incurred is greater than estimated net realizable value, we make a provision for the potential loss.

Deferred Tax Assets and Liabilities

Deferred tax assets are recognized for deductible temporary differences, carryforward of unused tax credits and unused tax losses to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax assets and unused tax losses, can be utilized. Deferred tax liabilities are recognized for taxable temporary differences. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and the level of future taxable profits together with future tax planning strategies. Where our actual or expected tax positions in the

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future are different from the original estimates, such differences will have an impact on the recognition of deferred tax assets and liabilities and income tax charges in the period in which such estimate has been changed.

Impairment of Receivables

Impairment of receivables is made based on assessments of the recoverability of receivables. The identification of impairment of receivables requires management's judgments and estimates. Where the actual outcome or expectation in the future is different from the original estimation, such difference will have an impact on the carrying value of the receivables and impairment of receivables or reversal of impairment in the period in which such estimate has been changed.

Useful Lives and Impairment of Property, Plant and Equipment

Our management determines the estimated useful lives and related depreciation charges for property, plant and equipment. These estimates are based on our management's historical experience with the actual useful lives of property, plant and equipment of a similar nature and having similar functions. These estimates could change significantly as a result of technical innovations, competitor actions and in response to industry cycles. We will increase depreciation charges where useful lives are shorter than the previously estimated lives, or write off or write down technically obsolete assets that have been abandoned.

OUR RESULTS OF OPERATIONS

Revenue

Our revenue is derived from land development and the operation of commercial properties. Revenue derived from land development consists of proceeds from the sale of land use rights in our projects, as well as a portion of the public utilities fee paid to us by the relevant governmental authorities. Revenue from land development attributable to transactions with the SRE Group totaled RMB321.2 million, RMB222.0 million, RMB290.0 million and RMB290.0 million, equal to 88.4%, 39.3%, 26.7% and 86.0% of our total revenue, for the years ended December 31, 2007, 2008 and 2009 and the six months ended June 30, 2009, respectively. We recorded no revenue from land development attributable to transactions with the SRE Group during the six months ended June 30, 2010. All land use right sales in relation to land developed by our Group during the Track Record Period were made through the public auction, tender or listing required under PRC law. For additional information on our relationship with the SRE Group, please see the sections headed "Relationship with SRE" and "Connected Transaction" of this document. We receive investment property income from the leasing of commercial property. Revenue derived from the operation of the Crowne Plaza Lake Malaren Shanghai hotel and the Convention Center primarily consists of income generated from hotel room rentals, leasing of the conference facilities, service charges and food and beverage sales. Revenue derived from the operation of golf courses consists of sales of golf

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club memberships, annual fees, green fees, golf equipment rental fees and other service charges, including sales of golf equipment and food and beverage sales. Other revenue consists of income from property management fees earned before the disposal of Shanghai Lake Malaren Property Management by our Group.

Cost of Sales

Cost of sales consists primarily of the cost of land development, depreciation of property, plant and equipment, amortization of leasehold land, employee benefits, cost of inventory, utility expenses, commissions to an agent for sales of golf memberships and other expenses. The largest component of our cost of sales is the cost of land development, which consists primarily of costs incurred in resettling incumbent residents and enterprises and the costs of preparing raw land and constructing public utilities. Cost of land development accounted for approximately 59.8%, 75.4%, 80.9%, 76.2% and 70.2% of our total cost of sales for the years ended December 31, 2007, 2008 and 2009 and the six months ended June 30, 2009 and 2010, respectively. The total amount of relocation costs for a particular project is affected by compensation per household and the number of households to be relocated. For more information on the payment of relocation costs, please refer to the section headed “Financial Information – Liquidity and Capital Resources – Cash Flow Management”. Depreciation of property, plant and equipment primarily consists of depreciation of the Crowne Plaza Lake Malaren Shanghai hotel, the Convention Center and the golf courses. Other cost of sales consists primarily of maintenance expenses of the golf courses.

Other Income

Other income consists primarily of interest subsidies and tax refunds.

Selling and Distribution Costs

Selling and distribution costs consist of depreciation of equipment, employee benefits, low value consumables, utility expenses and other selling expenses. Depreciation of equipment for selling and distribution costs primarily consists of depreciation of operating equipment used for the golf courses. Other selling expenses primarily include management fees in connection with outlet stores and advertising expenses in connection with marketing and promotion activities.

Administrative Expenses

Administrative expenses consist of depreciation of property, plant and equipment, employee benefits, low value consumables, utility expenses, property tax and other general administrative expenses. Depreciation primarily consists of depreciation of administrative related property, plant and equipment. Other administrative expenses consist primarily of maintenance fees and entertainment expenses.

Other Expenses

Other expenses consist of net foreign exchange losses, bank charges and other miscellaneous expenses.

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Results of Operations

The following table sets forth our results of operations:

Income Statement	Year Ended December 31,			Six Months Ended June 30,	
	2007	2008	2009	2009	2010
	(unaudited)				
	(RMB in thousands)				
Revenue					
Land development	267,454	466,446	991,132	295,988	129,376
Property leasing	5,255	558	6,061	2,977	2,107
Hotel operations	32,265	32,194	29,744	13,015	24,399
Golf operations	56,889	61,210	56,176	22,967	18,291
Others	1,331	3,688	4,242	2,137	2,030
Total revenue	363,194	564,096	1,087,355	337,084	176,203
Cost of sales	(203,061)	(369,101)	(435,048)	(170,880)	(142,703)
Gross profit	160,133	194,995	652,307	166,204	33,500
Other income	72,919	16,159	8,419	6,909	5,556
Selling and distribution costs	(37,752)	(35,891)	(119,669)	(24,044)	(23,277)
Administrative expenses	(106,455)	(165,911)	(133,523)	(59,965)	(86,625)
Other expenses	(45,567)	(36,162)	(1,720)	(494)	(10,632)
Gain on the repurchase of Senior Notes	-	-	24,744	-	-
Loss on convertible bonds other than interest cost, net	(79,445)	(287,826)	-	-	-
Impairment loss on property, plant and equipment	-	(136,773)	(8,810)	(6,810)	-
Fair value gain/(loss) on completed investment properties	38,948	(488,160)	(14,163)	(25,690)	(613)
Fair value gain on investment properties under construction	-	-	39,036	40,687	(146)
Operating profit/(loss)	2,781	(939,569)	446,621	96,797	(82,237)
Finance costs	(293,564)	(193,696)	(104,352)	(57,124)	(47,663)
Profit/(loss) before tax	(290,783)	(1,133,265)	342,269	39,673	(129,900)
Income tax	18,772	145,915	(98,809)	(19,180)	12,251
Profit/(loss) after tax	(272,011)	(987,350)	243,460	20,493	(117,649)
Total income for the year/period	<u>(272,011)</u>	<u>(987,350)</u>	<u>243,460</u>	<u>20,493</u>	<u>(117,649)</u>
Profit and total income attributable to:					
Owners of the parent	(287,353)	(845,543)	166,630	8,771	(92,281)
Non-controlling interests	15,342	(141,807)	76,830	11,722	(25,368)
	<u>(272,011)</u>	<u>(987,350)</u>	<u>243,460</u>	<u>20,493</u>	<u>(117,649)</u>

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SIX MONTHS ENDED JUNE 30, 2010 COMPARED TO SIX MONTHS ENDED JUNE 30, 2009

Revenue

Our revenue decreased 47.7% to RMB176.2 million for the six months ended June 30, 2010 from RMB337.1 million for the six months ended June 30, 2009. This decrease was primarily attributable to lower revenue from the sale of land use rights which in turn were caused by the lower average selling price received for land use rights sold in respect of land developed in the Wuxi Project during the first half of 2010 as compared to the average selling price received for land use rights sold in respect of land developed in the Luodian Project during the first half of 2009. Details regarding the site area over which land use rights were sold, average selling price and land premium of each of our projects in the six months ended June 30, 2009 and 2010 are set out below:

	Six Months Ended June 30, 2009					Six Months Ended June 30, 2010				
	Site area (sq.m.)	Average selling price per sq.m. (RMB/sq.m.)	GFA (sq.m.)	Average selling price to third party developers per GFA (RMB/sq.m.)	Land premium (RMB'000)	Site area (sq.m.)	Average selling price per sq.m. (RMB/sq.m.)	GFA (sq.m.)	Average selling price to third party developers per GFA (RMB/sq.m.)	Land premium (RMB'000)
Luodian	96,842.0	4,361.7	116,210.4	3,634.8	422,400.0	-	-	-	-	-
Shenyang	-	-	-	-	-	-	-	-	-	-
Wuxi	-	-	-	-	-	119,680.1	2,038.8	135,550.7	1,800.1	244,000.0
Total	96,842.0	4,361.7	116,210.4	3,634.8	422,400.0	119,680.1	2,038.8	135,550.7	1,800.1	244,000.0
<i>Change %</i>						23.6%	-53.3%	16.6%	-50.5%	-42.2%

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During the six months ended June 30, 2009, we recognized revenue attributable to the sale of land use rights over one plot of land developed in the Luodian Project. During the six months ended June 30, 2010, we recognized revenue attributable to the sale of land use rights over two plots of land developed in the Wuxi Project. RMB296.0 million and RMB129.4 million in revenue was recognized in the six months ended June 30, 2009 and 2010, respectively, from land use right sales. The following table sets forth a reconciliation from land premium to the amount of revenue from the sale of land use rights we recognized during the periods indicated.

	Six Months Ended June 30,	
	2009	2010
	(unaudited)	
	<i>(RMB in thousands)</i>	
Land premium	422,400	244,000
Mandatory deductions (<i>Note 1</i>)	<u>(150,895)</u>	<u>(40,260)</u>
Proceeds to be shared by our Group	271,505	203,740
Public utilities fee (<i>Note 2</i>) attributable to our Group	<u>18,472</u>	<u>–</u>
Total amount to be received	289,977	203,740
Uncompleted portion of construction recognized as deferred income	<u>(13,283)</u>	<u>(101,141)</u>
Amount to be recognized as revenue in the period	276,694	102,599
Net transfer from/(to) “deferred income arising from construction of ancillary public facilities” due to change in uncompleted portions of construction of ancillary public facilities	<u>34,572</u>	<u>33,764</u>
Total revenue – gross	<u>311,266</u>	<u>136,363</u>
Less: business tax and surcharges	(15,278)	(6,987)
Revenue	<u>295,988</u>	<u>129,376</u>

Note 1: Mandatory deductions refer to the amount deducted from land premium by the relevant local government in accordance with the Proceeds Percentage.

Note 2: Public utilities fee refers to fees calculated by reference to the GFA of the land over which land use rights were purchased payable to governmental authorities by developers that purchase residential land use rights.

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In addition to lower land development revenue, revenue from our golf business also decreased from RMB23.0 million for the six months ended June 30, 2009 to RMB18.3 million for the corresponding period in 2010, primarily due to the temporary closure of one of our two golf courses for renovation work during the first half of 2010. Our property leasing business also recorded a lower revenue of RMB2.1 million for the six months ended June 30, 2010 as compared to RMB3.0 million for the six months ended June 30, 2009. Revenue from our hotel operations business increased substantially to RMB24.4 million for the six months ended June 30, 2010 as compared to RMB13.0 million for the six months ended June 30, 2009, primarily due to increased business as a result of the kick off of the Shanghai World Expo in the first half of 2010 and depressed revenue during the first half of 2009 that resulted from a temporary closure of the Crowne Plaza Lake Malaren Shanghai hotel for renovation work.

Cost of Sales

Cost of sales decreased 16.5% to RMB142.7 million for the six months ended June 30, 2010 from RMB170.9 million for the six months ended June 30, 2009. The decrease was primarily due to a RMB30.1 million decrease in the cost of land development for sale, which was in line with the decrease in the amount of land premium generated from the sale of land use rights over land developed by us, and thus a decrease in the revenue receivable by us as a result of our share in the land premium in the first half of 2010 as compared to the first half of 2009.

Gross Profit

Our gross profit decreased 79.8% to RMB33.5 million for the six months ended June 30, 2010 from RMB166.2 million for the six months ended June 30, 2009, principally as a result of a lower gross profit margin from the sale of land use rights over land developed in the Wuxi Project in the first half of 2010 as compared to that of the Luodian Project in the first half of 2009. Gross profit margin decreased to 19.0% for the six months ended June 30, 2010 compared to 49.3% for the six months ended June 30, 2009. The decrease in gross profit margin for the six months ended June 30, 2010 as compared to the six months ended June 30, 2009 was due primarily to the lower gross profit margin from the sale of land use rights over land developed in the Wuxi Project in the first half of 2010 as compared to that of the Luodian Project in the first half of 2009 as a result of their different stage of development.

Other Income

We recorded other income of RMB5.6 million for the six months ended June 30, 2010 as compared to RMB6.9 million for the six months ended June 30, 2009, primarily due to a smaller discretionary non-recurring tax rebate of RMB1.9 million received from the Wuxi New District government which relate to our purchase of land use rights in 2008 in the first half of 2010 as compared to RMB5.9 million received in the first half of 2009 partially offset by a RMB2.4 million increase in interest income resulting from our higher average cash balance during the first half of 2010 as compared to the first half of 2009.

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Selling and Distribution Costs

Selling and distribution costs were substantially constant between the two periods at RMB23.3 million for the six months ended June 30, 2010 compared to RMB24.0 million for the six months ended June 30, 2009.

Administrative Expenses

Our administrative expenses increased to RMB86.6 million for the six months ended June 30, 2010 from RMB60.0 million for the six months ended June 30, 2009, primarily due to a RMB12.9 million listing fee incurred during the first half of 2010 and an approximately RMB10.0 million increase in expenses related to ordinary maintenance and decoration at the Crowne Plaza Lake Malaren Shanghai hotel and the Convention Center during the first half of 2010.

Other Expenses

We incurred other expenses of RMB10.6 million for the six months ended June 30, 2010 as compared to RMB0.5 million for the six months ended June 30, 2009, primarily due to a RMB5.0 million donation for earthquake relief made in the first half of 2010 and a RMB4.3 million loss from the write-off of property, plant and equipment related to the confiscation of land by the Liaoning Department of Land and Resources. The land confiscation related to our alleged occupation of agricultural land upon which we built a sports and recreation park and golf club facilities. We received a letter on June 30, 2010 from the Liaoning Department of Land and Resources stating that the matter was officially closed.

Impairment Loss on Property, Plant and Equipment

We recorded no impairment loss for the six months ended June 30, 2010 as compared to an impairment loss of RMB6.8 million for the six months ended June 30, 2009. The impairment loss in the first half of 2009 pertained to the Convention Center.

Fair Value Gain (Loss) on Completed Investment Properties

We recorded a fair value loss on completed investment properties of RMB0.6 million for the six months ended June 30, 2010 as compared to a loss of RMB25.7 million for the six months ended June 30, 2009. In the first half of 2010, we recorded no fair value loss on the Luodian Project and a loss of RMB0.6 million in the fair value of the retail street of the Wuxi Project. In contrast, we recorded a fair value loss on the retail street of the Luodian Project of RMB6.7 million and a fair value loss on the retail street of the Wuxi Project of RMB19.0 million in the first half of 2009.

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Fair Value Gain (Loss) on Investment Properties Under Construction

We recorded a fair value loss on investment properties under construction of RMB0.1 million for the six months ended June 30, 2010 as compared to a gain of RMB40.7 million for the six months ended June 30, 2009, primarily because phase two of the retail street in the Wuxi Project recorded a fair value gain of RMB40.7 million for the first half of 2009.

Operating Profit (Loss)

Our operating loss was RMB82.2 million for the six months ended June 30, 2010 as compared to an operating gain of RMB96.8 million for the six months ended June 30, 2009 for the reasons described above.

Finance Costs

We recorded lower finance costs of RMB47.7 million for the six months ended June 30, 2010 as compared to RMB57.1 million for the six months ended June 30, 2009, primarily due to a reduction in interest expenses caused by the repurchase of approximately RMB505.9 million in principal amount of the Senior Notes in the second half of 2009.

Profit (Loss) Before Tax

For the reasons described above, our loss before tax equaled RMB129.9 million for the six months ended June 30, 2010 as compared to a profit of RMB39.7 million for the six months ended June 30, 2009.

Income Tax

In the six months ended June 30, 2010, our Group reported an income tax credit of RMB12.3 million (representing 9.4% of our consolidated loss before tax) compared to an income tax expense of RMB19.2 million (representing 48.3% of our consolidated profit before tax) in the six months ended June 30, 2009, primarily because we reported a loss before tax in the six months ended June 30, 2010, while we made a profit before tax in the six months ended June 30, 2009.

The income tax expenses (or tax credit) as a percentage of our profit (or loss) before tax decreased from 48.3% in the six months ended June 30, 2009 to 9.4% in the six months ended June 30, 2010 primarily because our consolidated loss before tax for the six months ended June 30, 2010 was increased by the losses incurred by our Company and BVI subsidiaries (exempted from income tax, accounting for 18.1% of our consolidated loss before tax), resulting in a lower percentage of the income tax credit (not affected by losses incurred by our Company and BVI subsidiaries) over our consolidated loss before tax, while our consolidated profit before tax in the six months ended June 30, 2009 was reduced by the losses incurred by our Company and BVI subsidiaries (exempted from income tax, accounting for 75.3% our consolidated profit before tax), resulting in a higher percentage of the income tax expense (not affected by losses incurred by our Company and BVI subsidiaries) over our consolidated profit before tax.

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Our revenue from land development is not subject to PRC land appreciation tax because, as a new town developer, we are not directly involved in the sale of land use rights, which are instead handled by local land authorities.

Profit (Loss) After Tax

For the reasons described above, our loss was RMB117.6 million for the six months ended June 30, 2010 as compared to a profit of RMB20.5 million for the six months ended June 30, 2009. As a percentage of revenue, we recorded a loss for the six months ended June 30, 2010 as compared to a net profit margin of 6.1% for the six months ended June 30, 2009. The loss for the six months ended June 30, 2010 as compared to a net profit margin of 6.1% for the six months ended June 30, 2009 was due primarily to lower average selling prices for land use rights sold in the first half of 2010 as compared to the first half of 2009.

YEAR ENDED DECEMBER 31, 2009 COMPARED TO YEAR ENDED DECEMBER 31, 2008

Revenue

Our revenue increased 92.8% to RMB1,087.4 million in 2009 from RMB564.1 million in 2008. This increase was primarily attributable to higher revenue from the sale of land use rights which in turn was driven by higher average selling prices for the land use rights sold as compared to those sold in the previous year. Details regarding the site area sold, average selling price and land premium of each of our projects in 2008 and 2009 are set out below:

	2008					2009				
	Site area (sq.m.)	Average selling price per sq.m. (RMB/sq.m.)	GFA (sq.m.)	Average selling price to third party per GFA (RMB/sq.m.)	Land premium (RMB'000)	Site area (sq.m.)	Average selling price per sq.m. (RMB/sq.m.)	GFA (sq.m.)	Average selling price to third party per GFA (RMB/sq.m.)	Land premium (RMB'000)
Luodian	175,354.1	4,879.6	210,424.9	4,066.3	855,660.0	199,088.1	9,153.5	269,579.6	6,760.0	1,822,350.0
Shenyang	432,181.3	733.7	475,399.5	667.0	317,091.3	-	-	-	-	-
Wuxi	-	-	-	-	-	183,694.0	1,521.6	159,110.3	1,756.7	279,510.0
Total	607,535.4	1,930.3	685,824.4	1,710.0	1,172,751.3	382,782.1	5,491.0	428,689.9	4,903.0	2,101,860.0
<i>Change %</i>						-37.0%	184.5%	-37.5%	186.7%	79.2%

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During 2008, we recognized revenue attributable to the sale of land use rights over three plots of land developed in the Luodian Project and three plots of land developed in the Shenyang Project. During 2009, we recognized revenue attributable to the sale of land use rights over two plots of land developed in the Luodian Project and two plots of land developed in the Wuxi Project. RMB466.4 million and RMB991.1 million in revenue was recognized in the years ended December 31, 2008 and 2009, respectively, from land use right sales. The following table sets forth a reconciliation from land premium to the amount of revenue from the sale of land use rights we recognized during the periods indicated.

	Year Ended December 31,	
	2008	2009
	<i>(RMB in thousands)</i>	
Land premium <i>(Note 1)</i>	1,172,751	2,101,860
Mandatory deductions <i>(Note 2)</i>	<u>(402,562)</u>	<u>(709,265)</u>
Proceeds to be shared by our Group	770,189	1,392,595
Public utilities fee <i>(Note 3)</i> attributable to our Group	<u>33,448</u>	<u>39,853</u>
Total amount to be received	803,637	1,432,448
Uncompleted portion of construction recognized as deferred income	<u>(160,260)</u>	<u>(257,297)</u>
Amount to be recognized as revenue in the period	643,377	1,175,151
Net transfer from/(to) “deferred income arising from construction of ancillary public facilities” due to change in uncompleted portions of construction ancillary public facilities	<u>18,896</u>	<u>(132,055)</u>
Decrease in revenue and accounts receivable due to reduction in Group’s share of the land premium	(164,968)	–
Total revenue – gross	<u>497,305</u>	<u>1,043,096</u>
Less: business tax and surcharges	(30,859)	(51,964)
Revenue	<u>466,446</u>	<u>991,132</u>

Note 1: The land premium of RMB2,101.86 million for the year ended December 31, 2009 include the land premium (RMB76.9 million) relating to one plot of land developed in the Wuxi Project over which land use rights were sold in November 2007, because the construction works on related land infrastructure were not completed until 2009 and no revenue from development of related land infrastructure was recognized until 2009.

Note 2: Mandatory deductions refer to the amount deducted from land premium by the relevant local government in accordance with the Proceeds Percentage.

Note 3: Public utilities fee refers to fees calculated by reference to the GFA of the land over which land use rights were purchased payable to governmental authorities by developers that purchase residential land use rights.

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Our revenue also benefited from substantially increased rental income from our property leasing business, which increased from RMB0.6 million in 2008 to RMB6.1 million in 2009. The higher revenue from the sale of land use rights and property leasing were partially offset by lower revenue from the Crowne Plaza Lake Malaren Shanghai hotel in the Luodian Project, which totaled RMB29.7 million in 2009 as compared to RMB32.2 million in 2008, primarily due to intense price competition among hotels in Shanghai, and lower revenue from our golf business due to temporary closure of one of the golf courses for renovation.

Cost of Sales

Cost of sales increased 17.9% to RMB435.0 million in 2009 from RMB369.1 million in 2008. In particular, the costs incurred in resettling incumbent residents and enterprises and the costs of preparing raw land increased by 32.2% from RMB233.6 million in 2008 to RMB308.7 million in 2009, which was in line with the increase in the amount of land premium generated from the sale of land use rights over land developed by us, and thus an increase in the revenue receivable by us as a result of our share in the land premium, and also attributable to an agreement reached with the local government in July 2009 to increase the relocation compensation costs payable to incumbent residents of the Luodian Project, which required us to pay an additional amount of RMB600.0 million to be paid in installments prior to July 25, 2013. In addition, the Shanghai municipal government also approved a revised master plan for Luodian New Town that increased the number of ancillary public facilities to be built by us. The changes increased the estimated cost budget for ancillary public facilities of the project by a total of RMB284.0 million. As a result, the unit cost of land development for the Luodian Project increased from RMB1,192 per sq.m. to RMB2,057 per sq.m.

Gross Profit

Our gross profit increased 234.5% to RMB652.3 million in 2009 from RMB195.0 million in 2008, principally as a result of higher land sales. Gross profit margin increased to 60.0% in 2009 compared to 34.6% in 2008. The increase in gross profit margin in 2009 as compared to 2008 was due primarily to a larger proportion of land sold attributable to the Luodian Project, the average selling price and gross margin of which were relatively higher due to its advanced stage of development, and quickly rising average selling prices for land sold in 2009 as compared to cost of sales that grew at a slower pace.

Other Income

We recorded other income of RMB8.4 million in 2009 compared to RMB16.2 million in 2008 primarily due to lower interest income partially offset by a discretionary non-recurring tax rebate of RMB5.9 million received from the Wuxi New District government in 2009 which related to stamp duty and deed tax attributable to our purchase of land use rights in 2008.

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Selling and Distribution Costs

We incurred selling and distribution costs of RMB119.7 million in 2009 compared to RMB35.9 million in 2008, primarily due to an agency fee of RMB78.0 million paid to 上海克而瑞信息技術有限公司 (Shanghai CRIC Information Technology Co., Ltd.*) (“Shanghai CRIC”), a real estate consulting firm, for the provision of market research and promotion services related to land sold in the second half of 2009, which includes devising a publicity campaign to promote the land to be sold to potential investors. Shanghai CRIC is an indirect majority-owned subsidiary of E-House (China) Holdings Limited (a company listed on the New York Stock Exchange) and is an independent third party. We chose to engage a real estate consulting firm in order to enhance our sales model and increase land sale proceeds. The agency fee paid to the real estate consulting firm was significant because it was tied to land sale proceeds and the sale proceeds achieved at auction were high. Pursuant to our agreement with Shanghai CRIC, we agreed to pay an agency fee equal to 1% of land sale proceeds, provided that land sale proceeds over RMB4 million per mu were received, plus 20% of any land sale proceeds in excess of RMB4 million per mu. The land sold totaled 153 mu at a price of approximately RMB9.1 million per mu, which resulted in a total agency fee of approximately RMB171 million, upon which we received a 54% discount to arrive at the final agency fee of RMB78.0 million.

Administrative Expenses

Our administrative expenses fell to RMB133.5 million in 2009 from RMB165.9 million in 2008 primarily due to a bad debt write-off of RMB10.2 million and expenses incurred in connection with convertible bonds of RMB29.7 million in 2008 that we did not incur in 2009, partially offset by financial advisory service fees of RMB12.1 million paid to financial institutions in 2009.

Other Expenses

We incurred other expenses of RMB1.7 million in 2009 as compared to RMB36.2 million in 2008 primarily due to having foreign exchange gain of RMB0.3 million in 2009 as compared to foreign exchange losses of RMB34.3 million in 2008.

Gain on Repurchase of Senior Notes

We recorded a gain on the repurchase of our Senior Notes of RMB24.7 million in 2009 due to the repurchase of the Senior Notes at a discount. Please refer to the sub-section headed “Material Indebtedness and Other Liabilities” hereinbelow for additional information on our repurchase of our Senior Notes.

Loss on Convertible Bonds Other Than Interest Cost, Net

We experienced no loss (other than interest cost) on convertible bonds in 2009 as compared to a loss (other than interest cost) of RMB287.8 million in 2008. The loss of RMB287.8 million in 2008 was attributable to a mark-to-market revaluation of derivatives

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embedded in CB2 of RMB312.8 million, partially offset by a gain of RMB25.0 million resulting from our repurchase of CB2. We incurred no costs other than interest costs on convertible bonds outstanding in 2009. Convertible bonds outstanding in 2009 did not contain embedded derivatives.

Impairment Loss on Property, Plant and Equipment

We recorded an impairment loss of RMB8.8 million in 2009 as compared to an impairment loss of RMB136.8 million in 2008. The impairment loss in 2008 was attributable to the Crowne Plaza Lake Malaren Shanghai hotel and the Convention Center. Impairment loss is the amount by which the carrying amount exceeds the recoverable amount. Impairment loss in 2009 was significantly lower than in 2008 for two primary reasons. First, the carrying amount of the hotel and the Convention Center had already been reduced by RMB136.8 million in 2008. Second, the incremental decrease in recoverable amount in 2009 as compared to 2008 was small because we calculate recoverable amount based on estimated future cash flow, and estimated future cash flow was similar in 2008 and 2009 because of similar economic conditions in both periods. By contrast, economic conditions deteriorated significantly in 2008 as compared to 2007, which resulted in significantly lower estimated future cash flows and in turn a significantly lower recoverable amount in 2008.

Fair Value Gain (Loss) on Completed Investment Properties

We recorded a fair value loss on completed investment properties of RMB14.2 million in 2009 as compared to a loss of RMB488.2 million in 2008. The fair value loss in 2008 was mainly attributable to the retail street of the Luodian Project. The fair value of the retail street of the Luodian Project was calculated by DTZ Debenham Tie Leung Limited based on the income approach in both 2009 and 2008. The fair values calculated by DTZ Debenham Tie Leung Limited for 2009 and 2008 were similar, and therefore the fair value loss in 2009 was small. The fair value loss in 2008 was larger because this was the first year in which low occupancy rates of the retail street of the Luodian Project were taken into account in calculating its fair value.

Fair Value Gain on Investment Properties Under Construction

We recorded a fair value gain on investment properties under construction of RMB39.0 million in 2009 due to a valuation gain on the retail street of the Wuxi Project. This valuation gain was caused by our prospective adoption of IAS 40 on January 1, 2009, which changed the accounting policies related to the valuation of investment properties under construction. Please refer to the sub-section headed “Critical Accounting Policies – Investment properties” hereinabove.

Operating Profit (Loss)

Our operating profit was RMB446.6 million in 2009 as compared to an operating loss of RMB939.6 million in 2008 for the reasons described above.

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Finance Costs

We recorded lower finance costs of RMB104.4 million in 2009 as compared to RMB193.7 million in 2008, primarily due to a decrease of RMB38.5 million in interest costs on bank borrowings due to lower interest rates and a decrease of RMB162.2 million in interest costs due to our repurchase of convertible bonds outstanding in 2008, partially offset by an increase in interest costs on our Senior Notes of RMB54.6 million. The total finance costs of RMB104.4 million in 2009 principally comprised interest costs of RMB96.9 million attributable to various debt instruments and RMB84.8 million attributable to bank borrowings, partially offset by capitalized interest of RMB77.3 million.

Profit (Loss) Before Tax

For the reasons described above, our profit before tax equaled RMB342.3 million in 2009 as compared to a loss of RMB1,133.3 million in 2008.

Income Tax

In the year ended December 31, 2009, our Group reported an income tax expense of RMB98.8 million (representing 28.9% of our consolidated profit before tax) compared to an income tax credit of RMB145.9 million (representing 12.9% of our consolidated loss before tax) in the year ended December 2008, primarily because we reported a profit before tax in year ended December 31, 2009, while we made a loss before tax in the year ended December 31, 2008.

The income tax expense (or tax credit) as a percentage of our profit (or loss) before tax increased from 12.9% in the year ended December 31, 2008 to 28.9% in the year ended December 31, 2009, primarily because our consolidated profit before tax in 2009 was reduced by the losses incurred by our Company and BVI subsidiaries (exempted from income tax, accounting for 8.9% our consolidated profit before tax), resulting in a higher percentage of the income tax expenses (not affected by losses incurred by our Company and BVI subsidiaries) over our consolidated profit before tax, while our consolidated loss before tax in 2008 was increased by the losses incurred by our Company and BVI subsidiaries (exempted from income tax, accounting for 40.1% our consolidated loss before tax), resulting in a lower percentage of the income tax credit (not affected by losses incurred by our Company and BVI subsidiaries) over our consolidated loss before tax.

Our revenue from land development is not subject to PRC land appreciation tax because, as a new town developer, we are not directly involved in the sale of land use rights, which are instead handled by local land authorities.

Profit (Loss) After Tax

For the reasons described above, our profit was RMB243.5 million in 2009 as compared to a loss of RMB987.4 million in 2008. As a percentage of revenue, our net profit margin increased to 22.4% in 2009 compared to a loss in 2008. The increase in gross profit margin in

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2009 as compared to 2008 was due primarily to quickly rising average selling prices for land use rights sold in 2009 as compared to cost of sales that grew at a slower pace, no loss on convertible bonds in 2009 as compared to a significant loss in 2008, and substantially lower impairment loss on property, plant and equipment and fair value loss on completed investment properties in 2009 as compared to 2008.

YEAR ENDED DECEMBER 31, 2008 COMPARED TO YEAR ENDED DECEMBER 31, 2007

Revenue

Our revenue increased 55.3% to RMB564.1 million in 2008 from RMB363.2 million in 2007. This increase was primarily attributable to higher revenue from the sale of land use rights. Details regarding the site area over which land use rights were sold, average selling price and land premium of each of our projects in 2007 and 2008 are set out below:

	2007					2008				
	Site area (sq.m.)	Average selling price per sq.m. (RMB/sq.m.)	GFA (sq.m.)	Average selling price to third party developers per GFA (RMB/sq.m.)	Land premium (RMB'000)	Site area (sq.m.)	Average selling price per sq.m. (RMB/sq.m.)	GFA (sq.m.)	Average selling price to third party developers per GFA (RMB/sq.m.)	Land premium (RMB'000)
Luodian	120,594.8	2,902.3	120,594.8	2,902.3	350,000.0	175,354.1	4,879.6	210,424.9	4,066.3	855,660.0
Shenyang	-	-	-	-	-	432,181.3	733.7	475,399.5	667.0	317,091.3
Wuxi*	-	-	-	-	-	-	-	-	-	-
Total	120,594.8	2,902.3	120,594.8	2,902.3	350,000.0	607,535.4	1,930.3	685,824.4	1,710.0	1,172,751.3
Change %						+403.8%	-33.5%	+468.7%	-41.1%	+235.1%

Note: The table above does not include the land premium generated as a result of the sale of land use rights over one plot of land developed in the Wuxi Project (in the amount of RMB76.9 million) in November 2007, because the construction works on related land infrastructure were not completed until 2009 and no revenue from development of related land infrastructure was recognized until 2009.

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During 2007, we recognized revenue attributable to the sale of land use rights over one plot of land developed in our Luodian Project. During 2008, we recognized revenue attributable to the sale of land use rights over three plots of land developed in our Luodian Project and three plots of land developed in our Shenyang Project. RMB267.5 million and RMB466.4 million in revenue was recognized in the years ended December 31, 2007 and 2008, respectively, from land use right sales. The following table sets forth a reconciliation from land premium to the amount of revenue from the sale of land use rights we recognized during the periods indicated.

	Year Ended December 31,	
	2007	2008
	<i>(RMB in thousands)</i>	
Land premium	350,000	1,172,751
Mandatory deductions (<i>Note 1</i>)	<u>(51,805)</u>	<u>(402,562)</u>
Proceeds to be shared by our Group	298,195	770,189
Public utilities fee (<i>Note 2</i>) attributable to our Group	<u>23,003</u>	<u>33,448</u>
Total amount to be received	321,198	803,637
Uncompleted portion of construction recognized as deferred income	<u>(20,645)</u>	<u>(160,260)</u>
Amount to be recognized as revenue in the period	300,553	643,377
Net transfer from/(to) “deferred income arising from construction of ancillary public facilities” due to change in uncompleted portions of construction ancillary public facilities	<u>(15,560)</u>	<u>18,896</u>
Decrease in revenue and accounts receivable due to reduction in Group’s share of the land premium	–	(164,968)
Total revenue – gross	<u>284,993</u>	<u>497,305</u>
Less: business tax and surcharges	(17,539)	(30,859)
Revenue	<u>267,454</u>	<u>466,446</u>

Note 1: Mandatory deductions refer to the amount deducted from land premium by the relevant local government in accordance with the Proceeds Percentage.

Note 2: Public utilities fee refers to fees calculated by reference to the GFA of the land over which land use rights were purchased payable to governmental authorities by developers that purchase residential land use rights.

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Cost of Sales

Cost of sales increased 81.7% to RMB369.1 million in 2008 from RMB203.1 million in 2007, primarily because the costs incurred to resettle incumbent residents and enterprises and prepare raw land increased by 139.1% from RMB97.7 million in 2007 to RMB233.6 million in 2008. The higher costs incurred to resettle incumbent residents and enterprises and prepare raw land was in turn primarily due to our recognition of expenditures to land development as cost of sales when the land use rights were sold. We recognized a greater amount of expenditure to land development as cost of sales in 2008 as compared to 2007 because revenue from land development in 2008 was greater.

Gross Profit

Our gross profit increased 21.8% to RMB195.0 million in 2008 from RMB160.1 million in 2007. Gross profit margin decreased to 34.6% in 2008 compared to 44.1% in 2007. The decrease in gross profit margin in 2008 as compared to 2007 was due primarily to (a) a large proportion of land use rights sold being attributable to the Shenyang Project, the average selling price and gross margin of which were relatively lower due to its early stage of development, and (b) a reduction in Proceeds Percentage of the Luodian Project to which we were entitled. Such reduction was the result of a new regulation (“New Regulation”) issued by the local government in Shanghai in October 2008 that reduced our entitlement to share in revenue from the sale of land use rights over all land developed by SGLD that was sold after January 1, 2007. Such reduction in our entitlement to share in revenue from the sale of land use rights occurred in 2008 was accounted for prospectively in our consolidated financial statements for the year ended December 31, 2008 in accordance with IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors. As a result of such change in accounting estimates in 2008, revenue recorded for the year ended December 31, 2008 was RMB165.0 million lower than what it would have been but for the New Regulation. Our PRC legal advisor, Jingtian & Gongcheng, is of the view that such change in accounting estimates does not involve any non-compliance with the New Regulation since the New Regulation does not regulate how a change in land development revenue as a result of the New Regulation should be recognized and adjusted in the financial statements of land developers.

Other Income

We recorded other income of RMB16.2 million in 2008 compared to RMB72.9 million in 2007 primarily due to not having received in 2008 the government interest subsidy of RMB46.5 million received in 2007 and having received RMB11.5 million less in interest income in 2008 as compared to 2007. Interest income decreased primarily due to a reduction in cash balances held in 2008 as compared to 2007.

Selling and Distribution Costs

We incurred selling and distribution costs of RMB35.9 million in 2008 compared to RMB37.8 million in 2007, primarily due to a reduction in the number of employees at our Crowne Plaza Lake Malaren Shanghai hotel and the Convention Center that resulted from a

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temporary cessation of business at the Crowne Plaza Lake Malaren Shanghai hotel and the Convention Center in the first half of 2008. The Crowne Plaza Lake Malaren Shanghai hotel and the Convention Center ceased business at that time to allow for renovation work that was required by the Hotel Manager.

Administrative Expenses

Our administrative expenses increased to RMB165.9 million in 2008 from RMB106.5 million in 2007 primarily due to higher employee benefits expenses in 2008, a bad debt write-off of RMB10.2 million incurred in connection with receivables from tenants of the retail street of the Luodian Project that were waived upon tenancy renewal, expenses incurred in connection with our repurchase of convertible bonds of RMB29.7 million and higher other expenses in 2008, partially offset by expenses incurred for the listing of the then existing shares of our Company in 2007. We incurred higher employee benefits expense in 2008 as compared to 2007 because our Management Grant was introduced in the middle of 2007, which resulted in Management Grant expenses in 2008 that were approximately double those in 2007. In addition, project companies established in 2007 did not begin to incur significant employee benefit expenses until those companies took on more employees in 2008.

Other Expenses

We incurred other expenses of RMB36.2 million in 2008 as compared to RMB45.6 million in 2007 primarily due to a foreign exchange loss of RMB34.3 million in 2008 as compared to RMB44.0 million in 2007.

Loss on Convertible Bonds Other Than Interest Cost, Net

We recorded a loss of RMB287.8 million in 2008 attributable to a mark-to-market revaluation of derivatives embedded in CB2 of RMB312.9 million, partially offset by a gain of RMB25.0 million resulting from our repurchase of CB2. We will not incur further losses on CB2 as we have repurchased and cancelled them in full. We recorded a loss (other than interest cost) of RMB79.4 million related to convertible bonds in 2007.

Impairment Loss on Property, Plant and Equipment

We recorded an impairment loss of RMB136.8 million in 2008 due to losses in hotel operations attributable to low occupancy rates at the Crowne Plaza Lake Malaren Shanghai hotel and the Convention Center located in Luodian New Town, which in turn resulted from poor economic conditions. The impairment loss was equal to the excess carrying amounts above recoverable amounts based on the estimated future cash flow of our hotel operations.

Fair Value Gain (Loss) on Completed Investment Properties

We recorded a fair value loss on completed investment properties of RMB488.2 million in 2008 as compared to a gain of RMB38.9 million in 2007. The fair value loss incurred in 2008 was mainly attributable to lower property valuations caused by the low occupancy rate achieved at the retail street of the Luodian Project.

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Operating Profit (Loss)

Our operating loss was RMB939.6 million in 2008 as compared to an operating profit of RMB2.8 million in 2007 for the reasons described above.

Finance Costs

We recorded lower finance costs of RMB193.7 million in 2008 as compared to RMB293.6 million in 2007, primarily due to increased capitalization of interest in line with increased construction.

Profit (Loss) Before Tax

For the reasons described above, our loss before tax equaled RMB1,133.3 million in 2008 as compared to a loss of RMB290.8 million in 2007.

Income Tax

In the year ended December 31, 2008 and 2007, our Group reported income tax credits of RMB145.9 million (representing 12.9% of our consolidated loss before tax) and RMB18.8 million (representing 6.5% of our consolidated loss before tax) respectively, because we made losses in both years.

Tax credit in 2007 was primarily attributable to the effect of deferred tax in relation to the reduction in PRC statutory corporate income tax rate from 33% in 2007 to 25% from 2008 onwards. Such tax credit was reduced by the income tax expenses arising from profit attributable to the PRC subsidiaries, resulting in a lower percentage of income tax credit over consolidated loss before tax in 2007 when compared to 2008.

Our revenue from land development is not subject to PRC land appreciation tax because, as a new town developer, we are not directly involved in the sale of land use rights, which are instead handled by local land authorities.

Profit (Loss) After Tax

For the reasons described above, our loss was RMB987.4 million in 2008 as compared to a loss of RMB272.0 million in 2007.

LIQUIDITY AND CAPITAL RESOURCES

Our primary sources of liquidity and capital resources have been, and are expected to continue to be, cash generated from our operating activities and proceeds from bank borrowings. In addition, we have obtained cash from the issuance of shares, convertible bonds and notes. Our principal uses of cash have been, and are expected to continue to be, for operational purposes.

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Cash Flows

The following table sets forth our summary cash flow information for the periods indicated.

	Year Ended December 31,			Six Months Ended June 30,	
	2007	2008	2009	2009	2010
				(unaudited)	
	<i>(RMB in thousands)</i>				
Net cash provided from (used in) operating activities	(538,269)	289,077	711,561	(21,042)	(327,561)
Net cash used in investing activities	(250,197)	(161,436)	(266,728)	(62,030)	(104,324)
Net cash provided from (used in) financing activities	2,383,832	(1,676,536)	882,803	28,940	(225,152)
Net increase (decrease) in cash and cash equivalents	1,595,366	(1,548,895)	1,327,636	(54,132)	(657,037)
Effect of exchange rates on cash and cash equivalents	(46,019)	(31,624)	-	-	-
Cash and cash equivalents at beginning of period	<u>169,148</u>	<u>1,718,495</u>	<u>137,976</u>	<u>137,976</u>	<u>1,465,612</u>
Cash and cash equivalents at end of period	1,718,495	137,976	1,465,612	83,844	808,575

Net Cash Provided from (Used in) Operating Activities

In the six-month period ended June 30, 2010, our net cash used in operating activities was RMB327.6 million, which primarily reflected our loss before tax for the period of RMB129.9 million, positively adjusted for interest expense of RMB47.7 million mainly in relation to bank loans, a decrease in amounts due from related parties of RMB47.0 million related to repayment by a related party, a decrease in trade receivables of RMB96.8 million primarily related to cash collection, and an increase in deferred income arising from land development of RMB60.1 million related to increased land use right sales, significantly offset by an increase in land development for sale of RMB106.5 million mainly related to development of the Luodian Project and Wuxi Project, and a decrease in trade and other payables of RMB282.7 million mainly related to the settlement of liabilities connected to development of the Luodian Project and Wuxi Project.

In the six-month period ended June 30, 2009, our net cash used in operating activities was RMB21.0 million, which primarily reflected our profit before tax for the period of RMB39.7 million, positively adjusted for interest expense of RMB57.1 million mainly in relation to bank loans and our Senior Notes, significantly offset by an increase in trade receivables of RMB136.2 million mainly related to land use right sales at auction.

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In 2009, our net cash provided from operating activities was RMB711.6 million, which primarily reflected our profit before tax for the year of RMB342.3 million, positively adjusted for interest expense of RMB104.4 million mainly in relation to bank loans, an increase in deferred income arising from land development of RMB368.5 million related to increased land sales, and an increase in trade and other payables of RMB587.7 million primarily related to development of the Wuxi Project and the Shenyang Project, significantly offset by an increase in land development for sale of RMB160.0 million primarily related to development of the Wuxi Project and the Shenyang Project and an increase in other receivables and assets of RMB494.5 million comprised primarily of an other receivables balance that resulted when development ceased on the project in Changchun.

In 2008, our net cash provided from operating activities was RMB289.1 million, which primarily reflected our loss before tax for the year of RMB1.1 billion, positively adjusted for impairment loss of property, plant and equipment of RMB136.8 million related to the Crowne Plaza Lake Malaren Shanghai hotel and Convention Center located of the Luodian Project, fair value loss on completed investment properties of RMB488.2 million primarily related to the retail street of the Luodian Project, loss on convertible bonds other than interest cost, net of RMB287.8 million attributable to a mark-to-market revaluation of derivatives embedded in convertible bonds, interest expense of RMB193.7 million mainly in relation to bank loans, a decrease in trade receivables of RMB217.6 million mainly related to land sales at auction, an increase in deferred income from the sale of golf club memberships of RMB103.9 million, an increase in deferred income arising from land development of RMB129.6 million related to increased land sales, an increase in trade and other payables of RMB261.1 million primarily related to development of the Wuxi Project and the Shenyang Project, and an increase in amounts due to related parties of RMB116.4 million, significantly offset by an increase in land development for sale of RMB730.7 million primarily related to development of the Wuxi Project and the Shenyang Project.

In 2007, our net cash used in operating activities was RMB538.3 million, which primarily reflected our loss before tax for the year of RMB290.8 million, positively adjusted for interest expense of RMB293.6 million mainly in relation to bank loans, a decrease in trade receivables of RMB132.6 million related to land sales at auction, and an increase in trade and other payables of RMB329.7 million primarily related to development of the Wuxi Project and the Shenyang Project, significantly offset by an increase in land development for sale of RMB1.1 billion primarily related to development of the Wuxi Project and the Shenyang Project. Our negative operating cash flow in 2007 was due primarily to significant expenditures incurred by our Wuxi Project and Shenyang Project, particularly expenses related to the relocation of incumbent residents and businesses.

Net Cash Used in Investing Activities

In the six-month period ended June 30, 2010, our net cash used in investing activities was RMB104.3 million, consisting principally of payments for investment properties. In the six-month period ended June 30, 2009, our net cash used in investing activities was RMB62.0 million, consisting principally of the purchase and construction of property, plant and

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equipment, and payments for investment properties. In 2009, our net cash used in investing activities was RMB266.7 million, consisting principally of the purchase and construction of property, plant and equipment, payments for land use rights of RMB97.7 million for a hotel development under our Wuxi Project, and payments for investment properties. In 2008, our net cash used in investing activities was RMB161.4 million, consisting principally of the purchase and construction of property, plant and equipment. In 2007, our net cash used in investing activities was RMB250.2 million, consisting principally of the purchase and construction of property, plant and equipment and payments for investment properties.

Net Cash Provided from (Used in) Financing Activities

In the six-month period ended June 30, 2010, our net cash used in financing activities was RMB225.2 million, consisting mainly of repayments of bank borrowings of RMB100.0 million, interest paid of RMB72.9 million and dividends paid of RMB52.3 million.

In the six-month period ended June 30, 2009, our net cash provided from financing activities was RMB28.9 million, consisting mainly of proceeds from the issuance of new shares of RMB43.7 million, which comprised in substantial part 680 million new Shares issue to Sinopower in May 2009 at an issue price of S\$0.051 per Share, proceeds from bank borrowings of RMB80.0 million and cash released from deposits restricted in relation to coupon interest payments for our Senior Notes of RMB46.3 million. These amounts were partially offset primarily by interest paid of RMB91.9 million.

In 2009, our net cash provided from financing activities was RMB882.8 million, consisting mainly of proceeds from bank borrowings of RMB1,090.0 million, proceeds from the issuance of convertible bonds of RMB276.0 million and proceeds from the issuance of new Shares of RMB127.6 million, which comprised in substantial part 680 million new Shares issued to Sinopower in May 2009 at an issue price of S\$0.051 per Share. These amounts were partially offset primarily by amounts paid to repurchase Senior Notes of RMB340.3 million and interest paid of RMB142.5 million.

In 2008, our net cash used in financing activities was RMB1,676.5 million, consisting mainly of repayments of bank borrowings of RMB503.0 million, repayments to a related party of RMB350.0 million, payments made to repurchase convertible bonds of RMB639.5 million and interest paid of RMB184.8 million.

In 2007, our net cash provided from financing activities was RMB2,383.8 million, consisting mainly of proceeds from our public listing of RMB1,376.3 million, proceeds from the issuance of convertible bonds of RMB1,165.5 million, a loan from a related party of RMB350.0 million and capital contributions from non-controlling shareholders of subsidiaries of RMB175.9 million. These amounts were partially offset primarily by repayments of bank borrowings of RMB450.0 million, interest paid of RMB114.8 million and payment for transaction costs for the issuance of new Shares of RMB87.3 million.

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Cash and Cash Equivalents

We had cash and cash equivalents of RMB1,718.5 million, RMB138.0 million, RMB1,465.6 million and RMB808.6 million as of December 31, 2007, 2008 and 2009 and June 30, 2010, respectively. Our cash and cash equivalents consist of cash on hand and in banks and investments with maturities (when acquired) of three months or less that can be used freely to finance operating activities.

Capital Expenditures

Our capital expenditures were RMB227.5 million, RMB279.5 million, RMB256.0 million, RMB110.5 million and RMB129.8 million for the three years ended December 31, 2007, 2008 and 2009 and the six months ended June 30, 2009 and 2010, respectively. The following table sets forth our historical capital expenditures for the periods indicated. Capital expenditure is comprised of expenditure for property, plant and equipment, investment properties and leasehold land. In addition, we incur expenditure associated with preparing land for sale, including the cost of relocation and resettlement. Investments made to prepare land for sale are classified as “land development for sale” in current assets and not classified as capital expenditures.

The following table sets forth our historical capital expenditures for the periods indicated:

	Year Ended December 31,			Six Months Ended	
	2007	2008	2009	June 30, 2009	2010
	(unaudited)				
	<i>(RMB in thousands)</i>				
Prepaid land lease payments (non-current)	–	3,046	79,100	204	4,390
Property, plant and equipment	113,715	181,897	78,785	74,410	7,339
Completed investment properties and investment properties under construction	<u>113,739</u>	<u>94,574</u>	<u>98,087</u>	<u>35,888</u>	<u>118,049</u>
Total	<u>227,454</u>	<u>279,517</u>	<u>255,972</u>	<u>110,502</u>	<u>129,778</u>

We expect to continue to incur significant capital expenditures during the construction period of our new town projects. The construction period for the Wuxi and Shenyang Projects is expected to continue until 2015.

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Cash Flow Management

Prior to commencing a new project, we conduct a feasibility analysis that includes a cash flow analysis. Once we move forward on a project, the subsidiary in charge of the project will prepare an annual cash flow forecast. Actual cash flows are compared with the forecast on a monthly basis to ensure that control is retained over cash flows. This, together with the regular monitoring of expenses and cash outflow by our management, constitutes the overarching system by which our cash inflows and outflows are planned, monitored and controlled.

We exercise a certain degree of control over our cash outflows because of the inherent flexibility of major components of our cash flows, including relocation costs, construction costs and capital expenditures. For example, so far as relocation costs for the Luodian Project are concerned, although the relevant relocation contract provides for relocation costs to be paid within 7 days of the finalization of the relevant plan for the disbursement of relocation costs, we have been able to obtain extensions of payment from the relevant local governmental authority without incurring any penalty, as in the case of the agreement entered into pursuant to negotiations between SGLD and the Luodian township government to defer the payment of the payable balance of relocation costs totaling approximately RMB349.2 million as at June 30, 2010 until July 26, 2013. An amount totaling approximately RMB2,590.8 million has been settled by us as of June 30, 2010. For the Wuxi Project, the relevant relocation agreements do not stipulate any particular payment arrangement. As at June 30, 2010, we owed the Wuxi Hongshan township government approximately RMB261.6 million of relocation costs. For the Shenyang Project, there is currently no outstanding compensation payable to the Shenyang Dongling district government.

Construction costs and capital expenditures are paid in accordance with the progress of construction or in installments set out in the payment schedule listed in the relevant agreements. So far as the former payment arrangements are in place, we have a certain degree of control over our cash outflow through regulation of the progress of construction work in accordance with our cash flow situation.

We rely predominantly on cash provided by operating activities, bank loans, and debt and equity financing in the capital markets to fund our cash flows. We believe that our sources of cash are sufficient to fund our capital commitments and capital expenditures. In particular, in accordance with a facility agreement dated July 20, 2010 entered into between us and China Minsheng Banking Corp., Ltd., Shanghai Branch, we have secured a RMB200 million project facility, which is repayable in three tranches from 2011 to 2013 in accordance with the repayment terms in the facility agreement.

WORKING CAPITAL

In order to maintain sufficient funds for our existing and future cash requirements, we aim to effectively manage our cash flow and capital commitments, seek bank borrowings, and explore alternative means to raise capital. Currently, having considered our relationships with our commercial lenders, we believe that based on our past repayment and credit history, our existing short-term banks loans will be accepted for renewal upon maturity and existing credit facilities will be maintained in accordance with the terms and conditions of the relevant bank loan agreements.

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Taking into account the financial resources presently available to us, including available banking facilities and cash flows from our operations, our Directors are of the opinion that we have sufficient working capital for our operations for at least 12 months from the date of this document.

As of August 31, 2010, that date being the latest practicable date for the purpose of stating our indebtedness in this document, our net current assets totaled approximately RMB3,245.3 million, comprising the following:

	As of August 31, 2010 <i>(RMB in thousands)</i>
Current assets	
Property under development for sale	5,251
Land development for sale	3,506,884
Prepaid land lease payments	165,371
Inventories	4,820
Amounts due from related parties	–
Prepayments	44,762
Other receivables	345,426
Trade receivables	1,396,801
Cash and bank balances	<u>1,027,494</u>
Total current assets	<u>6,496,809</u>
Current liabilities	
Interest-bearing bank borrowings	280,000
Trade payables	1,086,810
Other payables and accruals	539,076
Amounts due to related parties	–
Advances from customers	4,170
Deferred income arising from land development	816,324
Current income tax liabilities	<u>525,179</u>
Total current liabilities	<u>3,251,559</u>
Net current assets	<u><u>3,245,250</u></u>

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CONTRACTUAL OBLIGATIONS, CAPITAL COMMITMENTS AND COMMITMENTS IN RESPECT OF LAND DEVELOPMENT FOR SALE

The following tables set forth our contractual obligations, capital commitments and commitments in respect of land development for sale as of the dates indicated:

Commitments as of December 31, 2007

	Contracted but not provided for	Authorized but not contracted for	Total
	<i>(RMB in thousands)</i>		
Land development for sale:			
– Relocation	2,764,606	2,702,713	5,467,319
– Ancillary public facilities	11,886	2,454,140	2,466,026
Subtotal	2,776,492	5,156,853	7,933,345
Investment property under construction:			
– Retail street	15,230	155,738	170,968
– Shopping mall	–	–	–
Subtotal	15,230	155,738	170,968
Property, plant and equipment and leasehold land:			
– Hotel operations	104,517	1,967,022	2,071,539
– Golf operations	1,700	188,382	190,082
– Park	22,500	213,874	236,374
– Office hub	2,592	1,625	4,217
– Commercial operations	–	563,539	563,539
Subtotal	131,309	2,934,442	3,065,751
Changchun Project:	13,863	2,293,056	2,306,919
Total:	2,936,894	10,540,089	13,476,983

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Commitments as of December 31, 2008

	Contracted but not provided for	Authorized but not contracted for	Total
	<i>(RMB in thousands)</i>		
Land development for sale:			
– Relocation	2,288,118	2,268,502	4,556,620
– Ancillary public facilities	53,850	2,487,531	2,541,381
Subtotal	<u>2,341,968</u>	<u>4,756,033</u>	<u>7,098,001</u>
Investment property under construction:			
– Retail street	–	157,405	157,405
– Shopping mall	–	–	–
Subtotal	<u>–</u>	<u>157,405</u>	<u>157,405</u>
Property, plant and equipment and leasehold land:			
– Hotel operations	337,935	1,772,268	2,110,203
– Golf operations	1,200	188,382	189,582
– Park	8,967	126,436	135,403
– Office hub	–	–	–
– Commercial operations	–	563,540	563,540
Subtotal	<u>348,102</u>	<u>2,650,626</u>	<u>2,998,728</u>
Changchun Project:	<u>284,281</u>	<u>1,885,093</u>	<u>2,169,374</u>
Total:	<u><u>2,974,351</u></u>	<u><u>9,449,157</u></u>	<u><u>12,423,508</u></u>

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Commitments as of December 31, 2009

	Contracted but not provided for	Authorized but not contracted for	Total
	<i>(RMB in thousands)</i>		
Land development for sale:			
– Relocation	2,096,947	2,192,212	4,289,159
– Ancillary public facilities	119,370	3,120,191	3,239,561
Subtotal	<u>2,216,317</u>	<u>5,312,403</u>	<u>7,528,720</u>
Investment property under construction:			
– Retail street	–	144,525	144,525
– Shopping mall	101,179	24,541	125,720
Subtotal	<u>101,179</u>	<u>169,066</u>	<u>270,245</u>
Property, Plant and Equipment and leasehold land:			
– Hotel operations	130,040	1,765,233	1,895,273
– Golf operations	123,626	83,121	206,747
– Park	16,351	119,966	136,317
– Office hub	–	–	–
– Commercial operations	–	563,540	563,540
Subtotal	<u>270,017</u>	<u>2,531,860</u>	<u>2,801,877</u>
Changchun Project:	–	–	–
Total:	<u><u>2,587,513</u></u>	<u><u>8,013,329</u></u>	<u><u>10,600,842</u></u>

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Commitments as of June 30, 2010

	Contracted but not provided for	Authorized but not contracted for	Total
	<i>(RMB in thousands)</i>		
Land development for sale			
– Relocation	1,998,305	2,185,491	4,183,796
– Ancillary public facilities	159,720	3,033,959	3,193,679
Sub-total	<u>2,158,025</u>	<u>5,219,450</u>	<u>7,377,475</u>
Investment properties under construction			
– Retail Street	–	144,757	144,757
– Shopping mall	50,571	20,197	70,768
Sub-total	<u>50,571</u>	<u>164,954</u>	<u>215,525</u>
Property, plant and equipment and leasehold land			
– Hotel operations	137,708	1,761,796	1,899,504
– Golf operations	128,850	83,121	211,971
– Park	16,351	119,966	136,317
– Office hub	–	563,540	563,540
Sub-total	<u>282,909</u>	<u>2,528,423</u>	<u>2,811,332</u>
Total	<u><u>2,491,505</u></u>	<u><u>7,912,827</u></u>	<u><u>10,404,332</u></u>

As of the Latest Practicable Date, we had total capital commitments and commitments in respect of land development for sale in the amount of RMB7,350.7 million. These commitments are largely for the township development projects in the Wuxi and Shenyang Projects. They relate mainly to the costs to be incurred for the relocation of the present occupiers of the land, the construction of infrastructure and the construction of housing for residents that are going to be relocated. We intend to finance these commitments through internal cash flows, and if necessary, from borrowings from third parties.

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CERTAIN STATEMENT OF FINANCIAL POSITION ITEMS

Trade Receivables

Our total trade receivables as of December 31, 2007, 2008 and 2009 and June 30, 2010 equaled RMB631.1 million, RMB414.9 million, RMB430.8 million and RMB333.9 million, respectively, and consisted primarily of receivables from land development and receivables from sales of golf memberships. Our receivables from land development as of December 31, 2007, 2008 and 2009 and June 30, 2010 equaled RMB542.0 million, RMB302.4 million, RMB374.5 million and RMB302.8 million, respectively. Our receivables from sales of golf club memberships as of December 31, 2007, 2008 and 2009 and June 30, 2010 equaled RMB74.8 million, RMB110.5 million, RMB51.1 million and RMB25.9 million, respectively. We typically extend credit to our customers for 180 to 360 days.

Pursuant to our trade receivables provisioning policy, trade receivables are financial assets carried at amortized cost. If there is objective evidence that an impairment loss on trade receivables has been incurred, the amount of the loss is measured as the difference between the receivable's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not been incurred) discounted at the receivable's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognized in the statement of comprehensive income. Trade receivables together with any associated allowance are written off when there is no realistic prospect of future recovery.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to finance costs in the statement of comprehensive income.

We made no provision or write-off for trade receivables in 2007, 2009 or the six months ended June 30, 2010. In 2008, we made a provision or write-off for trade receivables of RMB10.2 million.

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The following table sets forth an aging analysis of our trade receivables as of the dates indicated:

	As of December 31,			As of
	2007	2008	2009	June 30, 2010
	<i>(RMB in thousands)</i>			
Within 6 months	273,059	153,356	164,472	71,338
6 months to 1 year	118,843	92,209	14,640	39,552
1 year to 2 years	136,078	52,510	156,993	108,833
2 years to 3 years	4,180	47,226	27,991	39,831
Over 3 years	98,900	69,552	66,727	74,393
Total	<u>631,060</u>	<u>414,853</u>	<u>430,823</u>	<u>333,947</u>

As of the Latest Practicable Date, approximately RMB67.1 million, representing 20.1% of our trade receivables of RMB333.9 million outstanding as at June 30, 2010 had been settled.

Trade and Other Payables

The following table sets forth our trade and other payables as of the dates indicated:

	As of December 31,			As of
	2007	2008	2009	June 30, 2010
	<i>(RMB in thousands)</i>			
Trade payables	832,167	1,036,291	1,265,252	1,123,971
Business tax payable	13,266	101,460	176,860	186,806
Accruals for commission				
on golf club members	20,330	29,219	28,488	25,132
Other payables	71,862	170,937	391,086	256,411
Total	<u>937,625</u>	<u>1,337,907</u>	<u>1,861,686</u>	<u>1,592,320</u>

Our total trade and other payables as of December 31, 2007, 2008 and 2009 and June 30, 2010 equaled RMB937.6 million, RMB1,337.9 million, RMB1,861.7 million and RMB1,592.3 million, respectively. Our trade payables primarily represent outstanding installments payable to our contractors. Our trade payables increased from RMB832.2 million as of December 31, 2007 to RMB1,036.3 million as of December 31, 2008 to RMB1,265.3 million as of December 31, 2009, primarily because of the gradual increase in construction activities over these periods. Our trade payables decreased to RMB1,124.0 million as of June 30, 2010 because of scheduled payments we made to contractors during the period ended June 30, 2010. Our suppliers typically extend credit to us for 360 days.

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The following table sets forth the composition of other payables on the dates indicated:

	As of December 31,			As of
	2007	2008	2009	June 30, 2010
	<i>(RMB in thousands)</i>			
Payroll and welfare	4,124	4,230	5,158	848
Other taxes payable				
Property tax payable	15,704	19,695	25,406	27,254
Land use tax payable	4,360	7,616	10,407	11,821
Other miscellaneous tax	1,548	2,189	4,743	8,776
Unpaid expenses incurred for the repurchase of convertible bonds	–	22,785	–	–
Receipts in excess of our estimated share of land sale proceeds	–	25,152	26,477	26,477
Agency fee payables for promotional services	–	–	42,000	–
Obligation to construct a transportation center	–	–	53,222	34,675
Earnest money of potential investment	–	–	43,605	–
Estimated payables to constructors on behalf of the Changchun Committee	–	–	132,125	108,210
Other payables	44,842	56,308	42,631	35,608
Accrued coupon interest of Senior Notes	–	32,026	–	–
Accrued coupon interest of convertible bonds	–	–	1,709	–
Accrued interest on bank borrowings	1,284	936	3,603	2,742
	1,284	936	3,603	2,742
Total	71,862	170,937	391,086	256,411

Our other payables increased significantly between December 31, 2007 and 2009 for a number of reasons. Other taxes payable increased due to growth in our operations over these periods. As of December 31, 2008, unpaid transaction costs incurred in connection with our repurchase of convertible bonds were outstanding as was accrued interest on the Senior Notes. As of December 31, 2009, the unpaid portion of the agency fee incurred in connection with the sale of land was outstanding, SGLD's unfulfilled obligation to construct a transportation center that arose from the acquisition of a piece of land at the Luodian New Town was outstanding, earnest money from a potential buyer for certain assets for which no binding agreement had

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been signed was being held, and amounts payable to contractors in connection with the termination of the Changchun Project were outstanding. Our other payables decreased as of June 30, 2010 as compared to December 31, 2009 primarily because RMB43.6 million in earnest money received from the potential buyer of certain assets in 2009 was repaid, RMB42.0 million in unpaid agency fees incurred in connection with the sale of land was paid, and amounts payable to contractors in connection with the termination of the Changchun Project decreased by RMB24.0 million, partially offset by RMB10.8 million in listing fees incurred during the first half of 2010 that were outstanding as of June 30, 2010.

Revenue derived from land infrastructure development, property leasing, hotel operations and golf operations are subject to business tax at a rate of 5% to 20% of gross service income. Our business tax payable increased from RMB13.3 million as of December 31, 2007 to RMB101.5 million as of December 31, 2008 to RMB176.9 million as of December 31, 2009 to RMB186.8 million as of June 30, 2010 primarily due to higher revenues.

Accruals for commissions on golf memberships reflect outstanding commissions incurred in connection with sales of our golf club memberships which are paid in installments at the time membership fees are received. Accruals for commissions on golf club memberships increased from RMB20.3 million as of December 31, 2007 to RMB29.2 million as of December 31, 2008, and then decreased slightly to RMB28.5 million as of December 31, 2009 and decreased further to RMB25.1 million as of June 30, 2010.

Land Development for Sale

Our land development for sale as of December 31, 2007, 2008 and 2009 and June 30, 2010 equaled RMB2,633.6 million, RMB3,471.0 million, RMB3,640.4 million and RMB3,764.4 million, respectively, and mainly comprised of resettlement expenditure, public utility construction expenditure, land reclamation fees and capitalized interest. Upon the recognition of revenue from the sale of land plots, amounts recorded as land development for sale are transferred to cost of sales accordingly.

Investment Property

Our investment properties include retail spaces on commercial streets and comprise both completed investment properties and investment properties under construction. The fair value of our completed investment properties as of December 31, 2007, 2008 and 2009 and June 30, 2010 equaled RMB845.0 million, RMB497.0 million, RMB489.0 million and RMB489.0 million, respectively. Our completed investment properties are carried at fair value based on independent valuations performed by DTZ Debenham Tie Leung Limited. The fair value of our completed investment properties decreased over the period because DTZ Debenham Tie Leung Limited's valuations fell due to worsening market conditions in the retail sector.

The value of our investment properties under construction as of December 31, 2007, 2008 and 2009 and June 30, 2010 equaled RMB85.3 million, RMB39.7 million, RMB170.7 million and RMB288.0 million, respectively. Our investment properties under construction were carried at cost as of December 31, 2007 and 2008 and were carried at fair value as of December 31, 2009 and June 30, 2010.

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Other Current Assets

Our other current assets as of December 31, 2007, 2008 and 2009 and June 30, 2010 equaled RMB1,783.0 million, RMB221.3 million, RMB2,083.9 million and RMB1,504.4 million, respectively, and consisted of properties under development for sale, prepaid land lease payments, inventories, amounts due from related parties, prepayments and other receivables as well as cash and bank balances. The main balances are prepayments and other receivables as well as cash and bank balances, which are further elaborated below.

Prepayments and Other Receivables

Prepayments and other receivables as of December 31, 2007, 2008 and 2009 and June 30, 2010 equaled RMB27.2 million, RMB31.9 million, RMB361.1 million and RMB474.7 million, respectively. The composition of prepayments and other receivables varied at each balance sheet date. The other receivables balance as of June 30, 2010 included a RMB294.0 million estimated receivable due from the Changchun Committee. Pursuant to the Termination Agreement, the Changchun Committee agreed to fully repay our Group within a year from the date of the Termination Agreement, although no detailed repayment schedule had been set out in the Termination Agreement, for, firstly, the cost of construction, which shall be determined by independent qualified professional parties after conducting construction audits, and, secondly, the cost of relocation that have been incurred by our Group in accordance with the relevant relocation agreements, and compensate our Group for finance costs (including certain related miscellaneous expenditure) at an interest rate of 10% per annum based on the time lapsed since the actual date when such finance costs were incurred by our Group. According to a confirmation letter dated August 31, 2010 issued by the Changchun Auto Industry Development Zone New Town Construction Management Office* (長春汽車產業開發區汽車新城建設管理辦公室), the body responsible for carrying out the plans to develop the Changchun Automobile New Town under the direction and supervision of the Changchun Committee, the Changchun Auto Industry Development Zone New Town Construction Management Office confirmed that the Changchun Committee that it will pay compensation to Changchun JV by way of installments in accordance with the terms of the Termination Agreement. RMB8.0 million was collected prior to the Termination Agreement, RMB10.0 million was collected during the year ended December 31, 2009 and RMB15.0 million was collected during the six months ended June 30, 2010, of which RMB13.0 million was used to settle estimated payables due to contractors on behalf of the Changchun Committee. The transaction did not significantly impact our profit for 2009 or loss for the six months ended June 30, 2010. The other receivables balance as of June 30, 2010 also included a temporary deposit of RMB74.0 million paid to the Shanghai Municipal Bureau of Planning and Land Resources (上海市規劃和國土資源管理局) for the purpose of a land auction. It also includes RMB41.0 million receivable from third party contractors as partial compensation for losses incurred by our Group in relation to the illegal occupation of agricultural land for the purpose of constructing a golf course, which includes a RMB14.7 million fine and a RMB30.6 million write-down to its assets attributable to the confiscation of a club house thereon and the reinstatement of the agricultural land. The illegal occupation case was closed officially in June 2010. We expect to receive the compensation by the end of 2010.

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As of June 30, 2010, no provision had been made for the other receivables balance of RMB294.0 million due from the Changchun Committee because there was no sign of impairment of these receivables as of that date. We believe that no provision is necessary for several reasons. First, the creditworthiness of the Changchun Committee is not in doubt because it is a government body. Second, the agreement between us and the Changchun Committee shows its willingness and commitment to settle the amounts due. Third, the amount arose in December 2009 and therefore has not been outstanding for an extended period. Finally, RMB33.0 million has already been collected, of which RMB13.0 million was used to settle estimated payables due to contractors on behalf of the Changchun Committee.

Cash and Bank Balances

Our cash and bank balances as of December 31, 2007, 2008 and 2009 and June 30, 2010 equaled RMB1,750.3 million, RMB184.3 million, RMB1,509.4 million and RMB852.3 million, respectively. Cash at banks earned interest at floating rates based on daily bank deposit rates. Short-term bank deposits are made for varying periods between one day and three months, based on our immediate cash requirements, and earn interest at the respective short-term bank deposit rates.

MATERIAL INDEBTEDNESS AND OTHER LIABILITIES

As of August 31, 2010, the latest practicable date for the purpose of this indebtedness statement, we had issued and outstanding, and authorized or otherwise created but unissued, total debt securities of RMB82.3 million, all of which were secured and unguaranteed. Also as of August 31, 2010, we had term loans of RMB2,207.0 million, of which RMB150.0 million was guaranteed and RMB2,057.0 million was unguaranteed and all of which were secured. We had no other borrowings and indebtedness in the nature of borrowing of our Group including bank overdrafts and liabilities under acceptances (other than normal trade bills) or acceptance credits or hire purchase commitments as of August 31, 2010.

On July 20, 2010, we entered into a facility agreement with China Minsheng Banking Corp., Ltd., Shanghai Branch for a RMB200 million project facility at an interest rate of 6.21% per annum. The loan facility is for the purpose of the construction of the transport hub of the Luodian Project and would be repayable in three yearly tranches from 2011 to 2013. The amount to be repaid by our Group in each of the first two years will not be less than RMB50 million.

We had total bank loans and other borrowings of RMB3,102.8 million, RMB1,687.8 million, RMB2,383.8 million and RMB2,143.2 million as of December 31, 2007, 2008 and 2009 and June 30, 2010, respectively. Our bank loans and other borrowings during this time comprised interest bearing bank borrowings, our Senior Notes, convertible bonds and a loan from a related party.

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Interest bearing borrowings equaled RMB1,990.0 million, RMB1,137.0 million, RMB2,157.0 million and RMB2,057.0 million as of December 31, 2007, 2008 and 2009 and June 30, 2010, respectively. Our bank loans bore interest at floating rates ranging from 6.30% to 7.56%, 5.76% to 7.74%, 5.35% to 6.37% and 5.35% to 5.94% per year for the years ended December 31, 2007, 2008 and 2009 and the six months ended June 30, 2010, respectively. As of June 30, 2010, bank borrowings of RMB2,057.0 million were collateralized by pledges of certain properties, completed investment properties and investment properties under construction, and prepaid land lease payments, which had a total net carrying amount equal to RMB1,241.1 million. In addition, in relation to a RMB600.0 million bank loan obtained in October 2009, restricted bank deposits of RMB36.0 million were escrowed in an interest reserve account as of June 30, 2010.

In addition to bank borrowings, we also had indebtedness in the form of our Senior Notes as of June 30, 2010. On September 12, 2008, we issued the Senior Notes, i.e., a 17.75% US dollar senior secured note with a principal amount of RMB593.3 million due on September 12, 2011. We repurchased RMB505.9 million in principal amount of the Senior Notes on September 11, 2009 from the noteholders in exchange for Shares having a fair value of RMB132.3 million and cash amounting to the US dollar equivalent of RMB340.3 million. The cash used for the repayment was raised through the issuance of convertible bonds and the proceeds of a private placement of 222,295,064 Shares at the total consideration of RMB84.0 million to Sinopower. The repurchased Senior Notes were cancelled and the outstanding principal balance after the repurchase was reduced to RMB87.4 million. The carrying amount of the Senior Notes as of June 30, 2010 equaled RMB86.2 million. The Senior Notes outstanding after the repurchase were not repaid ahead of schedule because the sole remaining noteholder did not agree to accept payment prior to the scheduled due date.

The Senior Notes are classified as a current liability because, as of June 30, 2010, we were not in compliance with certain covenants of the Senior Notes and therefore the remaining noteholder could have required immediate payment of the outstanding principal and unpaid interest. The relevant covenants restrict us from, inter alia, incurring additional indebtedness, making restricted payments, and entering into, renewing or extending any transaction or arrangement with any 10% or greater shareholder or any affiliate. The covenants also require us to obtain and maintain all government approvals, preserve and maintain good title to property and assets, and comply with all laws and regulations. The Senior Notes were issued in September 2008, amid the outbreak of the global financial crisis, when normal business activities such as the payment of dividends and borrowing from banks were affected. With the improvement in the global economic environment as well as the expansion of our operations, the business activities mentioned above became necessary, although it would result in breach of certain covenants of the Senior Notes. The remaining noteholder subsequently granted us a waiver for the breach of the covenants and has not taken legal action against us. No additional penalty or payment is required due to our non-compliance with these covenants. US\$1.1 million of our restricted bank deposits were escrowed in an interest reserve account as of June 30, 2010, in relation to the interest paid on our Senior Notes on September 12, 2010.

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In relation to interest bearing borrowings equaling RMB2,207.0 million as of August 31, 2010, RMB36.0 million in restricted bank deposits were escrowed in an interest reserve account and collateral with a total net carrying amount equal to RMB1,481.0 million was pledged.

Save as disclosed in this sub-section headed “Material Indebtedness and Other Liabilities” hereinabove, we did not have any outstanding loan capital issued or agreed to be issued, bank overdrafts and loans, debt securities, borrowings or other similar indebtedness, liabilities under acceptances (other than normal trade bills) or acceptance credits, debentures, mortgages, charges, finance leases or hire purchase commitments, guarantees or other material contingent liabilities as of August 31, 2010.

GEARING RATIO

We require substantial funds in order to engage in land development. We manage capital closing by monitoring our gearing ratio, which is defined by our management as net debt divided by capital plus net debt.

Our gearing ratio, as defined by management for capital management purposes, is calculated as follows:

	As of December 31,			As of
	2007	2008	2009	June 30,
	2010			
	<i>(RMB in thousands, except percentages)</i>			
Interest-bearing loans and borrowings	1,990,000	1,137,000	2,157,000	2,057,000
Senior Notes	–	550,835	84,363	86,208
Convertible bonds	1,112,760	–	142,406	–
Less: cash and bank balances	(1,750,256)	(184,253)	(1,509,371)	(852,337)
Net debt	1,352,504	1,503,582	874,398	1,290,871
Capital:				
Equity	2,670,711	2,076,035	2,809,157	2,787,644
Capital and net debt	4,023,215	3,579,617	3,683,555	4,078,515
Gearing ratio	33.62%	42.00%	23.74%	31.65%

Our gearing ratio as of June 30, 2010 increased compared to December 31, 2009 due to higher net debt, which increased primarily due to a net outflow of cash.

Our gearing ratio as of December 31, 2009 decreased compared to December 31, 2008 due to lower net debt and higher equity. Net debt decreased primarily due to a net inflow of cash from sources other than borrowings, which mainly comprised cash from operating activities. Equity increased primarily due to retained profit, the issuance of Shares and the equity component of outstanding convertible bonds.

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Our gearing ratio as of December 31, 2008 increased compared to December 31, 2007 due to higher net debt and lower equity. Net debt increased primarily due to lower cash and bank balances that resulted from the repurchase of convertible bonds and the repayment of borrowings and interest. Equity decreased because the loss incurred in 2008 was greater than increases in equity that resulted from Share issuances and capital contributions.

MARKET RISK DISCLOSURES

Our major market risk exposures are to changes in foreign currency exchange rates and interest rates.

Foreign Currency Risk

All of our operating entities operate in mainland China with most of the transactions denominated in RMB. We are exposed to foreign exchange risk from golf membership fees received in US dollars. We have not hedged our foreign exchange rate risk because we typically utilize bank deposits in foreign currencies for projects or convert them into RMB soon after receiving them. For the six months ended June 30, 2010, a 10% increase in the US dollar exchange rate with the RMB would have decreased our loss before tax for the year by RMB3.7 million while a 10% decrease in the US dollar exchange rate with the RMB would have increased our loss before tax for the year by RMB3.7 million. In contrast, for the six months ended June 30, 2010, a 10% increase in the Hong Kong dollar exchange rate with the RMB would have decreased our loss before tax for the year by RMB0.03 million while a 10% decrease in the Hong Kong dollar exchange rate with the RMB would have increased our loss before tax for the year by RMB0.03 million.

Interest Rate Risk

Our exposure to the risk of changing interest rates relates primarily to our interest-bearing bank borrowings. We do not use derivative financial instruments to manage our interest rate risk. For the six months ended June 30, 2010, an increase of 1 percentage point in the interest rates paid by us would have increased our loss before tax for the six-month period by RMB10.3 million while a decrease of 1 percentage point in the interest rates paid by us would have decreased our loss before tax for the year by RMB10.3 million.

TAXATION

We are subject to income tax on an entity basis on profit arising in or derived from the tax jurisdictions in which our subsidiaries are domiciled and operate. Our principal operating subsidiaries were subject to income tax at a rate of 25% for the six months ended June 30, 2010 on their taxable income pursuant to the Income Tax Law of the PRC. We received an income tax credit of RMB18.8 million for the year ended December 31, 2007, which comprised a current income tax charge of RMB12.5 million and a deferred tax credit of RMB31.3 million. We received an income tax credit of RMB145.9 million for the year ended December 31, 2008, which comprised a current income tax charge of RMB84.5 million and a deferred tax credit of

FINANCIAL INFORMATION

RMB230.4 million. We recorded an income tax charge of RMB98.8 million for the year ended December 31, 2009, which comprised a current income tax charge of RMB97.6 million and a deferred tax charge of RMB1.2 million. We recorded an income tax credit of RMB12.3 million for the six months ended June 30, 2010, which comprised a current income tax charge of RMB8.1 million and a deferred tax credit of RMB20.4 million.

EMPLOYEES

As of December 31, 2007, 2008 and 2009 and June 30, 2010, we employed a total of 1,368, 1,319, 1,187 and 1,176 directors, senior management and staff, respectively. We incurred the following remuneration expenses for our employees for the periods indicated:

Employee benefits expense (including Directors)	Year Ended December 31,			Six Months Ended June 30,	
	2007	2008	2009	2009	2010
				(unaudited)	
					<i>(RMB in thousands)</i>
Wages and salaries	47,474	56,355	49,144	25,473	27,736
Social welfare other than pensions	3,164	4,367	5,568	2,651	2,188
Pension – defined contribution plan	2,717	3,225	2,131	1,075	1,636
Staff welfare and bonuses	4,638	6,233	9,259	2,629	2,729
Share-based payments (Management Grant)	8,516	16,884	12,485	6,312	1,636
Total	66,509	87,064	78,587	38,140	35,925

Please refer to the section headed “Directors, Senior Management and Staff” of this document for information on our pension and share option schemes.

EFFECTS OF INFLATION

We do not believe that inflation has had a material effect on our operating results for the periods presented.

DISCLOSURE REQUIRED UNDER THE LISTING RULES

Our Directors confirm that, as of the Latest Practicable Date, there were no circumstances that would give rise to a disclosure requirement under Rules 13.11 to 13.19 of the Listing Rules.

FINANCIAL INFORMATION

RELATED PARTY TRANSACTIONS

During the period under review, we entered into the following material related party transactions:

Transactions (RMB'000)	Related party	Year ended December 31,			Six Months Ended	
		2007	2008	2009	June 30, 2009	2010
					(unaudited)	
1. Land development revenue	a	321,198	221,964	289,977	289,977	–
2. Loan provided by related party	b	350,000	–	–	–	–
3. Loan provided to a related party	c	–	–	47,000	–	–
4. Loan repaid	b, c	–	350,000	–	–	47,000
5. Issuance of new Shares to related party	d	–	–	244,252	160,326	–
6. Issuance of convertible bonds to related party	d	–	–	275,994	–	–
7. Capital contribution from related party in connection with convertible bonds repurchase	e	–	163,433	–	–	–
8. Earnest money received from related party	f	–	109,845	–	–	–
9. Sale of a subsidiary	a	–	–	–	–	3,040
10. Property management services expense	a	–	–	–	–	348

Notes:

- a. Subsidiaries of SRE
- b. Luodian JV Partner
- c. Shenyang Hua Rui Shiji Asset Management Co., Ltd., a partially-owned subsidiary of SRE
- d. Sinopower
- e. SREI
- f. SRE

Our Directors are of the view that each of the above related party transactions, except for transactions 3 and 8, was conducted on normal commercial terms. The outstanding amounts due from or to the related parties had been settled and such related party transactions had been discontinued.

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The loan provided to the related party in transaction 3 was interest free. Our Directors are of the view that the interest income which should have been received from the loan had no significant impact on our financial position and results.

The earnest money in transaction 8 was received from the related party pursuant to a letter of intent where the related party intended to acquire certain of our properties. Such letter of intent was subsequently terminated in 2009 (and thus the intended acquisition of properties did not occur) and the balance was used to offset proceeds of new Shares issued to Sinopower. Our Directors are of the view that the earnest money had no significant impact on our financial position and results.

DIVIDENDS AND DIVIDEND POLICY

Subject to the BVI BC Act, our Memorandum of Association and the Articles, our Directors may, by resolution, authorize a distribution by us to our Shareholders if our Directors are satisfied, on reasonable grounds, that immediately after the distribution or dividend we will be able to pay our debts as they fall due and the value of our assets will exceed our liabilities.

A distribution made to a Shareholder at a time when we did not, immediately after the distribution, satisfy the aforesaid solvency test may be recovered by us from our Shareholder unless (a) our Shareholder received the distribution in good faith and without knowledge of our failure to satisfy the solvency test, (b) our Shareholder has altered his position in reliance on the validity of the distribution, and (c) it would be unfair to require repayment in full or at all.

If, after a distribution is authorized and before it is made, our Directors cease to be satisfied on reasonable grounds that we will, immediately after the distribution is made, satisfy the solvency test, any distribution made by us is deemed not to have been authorized. A Director who (a) ceased, after authorization but before the making of the distribution, to be satisfied on reasonable grounds to believe that we would satisfy the solvency test immediately after the distribution is made and (b) failed to take reasonable steps to prevent the distribution being made, would be personally liable to us to repay us so much of the distribution as is not able to be recovered from Shareholders.

Future dividend payments will also depend upon the availability of dividends received from our subsidiaries in the PRC. PRC laws require that dividends be paid only out of the net profit calculated according to PRC accounting principles, which differ in many aspects from other generally accepted accounting principles, including the IFRS. The PRC laws also require foreign investment enterprises to set aside part of their net profit as statutory reserves, which are not available for distribution as cash dividends. Distributions from our subsidiaries in the PRC 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 the PRC may enter into in the future.

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

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For the years ended December 31, 2007 and 2008 we did not distribute any dividends to our Shareholders. A final dividend of S\$0.00278 per Share was proposed by us in respect of the year ended December 31, 2009. The proposed dividend was approved by our Shareholders on April 30, 2010 and a dividend amounting to S\$10.7 million was paid on May 24, 2010.

As of June 30, 2010, we had a reserve of RMB268.2 million available for distribution to our Shareholders, which is determined as our other reserves (excluding employee equity benefit reserve) minus accumulated losses as of June 30, 2010.

NET TANGIBLE ASSETS

The following table sets forth the consolidated net tangible assets attributable to owners of our Company as of June 30, 2010.

	As of June 30, 2010 <i>(RMB in thousands, except per Share data)</i>
Total equity	2,787,644
(less) non-controlling interests	(411,363)
(less) deferred tax assets	(148,761)
	<hr/>
Net tangible assets	2,227,520
Net tangible assets per Share ⁽¹⁾	0.57

(1) Net tangible assets per Share is calculated on the basis that our Company has issued a total of 3,894,804,926 Shares.

RECONCILIATION OF APPRAISED PROPERTY VALUES WITH NET BOOK VALUES

Disclosure of the reconciliation between the value of our property interests in the Property Valuation Report set out in Appendix II to this document and in our Group's balance sheets as of June 30, 2010 contained in the Accountants' Report set out in Appendix I to this document as required under Rule 5.07 of the Listing Rules is set forth below:

	RMB in thousands
Net book value of property interests as of June 30, 2010	1,920,888
Movement from June 30, 2010 to August 31, 2010	
Add: Addition during the period	39,360
Less: Depreciation, amortization and valuation adjustment during the period	(6,547)
	<hr/>
Net book value as of August 31, 2010	1,953,701
Valuation surplus up to August 31, 2010	426,799
	<hr/>
Valuation as of August 31, 2010	2,380,500

FINANCIAL INFORMATION

OFF-BALANCE SHEET ARRANGEMENTS

We do not have any off-balance sheet arrangements with unconsolidated entities.

SEASONALITY

For the periods presented, we have not observed any significant seasonal trends. Our Directors are not aware of any seasonal factors affecting the new town development industry in the PRC and accordingly, our business.

ORDER BOOK

Due to the nature of our business model, we do not maintain an order book.

RECENT ACCOUNTING PRONOUNCEMENTS

New and revised accounting standards have been published that are mandatory for future accounting periods. We are in the process of assessing the impact of these new and revised accounting standards and currently believe they are unlikely to have a significant impact on our results of operations and financial position.

NO MATERIAL ADVERSE CHANGE

Our Directors confirm that there has been no material adverse change in our financial or trading position since June 30, 2010.

QUARTERLY FINANCIAL REPORTING

We are subject to quarterly financial reporting requirements under the Listing Manual. Our quarterly financial results filed with the SGX-ST will be simultaneously released on the website of the Stock Exchange pursuant to Rule 13.09(2) of the Listing Rules.

FUTURE PLANS

Our goal is to become the leading and largest new town developer in the PRC. Please refer to the section headed “Business – Business Strategies” of this document for further details.

LISTINGS, REGISTRATION, DEALINGS AND SETTLEMENT

LISTINGS

Our Company currently has a primary listing of our Shares on the SGX-ST, which it intends to maintain alongside its proposed dual primary listing of our Shares on the Stock Exchange. Application has been made to the Listing Committee for the listing of, and permission to deal in, our Shares on the Stock Exchange.

REGISTRATION

The principal register of members is maintained in the BVI by the Singapore Share Transfer Agent who acts on behalf of the BVI Principal Share Registrar. The Singapore Share Transfer Agent is Tricor Barbinder Share Registration Services, whose address is 8 Cross Street, #11-00, PWC Building, Singapore 048424. Our Company has established the Hong Kong Share Register which is maintained by the Hong Kong Branch Share Registrar, whose address is 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong. The Hong Kong Share Register is not required to contain particulars of Shares registered on the Principal Share Register.

Share certificates for Shares registered on the Hong Kong Share Register will be issued by the Hong Kong Branch Share Registrar in board lots of 2,500 Shares each. The BVI Principal Share Registrar will keep in the BVI duplicates of the Hong Kong Share Register, which will be updated from time to time.

CERTIFICATES

Only Share certificates issued by the Hong Kong Branch Share Registrar will be valid for delivery in respect of dealings effected on the Stock Exchange. Only Share certificates issued by the Singapore Share Transfer Agent who acts on behalf of the BVI Principal Share Registrar will be valid for delivery in respect of dealings effected on the SGX-ST. For ease of identification, the Share certificates issued by the Hong Kong Branch Share Registrar will be beige in color, while the Share certificates issued by the Singapore Share Transfer Agent who acts on behalf of the BVI Principal Share Registrar are green and purple in color.

DEALINGS

Dealings in our Shares listed on both the Stock Exchange and the SGX-ST will be conducted in Hong Kong dollars and Singapore dollars respectively. Our Shares are traded on the SGX-ST in board lots of 1,000 Shares each and on the Stock Exchange in board lots of 2,500 Shares each.

LISTINGS, REGISTRATION, DEALINGS AND SETTLEMENT

For transaction costs, please refer to the sub-section headed “Costs involved” below.

SETTLEMENT

Settlement of Dealings in Hong Kong

If the Stock Exchange grants the listing of, and permission to deal in, our Shares on the Stock Exchange 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 date of commencement of dealings in our Shares on the Stock Exchange or any other date that HKSCC chooses.

Dealings in our Shares will be carried out in Hong Kong Dollars and settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second settlement day after any trading day. All activities under CCASS are subject to the CCASS Rules, as amended from time to time. All necessary arrangements have been made for our Shares to be admitted into CCASS.

Investors in Hong Kong may wish to settle their trades executed on the Stock Exchange through their brokers directly or through custodians. For an investor in Hong Kong who has deposited his Shares in his designated CCASS Participant’s stock account maintained with CCASS, settlement will be effected by CCASS in accordance with the CCASS Rules as amended from time to time. For an investor who holds physical Share certificates, such certificates and the duly executed and stamped transfer instrument(s) must be delivered to his broker or custodian before the settlement date.

Settlement of Dealings in Singapore

Shares listed on the SGX-ST are cleared and settled under the book-entry settlement system of CDP. All dealings in and transactions of Shares through the SGX-ST are effected in accordance with the terms and conditions for the operation of securities accounts with CDP, as amended from time to time.

Dealings in our Shares will be carried out in Singapore Dollars and will be effected for settlement in CDP on a scripless basis. Settlement of trades on a normal “ready” basis on the SGX-ST generally takes place on the third market day following the transaction date, and payment for the securities is generally settled on the following day. CDP holds securities on behalf of investors in securities accounts. An investor may open a direct securities account with CDP or a securities sub-account with a depository agent. A depository agent may be a member company of the SGX-ST, a bank, a merchant bank or a trust company.

CDP is incorporated under the laws of Singapore and acts as a depository and clearing organization. CDP holds securities for its accountholders and facilitates the clearance and settlement of securities transactions between accountholders through electronic book-entry changes in the securities accounts maintained by such accountholders with CDP.

LISTINGS, REGISTRATION, DEALINGS AND SETTLEMENT

Shares will be registered in the name of CDP or its nominees and held by CDP for and on behalf of persons who maintain, either directly or through depository agents, securities accounts with CDP. The BVI BC Act, the memorandum of association of our Company and the Articles only recognize the registered owners or holders of our Shares as members of our Company. CDP depositors and depository agents on whose behalf CDP holds Shares may not be accorded full rights of membership, such as voting rights, the right to appoint proxies, or the right to receive Shareholders' circulars, proxy forms, annual reports, prospectuses and takeover documents, CDP depositors and depository agents will be accorded only such rights as CDP may make available to them pursuant to CDP's terms and conditions to act as a depository for foreign securities.

Persons holding Shares in a securities account with CDP may withdraw the number of Shares they own from the book-entry settlement system in the form of physical Share certificates. Such Share certificates will not, however, be valid for delivery pursuant to transactions on the SGX-ST, although they will be prima facie evidence of title and may be transferred in accordance with the Articles. Persons holding physical Share certificates who wish to trade on the SGX-ST must deposit with CDP their Share certificates together with the duly executed and stamped instruments of transfer in favor of CDP, and have their respective securities accounts credited with the number of Shares deposited before they can effect the desired trades. Transactions in Shares under the book-entry settlement system will be reflected by the seller's securities account being debited with the number of Shares sold and the buyer's securities account being credited with the number of Shares acquired.

DIVIDENDS

Dividends will be declared in Renminbi, and dividends for Shares held on the Hong Kong Share Register will be converted into Hong Kong dollars before being paid to Shareholders. Dividends for Shares held on the Principal Share Register have been, and will continue to be converted into Singapore dollars before being paid to Shareholders.

REMOVAL OF SHARES

Transfer of Shares

All duties, fees and expenses specified herein are subject to changes from time to time.

Currently, Shares traded on the SGX-ST are registered on the Principal Share Register. For the purposes of trading on the Stock Exchange following the Introduction, our Shares must be registered on the Hong Kong Share Register. Shares may be removed between the Principal Share Register and the Hong Kong Share Register. An investor who wishes to trade on the SGX-ST must have his Shares registered on the Principal Share Register, and an investor who wishes to trade on the Stock Exchange following the Introduction must have his Shares registered on the Hong Kong Share Register by removing his Shares from the Principal Share Register to the Hong Kong Share Register. A resolution has been passed by our Directors authorizing the removal of Shares between the Principal Share Register and the Hong Kong Share Register as may from time to time be requested by the members of our Company.

LISTINGS, REGISTRATION, DEALINGS AND SETTLEMENT

Removal of Shares from the Principal Share Register to the Hong Kong Share Register

Following the Introduction, if an investor whose Shares are traded on the SGX-ST wishes to trade his Shares on the Stock Exchange, he must effect a removal of his Shares from the Principal Share Register to the Hong Kong Share Register. Such removal and deposit of our Shares would involve the following procedures.

- (1) As the investor's Shares have been deposited with CDP, the investor must first withdraw his Shares from CDP by completing a request for withdrawal of securities form available from CDP and submitting the same to CDP together with the withdrawal fee as prescribed by CDP from time to time.
- (2) The investor shall also complete a share removal form (the "Share Removal Form") (in triplicate) obtained from the Singapore Share Transfer Agent and submit the Share Removal Form to the Singapore Share Transfer Agent.
- (3) CDP will then send a duly completed transfer instrument together with the relevant Share certificate(s) registered under the name of CDP to the Singapore Share Transfer Agent.
- (4) Upon receipt of the duly completed transfer instrument and Share certificate(s) from CDP and the Share Removal Form together with bank drafts for the amount as prescribed by the Singapore Share Transfer Agent and the Hong Kong Branch Share Registrar from time to time from the investor, the Singapore Share Transfer Agent shall take all actions necessary to effect the removal and transfer of the registration of Shares from the Principal Share Register to the Hong Kong Share Register. A copy of the relevant documents will be sent from the Singapore Share Transfer Agent to the BVI Principal Share Registrar.
- (5) On completion, the Singapore Share Transfer Agent shall then notify the Hong Kong Branch Share Registrar of the removal whereupon the Hong Kong Branch Share Registrar shall update the Hong Kong Share Register and issue Share certificate(s) in the name of the investor and send such Share certificate(s) to the address specified by the investor. Despatch of Share certificate(s) will be made at the risk and expense of the investor as specified in the Share Removal Form.
- (6) If the investor's Shares upon being registered in Hong Kong are to be deposited with CCASS, the investor must deposit our Shares into CCASS for credit to his CCASS Investor Participant stock account or his designated CCASS Participant's stock account. For depositing of Shares into CCASS or to effect sale of Shares in Hong Kong, the investor should execute a transfer instrument which is in use in Hong Kong and which can be obtained from the office of the Hong Kong Branch Share Registrar and deliver it together with his Share certificate(s) issued by the Hong Kong Branch Share Registrar to HKSCC directly if he intends to deposit our Shares into CCASS for credit to his CCASS Investor Participant stock account or via a CCASS Participant if he wants our Shares to be credited to his designated CCASS Participant's stock account.

LISTINGS, REGISTRATION, DEALINGS AND SETTLEMENT

Under normal circumstances, steps (1) to (5) generally require up to 15 business days to complete. Generally, expedited Share removal and transfer services at a turnaround time of approximately 10 business days are available at Shareholders' request but are subject to the discretion of the Singapore Share Transfer Agent and are not available during peak operation seasons of the Singapore Share Transfer Agent.

Removal of Shares from the Hong Kong Share Register to the Principal Share Register

Following the Introduction, if an investor whose Shares are traded on the Stock Exchange wishes to trade his Shares on the SGX-ST, he must effect a removal of Shares from the Hong Kong Share Register to the Principal Share Register, and deposit such Shares into CDP. Such removal and deposit of our Shares would involve the following procedures:

- (1) If the investor's Shares are deposited with CCASS, the investor must first withdraw such Shares from his CCASS Investor Participant stock account or from the stock account of his designated CCASS Participant and submit the relevant Share transfer form(s) executed by HKSCC Nominees Limited, the relevant Share certificate(s) and a duly completed Combined Share Removal and Transfer Form and Delivery Instructions (the "Removal and Transfer Request Form") (in triplicate) together with bank draft for the amount as prescribed by the Singapore Share Transfer Agent and the Hong Kong Branch Share Registrar from time to time to the Hong Kong Branch Share Registrar.
- (2) If the investor's Shares are registered in the investor's own name, the investor shall complete the Removal and Transfer Request Form (in triplicate) available from the Hong Kong Branch Share Registrar and submit the same together with the Share certificate(s) in his name and bank draft for the amount as prescribed by the Singapore Share Transfer Agent and the Hong Kong Branch Share Registrar from time to time to the Hong Kong Branch Share Registrar.
- (3) Upon receipt of the Removal and Transfer Request Form (in triplicate), the relevant Share certificate(s) and where appropriate, the completed Share transfer form(s) executed by HKSCC Nominees Limited, the Hong Kong Branch Share Registrar shall take all actions necessary to effect the removal and transfer of the registration of Shares from the Hong Kong Share Register to the Principal Share Register.
- (4) The Hong Kong Branch Share Registrar shall notify the Singapore Share Transfer Agent of the removal whereupon the Singapore Share Transfer Agent shall update the Principal Share Register and issue the relevant Share certificate(s) in the name of the investor and deliver the Share certificate(s) to the investor. A copy of the relevant documents will be sent from the Singapore Share Transfer Agent to the BVI Principal Share Registrar.

LISTINGS, REGISTRATION, DEALINGS AND SETTLEMENT

- (5) If the investor would like the Singapore Share Transfer Agent to assist in depositing our Shares into CDP, he should complete Part (B) of the Removal and Transfer Request Form and submit it together with a bank draft for the amount as prescribed by CDP from time to time at the same time he submits the documents mentioned in paragraph (1) above to the Hong Kong Branch Share Registrar. The Hong Kong Branch Share Registrar shall notify the Singapore Share Transfer Agent of the removal of Shares from the Hong Kong Share Register, and request the Singapore Share Transfer Agent to issue the relevant Share certificate(s) in the name of CDP or its nominees and to deposit the same with CDP. Upon receipt of the relevant documents and once payment of the deposit fee is in good order, CDP shall credit the specified number of Shares into the investor's securities account with CDP. The investor must ensure that he has a securities account in his own name or sub-account with a CDP depository agent before he can complete and sign off on the delivery instruction set out in Part (B) of the Removal and Transfer Request Form.

Under normal circumstances, for steps (2) to (4), Shareholders will generally need to allow up to 15 business days to complete. Generally, expedited Share removal and transfer services at a turnaround time of approximately 10 business days are available at Shareholders' request but are subject to the discretion of the Hong Kong Branch Share Registrar and are not available during peak operation seasons of the Hong Kong Branch Share Registrar.

COSTS INVOLVED

Stamp Duty on transfer of Shares

Hong Kong Stamp Duty

For those Shares which are registered on the Hong Kong Share Register, any transfer thereof or dealings therein will be subject to Hong Kong stamp duty, which includes a transfer instrument stamp duty of HK\$5.00 on the seller per transfer instrument (if transfer document is required) and ad valorem stamp duty on both the buyer and the seller charged at the rate of 0.1% each of the consideration or, if higher, the value of our Shares being transferred.

Singapore Stamp Duty

For those Shares which are deposited with CDP, no transfer stamp duty is currently payable for the transfer of our Shares.

LISTINGS, REGISTRATION, DEALINGS AND SETTLEMENT

Other costs on transfer of Shares

Transaction costs of dealing in Shares listed on the SGX-ST

The clearing fee for trades in Shares on the SGX-ST is payable at the rate of 0.04% of the transaction value, subject to a maximum of S\$600 per transaction and trading fee of 0.0075% of the consideration.

All fees mentioned above are subject to Singapore goods and services tax currently at 7.0%.

Transaction costs of dealing in Shares listed on the Stock Exchange

Currently, the transaction costs of dealings in our Shares listed on the Stock Exchange will include a Stock Exchange trading fee of 0.005%, an SFC transaction levy of 0.003%, a transfer instrument stamp duty of HK\$5.00 on the seller per transfer instrument (if transfer document is required) and ad valorem stamp duty on both the buyer and the seller charged at the rate of 0.1% each of the consideration or, if higher, the value of our Shares being transferred. The brokerage commission in respect of trades of Shares on the Stock Exchange is freely negotiable.

The CCASS stock settlement fee payable by each counterparty to a Stock Exchange trade is currently 0.002% of the gross transaction value subject to a minimum fee of HK\$2 and a maximum fee of HK\$100 per trade.

Costs of Removal of Shares from one Share Register to another

All costs attributable to the removal of Shares from the Hong Kong Share Register to the Principal Share Register or from the Principal Share Register to the Hong Kong Share Register shall be borne by our Shareholder requesting the transfer.

Removal of Shares from the Principal Share Register to the Hong Kong Share Register

The Singapore Share Transfer Agent will charge S\$25.00 for each removal of Shares and a fee of S\$2.00 for each transfer form in respect of transfer of Shares or for each Share certificate cancelled or issued by it, and any applicable fee as stated in the Removal and Transfer Request Form/Share Removal Form used in Hong Kong or Singapore.

CDP charges a withdrawal fee of S\$10.00 for each withdrawal of 1,000 Shares or less, and a fee of S\$25.00 for each withdrawal of more than 1,000 Shares, payable upon withdrawing our Shares from CDP and the obtaining of physical Share certificates.

In addition, stamp duty of S\$10 is also payable where Shares are withdrawn in the name of the person withdrawing Shares, or S\$0.20 per S\$100 or part thereof of the last transacted price where Shares are withdrawn in the name of a third party.

All fees mentioned above are subject to Singapore goods and services tax currently at 7.0%.

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Removal of Shares from the Hong Kong Share Register to the Principal Share Register

The Hong Kong Branch Share Registrar will charge HK\$300 for each removal of Shares, HK\$20 for postage (if required) and a fee of HK\$2.50 (or such higher fee as may from time to time be permitted under the Listing Rules) for each Share certificate cancelled or issued by it, and any applicable fee as stated in the Removal and Transfer Request Form/Share Removal Form used in Hong Kong or Singapore.

CCASS charges a withdrawal fee of HK\$3.50 per board lot (subject to a minimum of HK\$20.00 per withdrawal order for a CCASS Investor Participant) for withdrawal from the CCASS system.

CDP charges a deposit fee of S\$10.00 for any deposit of Shares into CDP per transaction (subject to Singapore goods and services tax currently at 7.0%).

SPECIAL ARRANGEMENTS TO FACILITATE TRANSFERS PRIOR TO THE INTRODUCTION

Special arrangements have been made to facilitate transfers of Shares prior to the Introduction. In connection with the Introduction, the Singapore Share Transfer Agent and the Hong Kong Branch Share Registrar will provide three batch-transfers of Singapore-listed Shares for Shareholders seeking to transfer their Shares to the Hong Kong Share Register prior to the Introduction.

The key dates in relation to such batch-transfer exercises (the “Batch-Transfers”) are set out below:

Events	First Batch- Transfer	Second Batch- Transfer	Third Batch- Transfer
Final date to submit a request for withdrawal of securities form to CDP and a Share Removal Form to the Singapore Share Transfer Agent	October 6, 2010	October 13, 2010	October 22, 2010
Shares certificates available for collection from the Hong Kong Branch Share Registrar’s office	October 20, 2010	October 27, 2010	November 5, 2010

Shareholders who hold their Shares directly in CDP and who wish to participate in the Batch-Transfers will need to complete and submit the request for withdrawal of securities form to CDP and the Share Removal Form to the Singapore Share Transfer Agent before the relevant dates stipulated above.

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The Singapore Share Transfer Agent and the Hong Kong Branch Share Registrar have agreed to waive their charges to Shareholders in respect of the Batch-Transfers. CDP's existing charges will still apply, together with any other costs to be levied by Shareholders' own brokers, nominees or custodians (where relevant).

Shareholders should note that the Batch-Transfers are expedited transfers, where Share certificates are expected to be available for collection from the Hong Kong Branch Share Registrar's office 10 business days after the final date for submission of a Share Removal Form to the Singapore Share Transfer Agent. Ordinary non-expedited transfers of Shares from the Principal Share Register to the Hong Kong Share Register are expected to take 15 business days to complete. For further details on the removal of Shares from the Principal Share Register to the Hong Kong Share Register, please refer to the sub-section headed "Removal of Shares" above.

Our Company has made arrangements to inform our Shareholders and the Singapore investing public of details of the Introduction and the Batch-Transfers procedures by way of announcement on the Stock Exchange and the SGX-ST. Please refer to the sub-section headed "Disclosure of the Bridging Arrangements" below for details.

BRIDGING ARRANGEMENTS

Intended Arbitrage Activities during the Bridging Period

Upon the Introduction and during the Bridging Period (being the 30-day period from and including the Listing Date), the Bridging Dealer, on its own account, will seek to undertake arbitrage activities in circumstances as described below. Such arbitrage activities are expected to contribute to the liquidity of trading in our Shares on the Hong Kong market upon the Introduction as well as to reduce potential material divergence between Share prices on the Hong Kong and the Singapore markets:

- (1) The Bridging Dealer will seek to carry out arbitrage trades in line with market practice in the context of dual listed stocks. The arbitrage trades are envisaged to be carried out where there exists a meaningful price differential between prices of Shares quoted on the Stock Exchange and those quoted on the SGX-ST. In relation to the Introduction, it is envisaged that a typical arbitrage trade would be executed if and when prices of Shares quoted on the Stock Exchange are meaningfully higher than those on the SGX-ST, in which case the Bridging Dealer will seek to purchase Shares at the lower price in Singapore and sell Shares at the higher price in Hong Kong.

The typical cost of executing an arbitrage trade is minimal and should constitute a small percentage of our Share price. In the Hong Kong context, the typical cost comprises stamp duty (0.1%), trading fee (0.005%) and transaction levy (0.003%) while in the Singapore context, there is a clearing fee (0.04% up to a maximum of S\$600) and trading fee (0.0075%). Nonetheless, as the Bridging Dealer envisages,

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for arbitrage trades to occur, our Share price differential would need to exceed such transaction costs and the risk premium as perceived by the Bridging Dealer (including but not limited to factors such as price volatility and market liquidity on both markets).

The Bridging Dealer intends to carry out arbitrage trades where (a) there exists a meaningful Share price differential between the Hong Kong and Singapore markets (as determined by the Bridging Dealer), and (b) the Bridging Dealer is able to purchase sufficient quantities of Shares to address such price differentials when they arise and to contribute towards trading liquidity to a meaningful extent. The bridging arrangements and the role of the Bridging Dealer will terminate and cease at the expiry of the Bridging Period (being the 30-day period from and including the Listing Date).

- (2) For the Bridging Dealer to contribute meaningfully towards liquidity of trading in our Shares on the Hong Kong market, there should be no trading or exchange disruption in or early closure (other than due to different trading hours) of one or both stock exchanges. There should be concurrent availability of Shares on both stock exchanges. J.P. Morgan Securities, an affiliate of the Bridging Dealer, has also entered into a Stock Borrowing and Lending Agreement to ensure it will have ready access to appropriate quantities of Shares for settlement purposes upon the Introduction and during the Bridging Period (being the 30-day period from and including the Listing Date).
- (3) There is a Stock Borrowing and Lending Agreement between Sinopower (the “Lender”) and J.P. Morgan Securities with effect from October 8, 2010. Pursuant to the stock borrowing arrangements, the Lender will, at the request of J.P. Morgan Securities, make available to J.P. Morgan Securities stock lending facilities up to the number of Shares it holds at the time of such request to J.P. Morgan Securities, on one or more occasions, subject to applicable laws, rules and regulations in Singapore and Hong Kong, including without limitation that the lending and the subsequent acceptance of redelivery of any Shares by Sinopower, and the borrowing and the subsequent redelivery of any Shares by J.P. Morgan Securities, will not lead to either party being obliged to make a mandatory general offer under the Takeovers Code and/or the Singapore Code. Such Shares will be used for settlement in connection with the arbitrage trades carried out by the Bridging Dealer in Hong Kong. These Shares will have been registered on the Hong Kong Share Register prior to the Introduction. The total number of Shares subject to such stock borrowing arrangement is significantly in excess of the aggregate of the daily trading volumes of our Shares on the SGX-ST for the 15 trading days immediately before and up to the Latest Practicable Date.

The Stock Borrowing and Lending Agreement provides, inter alia, that all our Shares borrowed shall be returned to the Lender not later than 7 business days after the expiry of the Bridging Period (being the 30-day period from and including the Listing Date).

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- (4) Additionally, to facilitate the role of the Bridging Dealer commencing from the pre-opening period (9:30 a.m. to 10:00 a.m.) on the first day of the Introduction, the Bridging Dealer has made arrangements to build up a small inventory of Shares prior to the commencement of trading. There is a Sale and Repurchase Agreement between Sinopower (the “Vendor”) and J.P. Morgan Securities with effect from October 8, 2010 for the Sale. Conditional upon J.P. Morgan Securities acquiring our Shares under the Sale, J.P. Morgan Securities shall sell and the Vendor shall repurchase the equivalent number of Shares it sold under the Sale, at the same price as such Shares were sold, shortly after the expiry of the Bridging Period (being the 30-day period from and including the Listing Date) (the “Repurchase”). The Sale and Repurchase Agreement provides that the Repurchase shall take place not later than 15 days following the expiry of the Bridging Period (being the 30-day period from and including the Listing Date) upon 3 business days’ written notice by the Vendor to J.P. Morgan Securities.
- (5) The purpose of the Sale and Repurchase Agreement is to facilitate the Bridging Dealer in contributing towards trading liquidity in our Shares on the Hong Kong market, by making available a quantity of Shares to facilitate arbitrage trades during the Bridging Period (being the 30-day period from and including the Listing Date). Under the arrangement described in paragraph 4 above, the Vendor will maintain a neutral position in respect of its shareholdings in our Company.
- (6) The Bridging Dealer will continue to replenish its Share inventory while carrying out the arbitrage trades. When a buy order has been executed on the Singapore market and a sale order has been executed on the Hong Kong market, the Bridging Dealer will instruct the Singapore Share Transfer Agent to transfer Shares purchased on the Singapore market to Hong Kong to replenish its Share inventory for further trading. While such transfer of Shares takes place, the Bridging Dealer will utilize Shares borrowed under the Stock Borrowing and Lending Agreement for settlement of the sale made in Hong Kong.
- (7) The Bridging Dealer will set up a designated dealer identity number solely for the purposes of carrying out arbitrage trades under this exercise in Hong Kong, in order to ensure identification and thereby enhance transparency of such trades on the Hong Kong market. Once the designated dealer identity number is available and in any event not later than 3 business days before the first day of the Introduction, the Bridging Dealer will notify our Company of its designated dealer identity number. Such information will then be posted by our Company on its website, and disclosed by way of an announcement on both the Stock Exchange and the SGX-ST. Any change in such designated dealer identity number will be disclosed as soon as practicable using the same channels as described above.
- (8) The Bridging Dealer will enter into such bridging arrangement (including the arbitrage activities) on a voluntary basis with a view to contributing towards liquidity of Shares in Hong Kong, and intends for such bridging arrangements to constitute proprietary transactions.

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It is emphasized that other than the Bridging Dealer, arbitrage activities and bridging arrangements may be carried out by market participants who have access to our Shares. Also, other existing Shareholders who may have transferred part or all of their shareholdings from Singapore to Hong Kong upon the commencement of trading (or thereafter) can also carry out arbitrage trades in our Shares. Such activities will depend on the extent of price differentials between the two stock exchanges, and the number of market participants (other than the Bridging Dealer) who elect to enter into such arbitrage activities and bridging arrangements.

There are no restrictions on existing Shareholders to dispose of their Shares under Hong Kong, BVI and Singapore laws. Under the Listing Rules, apart from the restrictions under Rules 10.07 (1) and 9.09 of the Listing Rules of which certain waivers have been sought from the Stock Exchange (please refer to the section headed “Waivers from Strict Compliance with the Listing Rules”) and the dealing restrictions under Appendix 10 (Model Code for Securities Transactions by Directors of Listed Issuers) of the Listing Rules, there are no other restrictions on existing Shareholders in relation to the disposal of Shares.

The arbitrage activities of the Bridging Dealer and any persons acting for it will be entered into in accordance with all applicable laws, rules and regulations. The bridging arrangements being implemented in connection with the Introduction are within the circumstances under paragraph 2.3 of the SFC’s Guidance Note on Short Selling Reporting and Stock Lending Record Keeping Requirements and accordingly, are not regarded as short selling in breach of section 170 of the SFO. The bridging arrangements being implemented in connection with the Introduction are not equivalent to the price stabilization activities which may be undertaken in connection with an initial public offering. In addition, the Bridging Dealer is not acting as a market maker and does not undertake to create or make a market in Shares on the Hong Kong market.

The arbitrage activities of the Bridging Dealer and any persons acting for it will not constitute short sales. It should be noted that the Bridging Dealer will only issue instructions to sell Shares in Hong Kong, if prior to issuing such instructions, it has acquired Shares held on the Hong Kong Share Register by way of the Sale and Repurchase Agreement or Shares held in CDP by way of an outright purchase (either on or off market). To settle arbitrage trades, the Bridging Dealer will deliver Shares held on the Hong Kong Share Register and such deliveries will take place within the times required under the rules and practices of the Stock Exchange and CCASS.

Spread of Shareholdings

It is expected that the following measures and factors will assist in creating and/or improving the spread of holdings of our Shares available for trading on the Stock Exchange following the Introduction:

- As our Shares are of one and the same class, Shareholders may at their discretion transfer Shares from Singapore to Hong Kong upon or after the Introduction, as described in the section headed “Transfer of Shares”. Special arrangements have

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been made to facilitate transfers of Shares, and to incentivize existing Shareholders to transfer their Shares to Hong Kong prior to the Introduction by enabling them to do so at a reduced cost. Details of such arrangements are set out in the section headed “Transfer of Shares – Special Arrangements to Facilitate Transfers prior to the Introduction”. To the extent that existing Shareholders elect to transfer Shares to Hong Kong before or shortly after the Introduction, such Shares may help contribute to the general liquidity of our Shares on the Hong Kong market.

- Sinopower has confirmed to our Company that it intends to transfer, and/or procure the transfer of, 1,196,781,817 Shares (representing approximately 30% of our Shares in issue) to the Hong Kong Share Register prior to the Introduction. As indicated in the sub-section headed “Intended Arbitrage Activities during the Bridging Period” above, Sinopower had made available to the Bridging Dealer Shares which will be used solely for settlement in connection with the arbitrage trades carried out by the Bridging Dealer in Hong Kong.
- In conducting arbitrage activities in circumstances as described in the sub-section headed “Intended Arbitrage Activities during the Bridging Period” above, the Bridging Dealer is effectively acting as a conduit to transfer some of the trading liquidity of our Shares in the Singapore market to the Hong Kong market.

Our Company considers that having regard to the special arrangements described in the sub-sections headed “Special Arrangements to Facilitate Transfers prior to the Introduction”, “Bridging Arrangements” and “Investor Education” herein, all reasonable efforts have been made to facilitate the migration of Shares to the Hong Kong Share Register to provide the basis for an open market at the time of the Introduction.

Benefits of the Bridging Arrangements

We believe that the bridging arrangements will benefit the Introduction in the following ways:

- as arbitrage trades are intended to be carried out by the Bridging Dealer during the Bridging Period (being the 30-day period from and including the Listing Date) where there exists a meaningful price differential in our Share prices, the bridging arrangements are expected to contribute to the liquidity of our Shares on the Hong Kong market upon the Introduction;
- arbitrage trades, by their nature, would typically contribute to reducing potential material divergence between Share prices on the Hong Kong and the Singapore markets; and
- the bridging arrangements are perceived to be a mechanism which is fair to all market participants who have access to our Shares, as it is open to all of our Shareholders and other market participants who have such access to carry out arbitrage trades similar to those to be carried out by the Bridging Dealer.

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Disclosure of the Bridging Arrangements

In order to enhance transparency of the arbitrage activities carried out under the bridging arrangements, various measures to provide information to the market and potential investors will be undertaken as described in the sub-section headed “Investor Education” below.

Further, our Company will, as soon as practicable and in any event before the opening of trading hours on the business day immediately before the first day of the Introduction, release an announcement on the Stock Exchange and the SGX-ST to inform the investing public of the following information as at the latest practicable date prior to such announcement:

- the number of Shares in respect of which the Singapore Share Transfer Agent has received instructions from Shareholders for the transfer of such Shares to the Hong Kong Share Register (whether under the Batch-Transfers or otherwise); and
- the total number of Shares which have been registered on the Hong Kong Share Register.

In respect of the arbitrage trades to be carried out by the Bridging Dealer, the Bridging Dealer will set up a designated dealer identity number solely for the purposes of carrying out such trades in Hong Kong, in order to ensure identification and thereby enhance transparency of the trades on the Hong Kong market. Information relating to such designated dealer identity numbers will be disclosed as set out under paragraph 7 of the sub-section headed “Intended Arbitrage Activities during the Bridging Period” above.

In addition, where applicable, the arbitrage trades carried out by the Bridging Dealer, as well as the transactions under the Stock Borrowing and Lending Agreement and the Sale and Repurchase Agreement, will also be disclosed in accordance with the disclosure of interests regime under the provisions of Part XV of the SFO.

INVESTOR EDUCATION

Arrangements Involving our Company and the Sponsor

Prior to the Introduction, our Company and the Sponsor will cooperate to inform the investor community in Hong Kong of general information about our Company, as well as the developments and/or changes to the bridging arrangements as disclosed in this document. After the Introduction has taken place, our Company and the Sponsor may continue to take measures to educate the public. The following measures will be taken to enhance transparency of our Company and the bridging arrangements:

- there will be media briefings and press interviews to inform investors of the arrangements;
- analyst briefings will be conducted to local brokerages/research houses that cover Hong Kong-listed real estate companies;

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- briefings in relation to the bridging arrangements will be conducted for, amongst others, private bank divisions, a syndicate of brokerage houses and other institutional investors;
- investors relation activities, such as a non-deal road show, will be conducted to maintain the interest of investors in our Shares and our business;
- information factsheets on our Company generally, and on Share transfer procedures as summarized in the sub-section headed “Removal of Shares” hereinabove will be posted on the website of our Company;
- information, including our previous day closing price, trading volume and other relevant historical data will be disclosed on the website of our Company. Furthermore, during a period of 3 business days prior to the commencement of dealings in our Shares on the Stock Exchange, a daily announcement will be released on the Stock Exchange and the SGX-ST, disclosing our previous day closing price on the SGX-ST, as well as any relevant developments and updates with regard to the bridging arrangements; and
- electronic copies of this document will be disseminated through the website of our Company and the websites of the Stock Exchange and the SGX-ST. In addition, physical copies of this document will be made available for collection at the following locations:
 - Office of our Company:
2503 Convention Plaza Office Tower
1 Harbour Road
Wanchai
Hong Kong; and
 - Office of the Sponsor:
15th Floor
Two International Finance Center
8 Finance Street
Central
Hong Kong.

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Other Sources of Information

Real-time trading information in respect of our Shares can be obtained from the following sources:

• Company Name	Designated website
SGX-ST	www.sgx.com
AAstocks.com Limited	www.aastocks.com
ETNet Limited	www.etnet.com.hk
Oriental Press Group Limited	www.on.cc

or

- through service providers that provide such facilities at investors' own expense. Such service will be provided on and subject to the terms and conditions of the relevant service provider.

Historical Trading Information in respect of our Shares on the SGX-ST

Shown below is the selected historical trading information of our Company for each month from the listing of our Shares on the SGX-ST on November 14, 2007 up to the Latest Practicable Date:

Month	Closing Share price (S\$)			Trading volume (Thousand Shares)
	Month high	Month low	Month end	Average daily volume
2007				
November	0.850	0.560	0.630	50,664
December	0.735	0.445	0.590	19,674
2008				
January	0.615	0.425	0.445	4,852
February	0.490	0.375	0.385	991
March	0.390	0.220	0.280	2,274
April	0.345	0.245	0.250	12,382
May	0.260	0.190	0.205	11,119
June	0.215	0.105	0.115	10,486
July	0.165	0.105	0.145	10,081
August	0.160	0.085	0.090	8,887
September	0.090	0.050	0.065	10,991
October	0.065	0.030	0.040	3,645
November	0.050	0.025	0.030	5,924
December	0.050	0.025	0.040	4,613

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Month	Closing Share price (S\$)			Trading volume (Thousand Shares)
	Month high	Month low	Month end	Average daily volume
2009				
January	0.055	0.040	0.040	4,072
February	0.045	0.030	0.035	1,103
March	0.040	0.025	0.035	1,588
April	0.070	0.035	0.050	6,596
May	0.100	0.045	0.080	20,657
June	0.135	0.080	0.115	25,492
July	0.140	0.095	0.125	14,591
August	0.135	0.110	0.120	14,107
September	0.155	0.115	0.135	21,981
October	0.145	0.115	0.130	12,655
November	0.140	0.125	0.125	7,193
December	0.150	0.125	0.145	9,924
2010				
January	0.150	0.110	0.110	12,379
February	0.115	0.105	0.115	2,973
March	0.120	0.105	0.115	4,178
April	0.150	0.110	0.130	19,733
May	0.135	0.105	0.110	6,947
June	0.120	0.105	0.110	2,537
July	0.120	0.105	0.105	8,674
August	0.125	0.105	0.110	6,584
September	0.175	0.110	0.150	23,833
October (up to the Latest Practicable Date)	0.180	0.150	0.170 ^(Note)	24,189

Note: as at the Latest Practicable Date

Source: Bloomberg as of the Latest Practicable Date

From October 1, 2009 up to the Latest Practicable Date, the closing prices of our Shares on the SGX-ST ranged between S\$0.105 and S\$0.170, while the average daily trading volume of our Shares on the SGX-ST during such period was approximately 10,215,483 Shares.

The following is the text of a report received from our Company's reporting accountants, Ernst & Young, Certified Public Accountants, Hong Kong, for the purpose of inclusion in this document.



18th Floor
Two International Finance Centre
8 Finance Street, Central
Hong Kong

October 18, 2010

The Directors
China New Town Development Company Limited
Standard Chartered Securities (Hong Kong) Limited

Dear Sirs,

We set out below our report on the financial information relating to China New Town Development Company Limited (the “Company”) and its subsidiaries (hereinafter collectively referred to as the “Group”) for each of the three years ended December 31, 2007, 2008 and 2009 and six months ended June 30, 2010 (the “Relevant Periods”) and the six months ended June 30, 2009 (the “June 30, 2009 Financial Information”), prepared on the basis set forth in Note 2.1 of Section II “Notes to Financial Information” below, for inclusion in the listing document of the Company dated October 18, 2010 (the “Listing Document”) in connection with the proposed listing of the shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) by way of introduction.

The Company was incorporated on January 4, 2006 in the British Virgin Islands (the “BVI”) by one shareholder. On November 14, 2007, the Company was listed on the Singapore Exchange Securities Trading Limited (the “SGX-ST”). The Group is a new town developer in the People’s Republic of China (the “PRC”) and is principally engaged in planning and developing large-scale new towns in China’s largest cities. The Group also develops and manages commercial properties in those new towns. Details of the Company’s interests in its subsidiaries as at the date of this report are set out in the Note 3 of Section II below.

The financial information set out in this report, including the consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows of the Group for each of the Relevant Periods and the consolidated statements of financial position of the Group and the statements of financial position of the Company as at December 31, 2007, 2008 and 2009, and June 30, 2010, together with the notes thereto (collectively referred to as the “Financial Information”), has been prepared based on the audited consolidated financial statements, or where appropriate the management accounts, of the Group, prepared in accordance with International Financial Reporting Standards (“IFRSs”). The consolidated financial statements of the Group for the three years ended December 31, 2007, 2008 and 2009 were audited by us. No audited consolidated financial statements for the six months ended June 30, 2010 have been issued.

The directors of the Company are responsible for the preparation and the true and fair presentation of the Financial Information in accordance with IFRSs. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the 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. In preparing the Financial Information which gives a true and fair view, it is fundamental that appropriate accounting policies are selected and consistently applied, that the judgments and estimates made are prudent and reasonable.

It is our responsibility to form an independent opinion, based on our examination, on the Financial Information, for the Relevant Periods and to report our opinion to you.

The directors of the Company are responsible for preparing the June 30, 2009 Financial Information. It is our responsibility to form an independent review conclusion, based on our review on the June 30, 2009 Financial Information and to report our conclusion to you.

PROCEDURES PERFORMED IN RESPECT OF THE RELEVANT PERIODS

For the purpose of this report, we have carried out an independent examination on the Financial Information for the Relevant Periods in accordance with International Standards on Auditing, and have carried out such additional procedures as are necessary in accordance with Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). No adjustments were considered necessary to adjust the financial statements to conform to the accounting policies as referred to in Note 2.4 of Section II below for the Relevant Periods.

PROCEDURES PERFORMED IN RESPECT OF THE JUNE 30, 2009 FINANCIAL INFORMATION

For the purpose of this report, we have also performed a review of the June 30, 2009 Financial Information in accordance with International Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the International Auditing and Assurance Standards Board. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

OPINION IN RESPECT OF THE RELEVANT PERIODS

In our opinion, the Financial Information for the Relevant Periods, for the purpose of this report, gives a true and fair view of the consolidated results and consolidated cash flows of the Group for each of the year/period in the Relevant Periods and of the state of affairs of the Company and of the Group as at December 31, 2007, 2008 and 2009, and June 30, 2010.

REVIEW CONCLUSION IN RESPECT OF THE JUNE 30, 2009 FINANCIAL INFORMATION

Based on our review which does not constitute an audit, for the purpose of this report, nothing has come to our attention that causes us to believe that June 30, 2009 Financial Information was not prepared, in all material aspects, in accordance with IFRSs.

I FINANCIAL INFORMATION

Consolidated Statements of Comprehensive Income

(All amounts expressed in RMB'000 unless otherwise specified)

	Notes	Year ended December 31, 2007	Year ended December 31, 2008	Year ended December 31, 2009	Six months ended June 30, 2009 unaudited	2010
Revenue	6	363,194	564,096	1,087,355	337,084	176,203
Cost of sales	7	(203,061)	(369,101)	(435,048)	(170,880)	(142,703)
Gross profit		160,133	194,995	652,307	166,204	33,500
Other income	6	72,919	16,159	8,419	6,909	5,556
Selling and distribution costs	7	(37,752)	(35,891)	(119,669)	(24,044)	(23,277)
Administrative expenses	7	(106,455)	(165,911)	(133,523)	(59,965)	(86,625)
Other expenses	6	(45,567)	(36,162)	(1,720)	(494)	(10,632)
Gain on the repurchase of Senior Notes	23	–	–	24,744	–	–
Loss on convertible bonds other than interest cost, net	24	(79,445)	(287,826)	–	–	–
Impairment loss of property, plant and equipment	13	–	(136,773)	(8,810)	(6,810)	–
Fair value gain/(loss) on completed investment properties	14	38,948	(488,160)	(14,163)	(25,690)	(613)
Fair value gain/(loss) on investment properties under construction	14	–	–	39,036	40,687	(146)
Operating profit/(loss)		2,781	(939,569)	446,621	96,797	(82,237)
Finance costs	8	(293,564)	(193,696)	(104,352)	(57,124)	(47,663)
Profit/(loss) before tax		(290,783)	(1,133,265)	342,269	39,673	(129,900)
Income tax	9	18,772	145,915	(98,809)	(19,180)	12,251
Profit/(loss) after tax		(272,011)	(987,350)	243,460	20,493	(117,649)
Other comprehensive income	9	–	–	–	–	–
Total comprehensive income for the year/period		<u>(272,011)</u>	<u>(987,350)</u>	<u>243,460</u>	<u>20,493</u>	<u>(117,649)</u>
Profit/(loss) attributable to:						
Owners of the parent		(287,353)	(845,543)	166,630	8,771	(92,281)
Non-controlling interests		15,342	(141,807)	76,830	11,722	(25,368)
		<u>(272,011)</u>	<u>(987,350)</u>	<u>243,460</u>	<u>20,493</u>	<u>(117,649)</u>
Total comprehensive income attributable to:						
Owners of the parent		(287,353)	(845,543)	166,630	8,771	(92,281)
Non-controlling interests		15,342	(141,807)	76,830	11,722	(25,368)
		<u>(272,011)</u>	<u>(987,350)</u>	<u>243,460</u>	<u>20,493</u>	<u>(117,649)</u>
Earnings/(loss) per share attributable to ordinary equity holders of the parent (RMB per share):	12					
Basic earnings/(loss) per share		(0.3430)	(0.5335)	0.0640	0.0039	(0.0272)
Diluted earnings/(loss) per share		(0.3430)	(0.5335)	0.0597	0.0039	(0.0272)

Details of the dividends for the year 2009 is disclosed in Note 10 of Section II “Notes to Financial Information”.

Consolidated Statements of Financial Position*(All amounts expressed in RMB'000 unless otherwise specified)*

	<i>Notes</i>	December 31, 2007	December 31, 2008	December 31, 2009	June 30, 2010
Assets					
Non-current assets					
Investments in associates	4	200	200	200	200
Property, plant and equipment	13	1,276,038	1,255,185	1,235,292	1,179,317
Completed investment properties	14	845,000	497,010	489,000	489,000
Investment properties under construction	14	85,336	39,740	170,710	288,000
Prepaid land lease payments	15	326,070	320,273	390,823	388,782
Non-current trade receivables	18	78,043	124,841	93,655	86,212
Deferred tax assets	9	3,157	129,816	128,607	148,761
Other assets		40,768	50,749	50,652	49,533
Total non-current assets		<u>2,654,612</u>	<u>2,417,814</u>	<u>2,558,939</u>	<u>2,629,805</u>
Current assets					
Land development for sale	16	2,633,604	3,470,967	3,640,398	3,764,434
Properties under development for sale		–	–	–	4,904
Prepaid land lease payments	15	–	–	162,588	165,515
Inventories		3,781	3,459	3,820	3,901
Amounts due from related parties	27	1,755	1,757	47,003	3,040
Prepayments	17	2,260	9,442	6,155	43,949
Other receivables	17	24,933	22,418	354,983	430,783
Trade receivables	18	553,017	290,012	337,168	247,735
Cash and bank balances	19	1,750,256	184,253	1,509,371	852,337
Total current assets		<u>4,969,606</u>	<u>3,982,308</u>	<u>6,061,486</u>	<u>5,516,598</u>
Total assets		<u><u>7,624,218</u></u>	<u><u>6,400,122</u></u>	<u><u>8,620,425</u></u>	<u><u>8,146,403</u></u>

APPENDIX I

ACCOUNTANTS' REPORT

	<i>Notes</i>	December 31, 2007	December 31, 2008	December 31, 2009	June 30, 2010
Equity and liabilities					
Equity					
Equity attributable to owners of the parent:					
Share capital	20	1,891,080	2,115,240	2,497,385	2,786,673
Treasury shares	20	–	(180)	(37,294)	(34,533)
Other reserves	21	435,976	604,670	749,001	604,869
Accumulated losses		(157,253)	(1,002,796)	(836,166)	(980,728)
		<u>2,169,803</u>	<u>1,716,934</u>	<u>2,372,926</u>	<u>2,376,281</u>
Non-controlling interests		500,908	359,101	436,231	411,363
		<u>2,670,711</u>	<u>2,076,035</u>	<u>2,809,157</u>	<u>2,787,644</u>
Non-current liabilities					
Senior Notes	23	–	518,809	–	–
Convertible bonds – host debts	24	–	–	142,406	–
Interest-bearing bank borrowings	22	–	–	1,847,000	1,827,000
Deferred income from sale of golf club membership	25	487,224	591,165	562,675	548,644
Deferred tax liabilities	9	103,788	–	–	–
		<u>591,012</u>	<u>1,109,974</u>	<u>2,552,081</u>	<u>2,375,644</u>
Current liabilities					
Senior Notes	23	–	–	84,363	86,208
Interest-bearing bank borrowings	22	1,640,000	1,137,000	310,000	230,000
Trade payables	26	832,167	1,036,291	1,265,252	1,123,971
Other payables and accruals	26	105,458	301,616	596,434	468,349
Amounts due to related parties	27	1,017	117,437	12	3,729
Advances from customers	28	2,571	89,161	4,568	4,114
Deferred income arising from land development	25	141,849	271,443	639,940	700,015
Other borrowings	30	350,000	–	–	–
Convertible bonds – host debts	24	1,101,860	–	–	–
Convertible bonds – embedded derivatives	24	10,900	–	–	–
Current income tax liabilities		176,673	261,165	358,618	366,729
		<u>4,362,495</u>	<u>3,214,113</u>	<u>3,259,187</u>	<u>2,983,115</u>
Total current liabilities		<u>4,362,495</u>	<u>3,214,113</u>	<u>3,259,187</u>	<u>2,983,115</u>
Total liabilities		<u>4,953,507</u>	<u>4,324,087</u>	<u>5,811,268</u>	<u>5,358,759</u>
Total equity and liabilities		<u>7,624,218</u>	<u>6,400,122</u>	<u>8,620,425</u>	<u>8,146,403</u>
Net current assets		<u>607,111</u>	<u>768,195</u>	<u>2,802,299</u>	<u>2,533,483</u>
Total assets less current liabilities		<u>3,261,723</u>	<u>3,186,009</u>	<u>5,361,238</u>	<u>5,163,288</u>

Statements of Financial Position of the Company

(All amounts expressed in RMB'000 unless otherwise specified)

	Notes	December 31, 2007	December 31, 2008	December 31, 2009	June 30, 2010
Assets					
Non-current assets					
Investments in subsidiaries	3	3,386,846	2,968,699	2,968,699	2,617,549
Property, plant and equipment		164	323	256	243
Total non-current assets		<u>3,387,010</u>	<u>2,969,022</u>	<u>2,968,955</u>	<u>2,617,792</u>
Current assets					
Amounts due from subsidiaries		48,494	74,265	252,906	480,175
Other receivables		166	269	2	4
Cash and bank balances	19	1,037,563	47,411	14,521	36,723
Total current assets		<u>1,086,223</u>	<u>121,945</u>	<u>267,429</u>	<u>516,902</u>
Total assets		<u><u>4,473,233</u></u>	<u><u>3,090,967</u></u>	<u><u>3,236,384</u></u>	<u><u>3,134,694</u></u>
Equity and liabilities					
Equity					
Equity attributable to owners of the parent:					
Share capital	20	1,891,080	2,115,240	2,497,385	2,786,673
Treasury shares	20	–	(180)	(37,294)	(34,533)
Other reserves	21	1,769,389	1,938,083	2,082,414	1,938,282
Accumulated losses		(308,962)	(1,549,915)	(1,580,229)	(1,644,507)
Total equity		<u><u>3,351,507</u></u>	<u><u>2,503,228</u></u>	<u><u>2,962,276</u></u>	<u><u>3,045,915</u></u>
Non-current liabilities					
Senior Notes	23	–	518,809	–	–
Convertible bonds – host debts	24	–	–	142,406	–
Total non-current liabilities		<u>–</u>	<u>518,809</u>	<u>142,406</u>	<u>–</u>
Current liabilities					
Senior Notes	23	–	–	84,363	86,208
Other payables and accruals		8,966	61,339	47,339	2,571
Amounts due to related parties		–	7,591	–	–
Convertible bonds – host debts	24	1,101,860	–	–	–
Convertible bonds – embedded derivatives	24	10,900	–	–	–
Total current liabilities		<u>1,121,726</u>	<u>68,930</u>	<u>131,702</u>	<u>88,779</u>
Total liabilities		<u>1,121,726</u>	<u>587,739</u>	<u>274,108</u>	<u>88,779</u>
Total equity and liabilities		<u><u>4,473,233</u></u>	<u><u>3,090,967</u></u>	<u><u>3,236,384</u></u>	<u><u>3,134,694</u></u>
Net current (liabilities)/assets		<u>(35,503)</u>	<u>53,015</u>	<u>135,727</u>	<u>428,123</u>
Total assets less current liabilities		<u><u>3,351,507</u></u>	<u><u>3,022,037</u></u>	<u><u>3,104,682</u></u>	<u><u>3,045,915</u></u>

Consolidated Statements of Changes in Equity*(All amounts expressed in RMB'000 unless otherwise specified)*

		For the year ended December 31, 2007						
		Attributable to owners of the parent				Non-controlling interests		
Notes	Share capital	Treasury shares	Other reserves	Accumulated profit/(losses)	Total	Total equity	Total equity	
As at January 1, 2007	20/21	78	–	224,032	130,100	354,210	309,683	663,893
Total comprehensive income		–	–	–	(287,353)	(287,353)	15,342	(272,011)
Equity-settled share options to management	21/29	–	–	8,516	–	8,516	–	8,516
Capital contributions from non-controlling interests of subsidiaries		–	–	–	–	–	175,883	175,883
Increase in share capital from shares issued at initial public offering of the Company in Singapore ("IPO"), net of related transaction costs of RMB87,792 thousand	20	1,288,498	–	–	–	1,288,498	–	1,288,498
Convertible bonds – equity components	21/24	–	–	620,900	–	620,900	–	620,900
Imputed equity contribution upon CB1 conversion	20/21	469,828	–	(396,900)	–	72,928	–	72,928
Imputed equity contribution upon CB2 conversion	20/21	132,676	–	(20,572)	–	112,104	–	112,104
As at December 31, 2007	20/21	<u>1,891,080</u>	<u>–</u>	<u>435,976</u>	<u>(157,253)</u>	<u>2,169,803</u>	<u>500,908</u>	<u>2,670,711</u>
		For the year ended December 31, 2008						
As at January 1, 2008	20/21	1,891,080	–	435,976	(157,253)	2,169,803	500,908	2,670,711
Total comprehensive income		–	–	–	(845,543)	(845,543)	(141,807)	(987,350)
Equity-settled share options to management	21/29	–	–	16,884	–	16,884	–	16,884
Refund of transaction costs for new shares issued upon IPO	20	22,349	–	–	–	22,349	–	22,349
Considerations for the repurchase of CB2's equity component	21/24	–	–	(11,623)	–	(11,623)	–	(11,623)
Subscription Shares issued upon the repurchase of CB2	20/24	175,125	–	–	–	175,125	–	175,125
Grant Shares issued with issuance of Senior Notes upon the repurchase of CB2	20/24	26,686	–	–	–	26,686	–	26,686
Capital contribution from an indirect shareholder received upon the repurchase of CB2	21/24	–	–	163,433	–	163,433	–	163,433
Treasury shares	20	–	(180)	–	–	(180)	–	(180)
As at December 31, 2008	20/21	<u>2,115,240</u>	<u>(180)</u>	<u>604,670</u>	<u>(1,002,796)</u>	<u>1,716,934</u>	<u>359,101</u>	<u>2,076,035</u>

For the year ended December 31, 2009

	Notes	Attributable to owners of the parent				Total	Non-	Total equity
		Share capital	Treasury shares	Other reserves	Accumulated profit/(losses)		controlling interests	
As at January 1, 2009	20/21	2,115,240	(180)	604,670	(1,002,796)	1,716,934	359,101	2,076,035
Total comprehensive income		-	-	-	166,630	166,630	76,830	243,460
Equity-settled share options to management	21/29	-	-	12,485	-	12,485	-	12,485
Shares issued upon exercise of management share options granted under Management Stock Option Plan ("Management Grant")	20/21	5,569	-	(5,569)	-	-	-	-
Capital contribution from non-controlling interests of subsidiaries		-	-	-	-	-	300	300
Shares issued upon private placement	20/30	244,252	-	-	-	244,252	-	244,252
Shares issued upon the repurchase of Senior Notes	20/23	132,324	-	-	-	132,324	-	132,324
Equity components of CB3	21/24	-	-	137,415	-	137,415	-	137,415
Treasury shares	20	-	(37,114)	-	-	(37,114)	-	(37,114)
As at December 31, 2009	20/21	<u>2,497,385</u>	<u>(37,294)</u>	<u>749,001</u>	<u>(836,166)</u>	<u>2,372,926</u>	<u>436,231</u>	<u>2,809,157</u>

For the six months ended June 30, 2010

As at January 1, 2010	20/21	2,497,385	(37,294)	749,001	(836,166)	2,372,926	436,231	2,809,157
Total comprehensive income		-	-	-	(92,281)	(92,281)	(25,368)	(117,649)
Equity-settled share options to management	21/29	-	-	1,636	-	1,636	-	1,636
Shares issued and treasury shares used upon exercise of management share options granted under Management Grant	20/21	5,592	2,761	(8,353)	-	-	-	-
Changes in non-controlling interests due to disposal of a subsidiary		-	-	-	-	-	500	500
Shares issued upon CB3 conversion	20/21	283,696	-	(137,415)	-	146,281	-	146,281
Dividends	10	-	-	-	(52,281)	(52,281)	-	(52,281)
As at June 30, 2010	20/21	<u>2,786,673</u>	<u>(34,533)</u>	<u>604,869</u>	<u>(980,728)</u>	<u>2,376,281</u>	<u>411,363</u>	<u>2,787,644</u>

For the six months ended June 30, 2009 (unaudited)

As at January 1, 2009	20/21	2,115,240	(180)	604,670	(1,002,796)	1,716,934	359,101	2,076,035
Total comprehensive income		-	-	-	8,771	8,771	11,722	20,493
Equity-settled share options to management		-	-	6,314	-	6,314	-	6,314
Shares issued upon exercise of management share options granted under Management Grant	20/21	5,569	-	(5,569)	-	-	-	-
Capital contribution from non-controlling interests of subsidiaries		-	-	-	-	-	500	500
Shares issued upon private placement		160,326	-	-	-	160,326	-	160,326
As at June 30, 2009		<u>2,281,135</u>	<u>(180)</u>	<u>605,415</u>	<u>(994,025)</u>	<u>1,892,345</u>	<u>371,323</u>	<u>2,263,668</u>

Statements of Changes in Equity of the Company

(All amounts expressed in RMB'000 unless otherwise specified)

		For the year ended December 31, 2007				
Notes	Share capital	Treasury shares	Other reserves	Accumulated profit/(losses)	Total	
As at January 1, 2007	20/21	78	–	1,557,445	(539)	1,556,984
Total comprehensive income		–	–	–	(308,423)	(308,423)
Equity-settled share options to management	21/29	–	–	8,516	–	8,516
Increase in share capital from shares issued at IPO of Company, net of related transaction costs of RMB87,792 thousand	20	1,288,498	–	–	–	1,288,498
Convertible bonds – equity components	21/24	–	–	620,900	–	620,900
Imputed equity contribution upon CB1 conversion	20/21	469,828	–	(396,900)	–	72,928
Imputed equity contribution upon CB2 conversion	20/21	132,676	–	(20,572)	–	112,104
As at December 31, 2007	20/21	<u>1,891,080</u>	<u>–</u>	<u>1,769,389</u>	<u>(308,962)</u>	<u>3,351,507</u>
		For the year ended December 31, 2008				
As at January 1, 2008	20/21	1,891,080	–	1,769,389	(308,962)	3,351,507
Total comprehensive income		–	–	–	(1,240,953)	(1,240,953)
Equity-settled share options to management	21/29	–	–	16,884	–	16,884
Refund of transaction costs for new shares issued upon IPO	20	22,349	–	–	–	22,349
Considerations for the repurchase of CB2's equity component	21/24	–	–	(11,623)	–	(11,623)
Subscription Shares issued upon the repurchase of CB2	20/24	175,125	–	–	–	175,125
Grant Shares issued with issuance of Senior Notes upon the repurchase of CB2	20/24	26,686	–	–	–	26,686
Capital contribution from an indirect shareholder received upon the repurchase of CB2	21/24	–	–	163,433	–	163,433
Treasury shares	20	–	(180)	–	–	(180)
As at December 31, 2008	20/21	<u>2,115,240</u>	<u>(180)</u>	<u>1,938,083</u>	<u>(1,549,915)</u>	<u>2,503,228</u>

For the year ended December 31, 2009						
	<i>Notes</i>	Share capital	Treasury shares	Other reserves	Accumulated profit/(losses)	Total
As at January 1, 2009	20/21	2,115,240	(180)	1,938,083	(1,549,915)	2,503,228
Total comprehensive income		-	-	-	(30,314)	(30,314)
Equity-settled share options to management	21/29	-	-	12,485	-	12,485
Shares issued upon exercise of management share options granted under Management Grant	20/21	5,569	-	(5,569)	-	-
Shares issued upon private placement	20/30	244,252	-	-	-	244,252
Shares issued upon the repurchase of Senior Notes	20/23	132,324	-	-	-	132,324
Equity components of CB3	21/24	-	-	137,415	-	137,415
Treasury shares	20	-	(37,114)	-	-	(37,114)
As at December 31, 2009	20/21	<u>2,497,385</u>	<u>(37,294)</u>	<u>2,082,414</u>	<u>(1,580,229)</u>	<u>2,962,276</u>
For the six months ended June 30, 2010						
As at January 1, 2010	20/21	2,497,385	(37,294)	2,082,414	(1,580,229)	2,962,276
Total comprehensive income		-	-	-	(11,997)	(11,997)
Equity-settled share options to management	21/29	-	-	1,636	-	1,636
Shares issued and treasury shares used upon exercise of management share options granted under Management Grant	20/21	5,592	2,761	(8,353)	-	-
Shares issued upon CB3 conversion	20/21	283,696	-	(137,415)	-	146,281
Dividends	10	-	-	-	(52,281)	(52,281)
As at June 30, 2010	20/21	<u>2,786,673</u>	<u>(34,533)</u>	<u>1,938,282</u>	<u>(1,644,507)</u>	<u>3,045,915</u>

Consolidated Statement of Cash Flows*(All amounts expressed in RMB'000 unless otherwise specified)*

	<i>Notes</i>	Year ended December 31, 2007	Year ended December 31, 2008	Year ended December 31, 2009	Six months ended June 30, 2009 unaudited	2010
Cash flows from operating activities						
Profit/(loss) before tax		(290,783)	(1,133,265)	342,269	39,673	(129,900)
Adjustments for:						
Depreciation of property, plant and equipment	13	57,750	65,849	65,475	33,154	31,383
Amortization of prepaid land lease payments	15	8,330	8,843	8,550	4,275	4,958
Impairment loss of property, plant and equipment	13	–	136,773	8,810	6,810	–
Loss on disposal of property, plant and equipment		207	–	–	–	4,334
Gain on disposal of investment properties		(338)	–	–	–	–
Fair value loss on completed investment properties	14	(38,948)	488,160	14,163	25,690	613
Fair value loss/(gain) on investment properties under construction	14	–	–	(39,036)	(40,687)	146
Loss on disposal of subsidiaries		–	–	–	–	636
Gain on the repurchase of Senior Notes	23	–	–	(24,744)	–	–
Loss on CB2 other than interest cost, net	24	79,445	287,826	–	–	–
Expenses incurred for the repurchase of CB2	7	–	29,739	–	–	–
Foreign exchange (gain)/loss, net	6	44,012	34,264	–	–	(3)
Management share option expense	21	8,516	16,884	12,485	6,314	1,636
Interest income	6	(26,052)	(14,601)	(1,237)	(319)	(2,695)
Interest expense	8	293,564	193,696	104,352	57,124	47,663
		135,703	114,168	491,087	132,034	(41,229)
Increase in restricted bank deposits		(25)	(55)	–	–	–
Increase in land development for sale		(1,113,051)	(730,734)	(160,033)	(3,635)	(106,539)
Increase in property under development for sale		–	–	–	–	(4,658)
(Increase)/decrease in inventories		(891)	322	(361)	(651)	(135)
(Increase)/decrease in amounts due from related parties		1,491	(2)	(45,246)	(94)	47,003
(Increase)/decrease in prepayments		13,679	(2,606)	487	(1,769)	(37,794)
Increase in other receivables and assets		(35,427)	(7,268)	(494,479)	(304)	(44,446)
(Increase)/decrease in trade receivables		132,624	217,620	76,951	(136,224)	96,824
Increase/(decrease) in deferred income from sale of golf club membership		3,454	103,941	(28,490)	(15,248)	(14,031)
Increase/(decrease) in deferred income arising from land development		35,123	129,594	368,497	(17,531)	60,075
Increase/(decrease) in advances from customers		(934)	86,589	(84,593)	(471)	(135)
Increase/(decrease) in trade and other payables		329,653	261,088	587,678	22,769	(282,708)
Increase/(decrease) in amounts due to related parties		(39,668)	116,420	63	82	212
Net cash (outflow)/inflow from operating activities		<u>(538,269)</u>	<u>289,077</u>	<u>711,561</u>	<u>(21,042)</u>	<u>(327,561)</u>

	<i>Notes</i>	Year ended December 31, 2007	Year ended December 31, 2008	Year ended December 31, 2009	Six months ended June 30, 2009 2010 unaudited	
Cash flows from investing activities						
Purchases/constructions of property, plant and equipment		(123,334)	(177,498)	(95,890)	(37,320)	(11,911)
Proceeds from disposal of property, plant and equipment		674	128	173	–	688
Refund/(payments) for land use rights		–	10,317	(102,869)	(5,189)	–
Payments for investment properties		(153,589)	(8,984)	(69,379)	(19,840)	(92,420)
Disposal of a subsidiary	33	–	–	–	–	(3,376)
Interest received		26,052	14,601	1,237	319	2,695
Net cash outflow from investing activities		<u>(250,197)</u>	<u>(161,436)</u>	<u>(266,728)</u>	<u>(62,030)</u>	<u>(104,324)</u>
Cash flows from financing activities						
Proceeds from public listing		1,376,290	–	–	–	–
Amounts paid for treasury shares	20	–	(180)	(37,114)	–	–
Cash proceeds from issuance of new shares of the Company		–	–	127,624	43,698	–
Capital contributions from non-controlling shareholders of subsidiaries		175,883	–	300	500	–
Proceeds from issuance of convertible bonds		1,165,457	–	–	–	–
Proceeds from bank borrowings		–	–	1,090,000	80,000	–
Repayment of bank borrowings		(450,000)	(503,000)	(70,000)	(26,000)	(100,000)
Loan (repayments to)/from a related party	30(a)	350,000	(350,000)	–	–	–
Proceeds from issuance of convertible bonds	24	–	–	275,994	–	–
Cash paid for the repurchase of Senior Notes	23	–	–	(340,329)	–	–
Considerations paid for the repurchase of CB2	24	–	(639,450)	–	–	–
Payments for expenses incurred for the repurchase of CB2		–	(6,955)	(22,785)	(22,785)	–
(Cash payment)/cash released from deposits restricted in relation to coupon interest payments for Senior Notes/convertible bonds		(31,673)	(14,461)	38,518	46,277	–
Cash placed as restricted deposits in relation to interest payments for bank borrowings		–	–	(36,000)	–	–
Interest paid		(114,838)	(184,839)	(142,545)	(91,890)	(72,871)
Dividend paid		–	–	–	–	(52,281)
(Payment)/refund of transaction costs for new shares		(87,287)	22,349	(860)	(860)	–
Net cash inflow/(outflow) from financing activities		<u>2,383,832</u>	<u>(1,676,536)</u>	<u>882,803</u>	<u>28,940</u>	<u>(225,152)</u>
Net increase/(decrease) in cash and cash equivalents		1,595,366	(1,548,895)	1,327,636	(54,132)	(657,037)
Effect of exchange rate changes on cash and cash equivalents		(46,019)	(31,624)	–	–	–
Cash and cash equivalents at beginning of year/period		<u>169,148</u>	<u>1,718,495</u>	<u>137,976</u>	<u>137,976</u>	<u>1,465,612</u>
Cash and cash equivalents at end of year/period	19	<u><u>1,718,495</u></u>	<u><u>137,976</u></u>	<u><u>1,465,612</u></u>	<u><u>83,844</u></u>	<u><u>808,575</u></u>

II NOTES TO FINANCIAL INFORMATION

(All amounts expressed in RMB'000 unless otherwise specified)

1. CORPORATE INFORMATION**Corporate information**

China New Town Development Company Limited (the "Company") was incorporated on January 4, 2006 in the BVI by one shareholder. After a series of reorganizations, on November 14, 2007, the Company was listed on the SGX-ST.

The Company with its subsidiaries (the "Group") is a new town developer in the PRC and is principally engaged in planning and developing large-scale new towns in China's largest cities of which the activities include designing the master plan, relocating and resettling incumbent residents and businesses, clearing and preparing the land and installing infrastructure. Land use rights to the residential parcels in the new towns developed by the Group are then sold by the relevant land authorities to real estate property developers, the proceeds of which are apportioned to the Group on specified bases. The Group also develops and manages commercial properties in those new towns.

In the opinion of the Directors, the Company's ultimate holding company is SRE Group Limited ("SRE"), a company incorporated in Bermuda. As the Company has become a subsidiary of SRE since September 2009 after a series of share placement and convertible bond issuance (see Notes 24 and 30), the Company was ceased to be an associate of SRE since then.

Subsidiaries

The principal activities of the subsidiaries are disclosed in Note 3 below.

2.1 BASIS OF PREPARATION

The Financial Information has been prepared in accordance with IFRS throughout the Relevant Periods, which comprise standards and interpretations approved by the International Accounting Standard Board (the "IASB") and International Accounting Standards (the "IASs") and Standing Interpretations Committee interpretations approved by the International Accounting Standards Committee that remain in effect. All IFRSs effective for accounting periods commencing from January 1, 2007, January 1, 2008, January 1, 2009 or January 1, 2010, together with the relevant transitional provisions, have been adopted by the Group in the preparation of the Financial Information throughout the Relevant Periods.

The Financial Information has been prepared on a historical cost basis, except for investment properties under construction as at December 31, 2009 and June 30, 2010, certain financial instruments and completed investment properties that have been measured at fair value. The Financial Information are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand ('000) unless otherwise indicated.

Basis of consolidation

The Financial Information comprise the financial statements of the Company and its subsidiaries for the Relevant Periods. Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

The financial statements of the subsidiaries used in the preparation of the Financial Information are prepared for the same reporting period as those of the Company. Consistent accounting policies are applied to like transactions and events in similar circumstances and adjustments are made to bring into line any dissimilar accounting policies that may exist.

All intra-group balances, income and expenses and unrealized gains and losses arising from intra-group transactions, are eliminated in full on consolidation.

Non-controlling interests represent the portion of profit or loss and net assets of subsidiaries attributable to equity interests that are not held by the Group are presented separately in the consolidated statement of comprehensive income and within equity in the consolidated statement of financial position, separately from the parent shareholders' equity. On acquisition of non-controlling interests, the difference between the consideration and book value of the share of the net assets acquired is reflected as being a transaction between owners and recognized directly in equity.

Operating cycle

The operating cycle of the Group is the time between the acquisition of assets for processing and their realization in cash or cash equivalents. Due to the nature of the Group's business, the Group's normal operating cycle is longer than twelve months. The Group's current assets include assets (such as land development for sale) that are sold, consumed or realized as part of the normal operating cycle even when they are not expected to be realized within twelve months after the end of the reporting period, in accordance with IFRS.

2.2 APPLICATION OF NEW AND REVISED IFRSs

The IASB has issued certain new and revised IFRSs which are effective for annual periods beginning on or after January 1, 2007, January 1, 2008, January 1, 2009 or January 1, 2010, the Group has adopted all these new and revised IFRSs. The Group has not applied the following new and revised IFRSs, which have been issued but are not yet effective, in the Financial Information:

IAS 24 (Revised)	Related Party Disclosures ³
IAS 32	Amendments Classification of Rights Issues ¹
IFRS 1	Amendment Limited Exemption from Comparative IFRS 7 Disclosures for First-Time Adopters ²
IFRS 9	Financial Instruments ⁴
IFRIC 14	Amendments Prepayments of a Minimum Funding Requirement ³
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments ²
IFRS 7 (Amendments)	Disclosures – Transfers of Financial Assets ⁵

In May 2010, the IASB has also issued Improvements to IFRSs 2010 which sets out amendments to a number of IFRSs which result from proposals that were included in the Exposure Draft of Improvements to IFRS issued in August 2009. The amendments to IFRS 1, IFRS 7, IAS 1, IAS 34 and IFRIC 13 are effective for annual periods beginning on or after January 1, 2011 while the amendments to IFRS 3 and IAS 27 are effective for annual periods beginning on or after July 1, 2010 although there are separate transitional provisions for each standard or interpretation.

The Group is in the process of making an assessment of the impact of these new and revised IFRSs upon initial application. So far, the Group considers that these new and revised IFRSs are unlikely to have a significant impact on the Group's results of operation and financial position.

2.3 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Financial Information requires management to make estimates and assumptions that affect the reported amounts of revenue, expenses, assets and liabilities and the disclosure of contingent liabilities at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require material adjustment to the carrying amount of the assets or liabilities affected in future periods.

In the process of applying the Group's accounting policies, management has made the following judgments, which have the most significant effect on the amounts recognized in the Financial Information:

(i) Classification between investment properties and owner-occupied properties

The Group determines whether a property qualifies as an investment property and has developed criteria in making that judgment. Investment property is a property held to earn rentals or for capital appreciation or both. Therefore, the Group considers whether a property generates cash flows largely independently of the other assets held by the Group.

¹ Effective for annual periods beginning on or after February 1, 2010

² Effective for annual periods beginning on or after July 1, 2010

³ Effective for annual periods beginning on or after January 1, 2011

⁴ Effective for annual periods beginning on or after January 1, 2013

⁵ Effective for annual periods beginning on or after July 1, 2011

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at each of the reporting dates, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are disclosed below:

(i) *Estimate of fair value of investment properties*

Investment properties were revalued at the end of each reporting period using the income approach on the basis of capitalization of net rental income derived from the existing tenancies with due allowance for reversionary income potential of the property interest by independent professionally qualified valuers. Such valuations were based on certain assumptions, which are subject to uncertainty and might materially differ from the actual results. In making the estimate, the Group considers information from current prices in an active market for similar properties and uses assumptions that are mainly based on market conditions existing at the end of each reporting period.

During the year of 2009, IAS 40 has been revised to bring within its scope investment properties under construction. The policy has been applied prospectively from January 1, 2009. Consequently such properties are also carried at fair value as determined by independent professional qualified valuers. The fair value of investment properties under construction is determined using the discounted cash flow method, residual method, etc.

(ii) *Carrying amount of land development for sale*

The Group's land development for sale is stated at the lower of cost and net realizable value. Based on the Group's recent experience and the nature of the subject land development, the Group makes estimates of cost allocated to each parcel of land infrastructure and attributable to ancillary public facilities and infrastructure, and its net realizable value, i.e., the revenue to be derived from the sale of land development for sale by government authorities, less costs to completion and the costs to be incurred in realizing the revenue from the sale of land development for sale based on prevailing market conditions.

If the cost is higher than the estimated net realizable value, provision for the excess of cost of land development for sale over its net realizable value should be made. Such provision would require the use of judgment and estimates. Where the expectation is different from the original estimate, the carrying value and provision for land development for sale in the periods in which such estimate is changed will be adjusted accordingly.

(iii) *Valuation of derivatives embedded in the convertible bonds*

The fair values of the derivatives (other than equity component) embedded in the convertible bonds, that need to be accounted for separately at fair value, cannot be derived from active markets, they are determined using valuation techniques including the discounted cash flow and option price models. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. The judgments include considerations of inputs such as liquidity risk, credit risk, market risk and volatility, etc. Changes in assumptions about these factors could affect the reported fair values and changes in fair values of such derivatives.

(iv) *Valuation of host debt component and equity component of the convertible bonds*

The fair values of the convertible bonds (including the values allocated the host debt and equity components) that need to be accounted for at fair value at initial recognition, cannot be derived from active markets, they are determined using valuation techniques including the discounted cash flow and option price models. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. The judgments include considerations of inputs such as credit risk, market risk and volatility, etc. Changes in assumptions about these factors could affect the reported carrying values of such financial instruments.

(v) *Deferred tax assets and liabilities*

Deferred tax assets are recognized for deductible temporary differences, carryforward of unused tax credits and unused tax losses to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilized. Deferred tax liabilities are recognized for taxable temporary differences. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and the level of future taxable profits together with future tax planning strategies. Where the actual or expected tax positions of the relevant companies of the Group in future are different from the original estimates, such differences will impact on the recognition of deferred tax assets and liabilities and income tax charge in the period in which such estimate has been changed.

(vi) *Impairment of receivables*

Impairment of receivables is made based on assessment of the recoverability of receivables. The identification of impairment of receivables requires management's judgments and estimates. Where the actual outcome or expectation in future is different from the original estimation, such difference will have impact on the carrying value of the receivables and impairment of receivables/reversal of impairment in the period in which such estimate has been changed.

(vii) *Useful lives and impairment of property, plant and equipment*

The Group's management determines the estimated useful lives and related depreciation charges for its items of property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of items of property, plant and equipment of similar nature and functions. Such estimates could change significantly as a result of technical innovations and competitor actions in response to severe industry cycles. Management will increase the depreciation charges where useful lives are less than previously estimated lives, or management will write off or write down technically obsolete assets that have been abandoned.

The carrying value of an item of property, plant and equipment is reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable in accordance with the accounting policy as disclosed in Note 2.4. The recoverable amount of an item of property, plant and equipment is calculated as the higher of its fair value less costs to sell and the value in use, where the calculations of which involve the use of estimates.

(viii) *Measurement of revenue from land development*

Revenue from the development of land infrastructure and ancillary public facilities (owned by the local governments) within the districts where the Group runs its businesses is allocated and recognized separately. The allocation of revenue from the land development to land infrastructure and ancillary public facilities is based on their relative fair values of the construction works, determined by reference to the relative estimated construction costs of each component, as the nature of construction works for the components are similar.

Revenue attributable to land infrastructure is recognized in full upon the sale of the relevant land use rights and the specific construction works are completed. However, revenue attributable to ancillary public facilities is recognized for the portions of ancillary public facilities completed at the sale of the land. The remaining revenue attributable to uncompleted portions of ancillary public facilities is recognized as deferred revenue as a current liability in the statements of financial position, and will be recognized as revenue when the related construction works are completed.

Significant change in accounting estimates

(i) *Tax rate decreased under new Corporate Income Tax Law*

On March 16, 2007, the National People's Congress approved the Corporate Income Tax Law of the People's Republic of China (the "New CIT Law"), which becomes effective from January 1, 2008. Under the New CIT Law, the corporate income tax rate applicable to domestic companies from January 1, 2008 was decreased from 33% to 25%. The reduction in the income tax rate directly reduced the

Group's effective tax rate prospectively from 2008. According to IAS 12, deferred tax assets and deferred tax liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled. As a result, the change in the corporate income tax rate has had the following impact on the consolidated statement of comprehensive income and statement of financial positions of the Group for the year ended December 31, 2007:

	As of December 31, 2007 and for the year then ended
Decrease in income tax expense for the year	32,204
Decrease in deferred tax liabilities as of December 31, 2007	33,212
Decrease in deferred tax assets as of December 31, 2007	(1,008)

(ii) *Reduction of entitlement to share of the revenue proceeds from land sale in Shanghai Golden Luodian Development Co., Ltd. (the "SGLD")*

In October 2008, a new regulation jointly issued by Shanghai City Development and Reform Committee, Shanghai City Finance Bureau and Shanghai City Housing and Shanghai Municipal Bureau of Planning and Land Resources, was approved by Shanghai City Government, which reduced the Group's entitlement to share of the revenue proceeds for all land developed by SGLD sold after January 1, 2007.

Accordingly, in 2008, the Group revised its share of revenue proceeds receivable for land sold after January 1, 2007, and accounted for such change in proportion of revenue proceeds due to the Group prospectively. The change resulted in the following pre-tax impact on the consolidated statement of comprehensive income and statement of financial position of the Group for the year ended December 31, 2008.

	As of December 31, 2008 and for the year then ended
Decrease in revenue for the year	164,968
Decrease in deferred income arising from land development as of December 31, 2008	8,575
Decrease in trade receivable as of December 31, 2008	173,543

Since such change in proportion of revenue proceeds entitled by the Group occurred in 2008 and was accounted for prospectively, the Group's consolidated financial statements for the year ended December 31, 2007 were not affected.

(iii) *Revisions of unit cost*

- a) In 2007, pursuant to negotiations with the local government and an agreement reached in December 2007, the Group paid approximately RMB370,000 thousand in respect of relocation costs in Luodian that were not originally anticipated. Meanwhile the obligations for the redevelopment of the Luodian old town which amounted to RMB265,482 thousand at date of negotiation was waived and approved by the government to be used for the settlement of the RMB370,000 thousand additional relocation cost. In addition, the Group would no longer be required to set aside amounts for the redevelopment of the Luodian old town (the "Old Town Fund") for amounts received in respect of future land sales.

After the reduction of the liabilities for the Old Town Fund, the net additional cost incurred of RMB105 million was capitalized in "Land development for sale" and will be recognized as part of cost of sales when revenue is recognized for the sale of land plots in future. As a result, the unit cost for land development (estimated based on budgeted cost of services over relevant area) was increased from RMB1,129 to RMB1,192 per sq.m. prospectively from December 2007. Such change had no significant impact on the consolidated statement of comprehensive income and statement of financial position of the Group for the year ended December 31, 2007.

- b) In 2009, pursuant to an agreement reached with local government in July 2009, the Group needed to increase its estimated relocation compensation costs to incumbent residents by approximately RMB600 million due to the unanticipated change in the government's policies for the compensation for uncompleted part of the relocation in Luodian New Town.

In addition, Shanghai Municipal Government approved a revised site master plan of Luodian New Town. The revised master plan mainly added few more ancillary public facilities, i.e. roads, schools and kindergarten, etc, which need to be built by the Group in the future. Based on the revised master plan, the Group increased the estimated cost of public facilities by approximately RMB284 million.

As a result, the unit cost for land development (estimated based on budgeted cost of services over relevant area) was increased from RMB1,192 to RMB2,057 per sq.m. prospectively in 2009. Also, since more ancillary public facilities are to be constructed, portion of revenue from land sold allocated to completed ancillary public facilities and related cost of sales are reduced. The changes resulted in the following pre-tax impact on the consolidated statement of comprehensive income and statement of financial position of the Group for the year ended December 31, 2009:

	As of December 31, 2009 and for the year then ended
Decrease in revenue for the year	143,980
Increase in deferred income arising from land development as at December 31, 2009	137,236
Decrease in sales tax for the year	6,744
Decrease in cost of sales for the year	66,705
Increase in the land development for sale as at December 31, 2009	66,705

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Subsidiaries

A subsidiary is an entity, including an unincorporated entity such as a partnership, that is controlled by the Group. The results of subsidiaries are included in the Company's income statement to the extent of dividend received and receivables. In the Company's separate financial statements, investments in subsidiaries are accounted for at cost less impairment losses.

Investments in associates

An associate is an entity, including an unincorporated entity such as a partnership, over which the investor has significant influence and that is neither a subsidiary nor an interest in a joint venture. The Group's investment in its associates is accounted for equity method.

Under the equity method, the investment in the associate is carried in the statement of financial position at cost plus post acquisition changes in the Group's share of net assets of the associate. Goodwill relating to the associate is included in the carrying amount of the investment and is neither amortized nor individually tested for impairment.

The statement of comprehensive income reflects the share of the results of operations of the associate. Where there has been a change recognized directly in the equity of the associate, the Group recognizes its share of any changes and discloses this, when applicable, in the statement of changes in equity. Unrealized gains and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associate.

The share of profit or loss of associates is shown on the face of the consolidated statement of comprehensive income. This is the profit attributable to equity holders of the associate and therefore is profit after tax and non-controlling interests in the subsidiaries of the associates.

The financial statements of the associate are prepared for the same reporting period as the investor. Where necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognize an additional impairment loss on the Group's investment in its associates. The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognizes the amount in profit or loss.

Upon loss of joint control and provided the former joint control entity does not become a subsidiary or associate, the Group measures and recognizes its remaining investment at its fair value. Any difference between the carrying amount of the former jointly controlled entity upon loss of joint control and the fair value of the remaining investment and proceeds from disposal are recognized in profit or loss. When the remaining investment constitutes significant influence, it is accounted for as investment in an associate.

Related parties

A party is considered to be related to the Group if:

- (a) the party, directly or indirectly through one or more intermediaries, (i) controls, is controlled by, or is under common control with, the Group; (ii) has an interest in the Group that gives it significant influence over the Group; or (iii) has joint control over the Group;
- (b) the party is an associate;
- (c) the party is a joint venture in which the Group is a venturer;
- (d) the party is a member of the key management personnel of the Group;
- (e) the party is a close member of the family of any individual referred to in (a) or (d);
- (f) the party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (d) or (e); or
- (g) the party is a post-employment benefit plan for the benefit of the employees of the Group, or of any entity that is a related party of the Group.

Financial assets

Financial assets within the scope of IAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, and available-for-sale financial assets, as appropriate. The Group determines the classification of financial assets at initial recognition. When financial assets are recognized initially, they are measured at fair value, plus, in the case of the investments not at fair value through profit or loss, directly attributable transaction costs.

All regular way purchases and sales of financial assets are recognized on the trade date, which is the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

The subsequent measurement of financial assets depends on their classification as follows.

- (a) *Financial assets at fair value through profit or loss*

Financial assets at fair value through profit or loss includes financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit and loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments or financial guarantee contracts. Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with changes in fair value recognized in the statement of comprehensive income.

The Group evaluates its financial assets at fair value through profit or loss (held for trading) to assess whether the intent to sell them in the near term is still appropriate. When the Group is unable to trade these financial assets due to inactive markets and management's intent to sell them in the foreseeable future significantly changes, the Group may elect to reclassify these financial assets in rare circumstances. The reclassification from financial assets at fair value through profit or loss to loans and receivables, available-for-sale financial assets or held-to-maturity investments depends on the nature of the assets. This evaluation does not affect any financial assets designated at fair value through profit or loss using the fair value option at designation.

Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading or designated at fair value through profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognized in the statement of comprehensive income. Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required.

(b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, loans and receivables are subsequently carried at amortized cost using the effective interest rate method less any allowance for impairment. Amortized cost is calculated taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortization is included in finance income in the statement of comprehensive income.

(c) Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held-to-maturity when the Group has the positive intention and ability to hold it to maturity. After initial measurement held-to-maturity investments are measured at amortized cost using the effective interest method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fee or costs that are an integral part of the effective interest rate. The effective interest rate amortization is included in finance income in the statement of comprehensive income. The losses arising from impairment are recognized in the statement of comprehensive income in finance costs.

(d) Available-for-sale financial investments

Available-for-sale financial investments include equity and debt securities. Equity investments classified as available-for sale are those, which are neither classified as held for trading nor designated at fair value through profit or loss. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in the market conditions.

After initial measurement, available-for-sale financial investments are subsequently measured at fair value with unrealized gains or losses recognized as other comprehensive income in the available-for-sale reserve until the investment is derecognized, at which time the cumulative gain or loss is recognized in other operating income, or determined to be impaired, at which time the cumulative loss is recognized in the statement of comprehensive income in finance costs and removed from the available-for-sale reserve.

The Group evaluated its available-for-sale financial assets whether the ability and intention to sell them in the near term is still appropriate. When the Group is unable to trade these financial assets due to inactive markets and managements intent significantly changes to do so in the foreseeable future, the Group may elect to reclassify these financial assets in rare circumstances. Reclassification to loans and receivables is permitted when the financial asset meets the definition of loans and receivables and has the intent and ability to hold these assets for the foreseeable future or maturity. The reclassification to hold to maturity is permitted only when the entity has the ability and intent to hold until the maturity date of financial asset accordingly.

For a financial asset reclassified out of the available-for-sale category, any previous gain or loss on that asset that has been recognized in equity is amortized to profit or loss over the remaining life of the investment using the effective interest rate. Any difference between the new amortized cost and the expected cash flows is also amortized over the remaining life of the asset using the effective interest rate. If the asset is subsequently determined to be impaired then the amount recorded in equity is reclassified to the statement of comprehensive income.

Fair value of financial instruments

The fair value of financial instruments that are traded in active markets is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs. For financial instruments where there is no active market, the fair value is determined using appropriate valuation techniques. Such techniques include using recent arm's length market transactions; reference to the current market value of another instrument which is substantially the same; a discounted cash flow analysis or other valuation models.

Impairment of financial assets

The Group assesses at the end of each reporting period whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred "loss event") and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

(a) Assets carried at amortized cost

If there is objective evidence that an impairment loss on loans and receivables carried at amortized cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account. The amount of the loss shall be recognized in the statement of comprehensive income. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to finance costs in the statement of comprehensive income.

If there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, the amount of the impairment loss is measured as the difference between the carrying amount of that financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Impairment losses on these assets are not reversed.

(b) Available-for-sale financial investments

For available-for-sale financial investments, the Group assesses at the end of each reporting period whether there is objective evidence that an investment or a group of investments is impaired.

If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortization) and its current fair value, less any impairment loss previously recognized in profit or loss, is removed from other comprehensive income and recognized in profit or loss.

In the case of equity investments classified as available for sale, objective evidence would include a significant or prolonged decline in the fair value of an investment below its cost or where other objective evidence of impairment exists. The determination of what is “significant” or “prolonged” requires judgment. “Significant” is to be evaluated against the original cost of the investment and “prolonged” against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognized in profit or loss – is removed from other comprehensive income and recognized in profit or loss. Impairment losses on equity instruments classified as available for sale are not reversed through the statement of comprehensive income. Increases in their fair value after impairment are recognized directly in other comprehensive income.

In the case of debt instruments classified as available for sale, impairment is assessed based on the same criteria as financial assets carried at amortized cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortized cost and the current fair value, less any impairment loss on that investment previously recognized in the statement of comprehensive income. Future interest income continues to be accrued based on the reduced carrying amount of the asset and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income. Impairment losses on debt instruments are reversed through the statement of comprehensive income, if the increase in fair value of the instrument can be objectively related to an event occurring after the impairment loss was recognized in the statement of comprehensive income.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognized when:

- the rights to receive cash flows from the asset have expired;
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay them in full without material delay to a third party under a “pass-through” arrangement; and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Group’s continuing involvement in the asset. In that case, the Group also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Financial liabilities at amortized cost (including interest-bearing bank borrowings)

Financial liabilities including trade payables, amounts due to related parties, interest-bearing loans and borrowings, etc., are initially stated at fair value less directly attributable transaction costs and are subsequently measured at amortized cost, using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost. The related interest expense is recognized within “finance costs” in profit or loss.

Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the amortization process.

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are acquired for the purpose of sale in the near term. Separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognized in profit or loss. The net fair value gain or loss recognized in profit or loss does not include any interest charged on these financial liabilities.

Convertible bonds

When the equity conversion options embedded in the convertible bonds issued by the Company are not equity instruments of the Company, the entire convertible bonds are accounted for as a financial liability, i.e., a host debt instrument with embedded derivatives. On initial recognition, the embedded derivatives are separated from the host debt instrument, measured at fair value and presented as part of derivative financial instruments, and are accounted for as a financial liability at fair value through profit or loss and are remeasured in subsequent years. Any excess of proceeds over the amount initially recognized as the derivative component is recognized as the liability component (the host debt), the host debt instrument is initially recognized at fair value net of related transaction costs, and is subsequently measured at amortized cost. Transaction costs are apportioned between the host debt and derivative components of the convertible bonds based on the allocation of proceeds to the host debt and derivative components when the instruments are initially recognized. The portion of the transaction costs relating to the host debt is recognized initially as part of the liability. The portion relating to the derivative component is recognized immediately in profit or loss.

When the equity conversion options embedded in the convertible bonds are equity instruments of the Company, they are classified as equity and presented separately from the liability components (including any derivatives embedded in the convertible bonds other than the equity component) of the convertible bonds. The carrying amount of such convertible bonds is allocated to its equity and liability components. The equity component is assigned the residual amount after deducting from the fair value of the convertible bonds as a whole the amount determined for the liability components, hence, no gain or loss arises from separation of the equity and liability components of the convertible bonds. After separation of equity and liability components, the derivatives, if any, embedded in the liability components of the convertible bonds, are accounted for as a financial liability at fair value through profit or loss. The host debt instrument is initially recognized at fair value net of related transaction costs, and is subsequently measured at amortized cost.

When the Company extinguishes convertible bonds before maturity through an early redemption or repurchase in which the original conversion privileges are unchanged, the Company allocates the consideration paid and any transaction costs for the repurchase or redemption to the liability and equity components of the convertible bonds at the date of the transaction. The method used in allocating the consideration paid and transaction costs to the separate components is consistent with that used in the original allocation to the separate components of the proceeds received by the Company when the convertible bonds were issued. Once the allocation of the consideration is made, the amount of gain or loss relating to the liability component is recognized in profit or loss and the amount of consideration relating to the equity component is recognized in equity.

Derecognition of financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognized in profit or loss.

Treasury shares

Own equity instruments which are reacquired (treasury shares) are recognized at cost and deducted from equity. No gain or loss is recognized in the statement of comprehensive income on the purchase, sale, issue or cancellation of the Group's own equity instruments. Any difference between the carrying amount and the consideration is recognized in equity.

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress ("CIP"), are stated at cost less accumulated depreciation and any impairment losses.

The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Such cost includes the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located. Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property, plant and equipment, and where the cost of the item can be measured reliably, the expenditure is capitalized as an additional cost of that asset or as a replacement.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value (10% of the cost) over its estimated useful life. The estimated useful lives for this purpose are as follows:

Hotel properties	Building 30 years, equipment 10 years, fixtures and fittings 5 years
Golf operational assets	Golf course between 40 and 50 years, club buildings 30 years, club equipment 10 years, club fixtures and fittings 5 years
Other buildings	20 years
Furniture, fixtures and equipment	5 years
Motor vehicles	5 years

When parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately.

Residual values, useful lives and the depreciation method are reviewed, and adjusted prospectively if appropriate, at the end of each reporting period.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognized in profit or loss in the year the asset is derecognized is the difference between the fair value less cost to sell and the carrying amount of the relevant asset.

CIP represents buildings under construction and is stated at cost less any impairment in value, and is not depreciated. Cost mainly comprises the direct costs during the period of construction and capitalized interest. CIP is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

Investment properties

Investment property comprises completed property and property under construction or re-development held to earn rentals or for capital appreciation or both. Property held under a lease is classified as investment property when the definition of an investment property is met and it is accounted for as a finance lease.

Investment property is measured initially at cost including transaction costs. Transaction costs include transfer taxes, professional fees for legal services and initial leasing commissions to bring the property to the condition necessary for it to be capable of operating. The carrying amount also includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met.

Subsequent to initial recognition, investment property is stated at fair value. Gains or losses arising from changes in the fair values are included in the statement of comprehensive income in the year in which they arise.

In May 2008, IAS 40 was amended to bring within its scope property that is being constructed or developed for future use as investment property (the "Amendment"). The Group has prospectively applied the Amendment from January 1, 2009 in accordance with IAS 40 by measuring the investment properties under construction at fair value with changes in fair values recognized in profit or loss. As a result, fair value gains amounted to RMB39 million and RMB41 million have been recognized for the year ended December 31, 2009 and the six months ended June 30, 2009 (unaudited), respectively.

If the Group could retrospectively apply the Amendment from a date earlier than January 1, 2007, the changes in fair values on investment properties under construction in 2007, 2008 and 2009 and the impact on the profit/(loss) before tax for the years ended December 31, 2007, 2008 and 2009 would have been as follows:

	December 31, 2007	December 31, 2008	December 31, 2009
Profit/(loss) before tax as audited	(290,783)	(1,133,265)	342,269
Profit or loss impact if the Amendment had been applied retrospectively from a date earlier than January 1, 2007	<u>40,664</u>	<u>14,596</u>	<u>(55,260)</u>
Profit/(loss) before tax on a pro forma basis, if the Amendment had been applied retrospectively from a date earlier than January 1, 2007	<u><u>(250,119)</u></u>	<u><u>(1,118,669)</u></u>	<u><u>287,009</u></u>

Investment property is derecognized when it has been disposed of or permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of investment property are recognized in profit or loss in the year of retirement or disposal.

Gains or losses on the disposal of investment property are determined as the difference between net disposal proceeds and the carrying value of the asset in the previous full period financial statements.

Transfers are made to investment property when, and only when, there is a change in use, evidenced by the end of owner occupation or commencement of an operating lease. Transfers are made from investment property when, and only when, there is a change in use, evidenced by commencement of owner occupation or commencement of development with a view to sale.

Land development for sale

Development cost of land development for sale comprises the aggregate cost of development, materials and supplies, capitalized borrowing costs on related borrowing funds during the period of construction and other costs directly attributable to such land development for sale.

Land development for sale is stated at the lower of cost and net realizable value. Net realizable value takes into account the Group's share of proceeds derived from the sale of land development for sale by government authorities, less costs to completion and the costs to be incurred in realizing the revenue derived from the sale of land development for sale based on prevailing market conditions.

Properties held or under development for sale

Properties held or under development for sale are included in current assets at the lower of cost and net realizable value.

The costs of properties held or under development for sale comprise specifically identified cost, including acquisition costs, development expenditures and borrowing costs and other related expenditure directly attributable to the development of such properties. Net realizable value is based on estimated selling price in the ordinary course of business as determined by management with reference to the prevailing market conditions, less further costs expected to be incurred to completion and selling and marketing costs.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than land development for sale, inventories, deferred tax assets, financial assets, investment properties), the asset's recoverable amount is estimated. An asset's recoverable amount is calculated as the higher of the asset's or cash-generating unit's value in use and its fair value less costs to sell, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognized only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognized impairment loss of an asset other than certain financial assets is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortization) had no impairment loss been recognized for the asset in prior years. A reversal of such an impairment loss is credited to profit or loss in the period in which it arises.

Operating leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in assets, and rentals receivable under the operating leases are credited to profit or loss on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under the operating leases are charged to profit or loss on the straight-line basis over the lease terms.

Prepaid land lease payments under operating leases are initially stated at cost. The subsequent measurement of prepaid land lease payments is as follows:

- i) Prepaid land lease payments incurred for properties other than investment properties and investment properties under construction (after the adoption of IAS 40 revised), they are amortized over the lease terms on the straight-line basis. The amortization during the period of construction of the properties is capitalized as the cost of properties under development. The amortization during the period before the commencement and after the completion of the construction of the properties is expensed in profit or loss.
- ii) Prepaid land lease payments included in investment properties and investment properties under construction (after the adoption of IAS 40 revised) are not amortized as they are stated at fair value.

Inventories

Inventories, which mainly refer to supplies and low-value consumables used in hotel and golf course operations, are accounted for at cost when purchased. Cost of supplies is determined using the first-in, first-out method. Low-value consumables relating to golf course and hotel operations are expensed in full when issued for use.

Inventories are valued at the lower of cost and net realizable value at the end of the reporting period. Net realizable value is the estimated selling price in the ordinary course of business, less estimated expenses and related taxes necessary to make the sales. The net realizable value is determined based on contract prices or market prices.

Any excess of cost over the net realizable value of individual items of inventories is recognized as an allowance.

Cash and cash equivalents

For the purpose of the statements of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired.

For the purpose of the statements of financial position, cash and bank balances comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted to use.

Provisions

A provision is recognized when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognized for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the statement of comprehensive income.

Revenue recognition

Revenue is recognized when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

Revenue from land development

The Group is given the right to carry out construction and preparation works in respect of land infrastructure and ancillary public facilities (owned by the local governments) within the districts where the Group runs its businesses. When the land plots are sold by the local governments to land buyers through public auction, tender or listing, the Group is entitled to receive from the local governments a proportion of the proceeds from land sales (including related public utilities fees, if any). As ancillary public facilities are separately identifiable from land infrastructure, such proceeds to be received by the Group are allocated between land infrastructure and ancillary public facilities based on their relative fair values.

Revenue from the land development is recognized upon the transfer of risks and rewards in connection with the land development and when the amount of revenue can be measured reliably, which occurs upon the completion of related construction works as well as sales of land. Accordingly, at the time of the sales of land, proceeds allocated to the completed land infrastructure and completed ancillary public facilities are recognized as revenue, and proceeds allocated to uncompleted construction works are deferred and recognized as revenue when the related construction works are completed.

Hotel operations revenue

Hotel operations revenue represents the income from hotel and convention center rooms and conference facilities, and the sale of related food and beverages, which is recognized when the services are rendered or goods are sold.

Golf course operations revenue

Golf course operations revenue represents the income from the annual fees, the usage of golf courses and ancillary equipment, the provision of golf services, and the provision of golf equipment, food and beverages, etc., which is recognized when the services are rendered or goods are sold.

Golf club membership revenue

Golf club membership entitles the members to golf operations related services provided during the membership period or to purchase goods or services at prices lower than those charged to non-members. Golf club membership revenue is recognized on the straight-line basis which reflects the expected period when the benefits are provided.

Operating lease income

Operating lease income from investment properties is recognized on the straight-line basis over the lease term, which is the non-cancellable period for which the lessee has contracted to lease the properties together with any further terms for which the lessee has the option to continue to lease the properties, with or without further payments, when at the inception of the lease, it is reasonably certain that the lessee will exercise the option.

Property management revenue

Property management revenue is recognized in the periods when the services are rendered.

Interest income

Interest income is recognized on a time proportion basis using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial instrument.

Dividend income

Dividend income is recognized when the shareholders' right to receive payment has been established.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, that is, assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalized as part of the cost of those assets. The capitalization of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalized.

Other borrowing costs are recognized as expenses when incurred.

Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of fund. The interest capitalized is calculated using the Group's weighted average cost of borrowings after adjusting for borrowings associated with specific developments. Where borrowings are associated with specific developments, the amounts capitalized is the gross interest incurred on those borrowings less any investment income arising on their temporary investment. Interest is capitalized as from the commencement of the development work until the date of practical completion. The capitalization of finance costs is suspended if there are prolonged periods when development activity is interrupted. Interest is also capitalized on the purchase cost of a sit of property acquired specifically for redevelopment but only where activities necessary to prepare the asset for redevelopment are in progress.

Government grants

Government grants (including non-monetary grants) are recognized at their fair value where there is reasonable assurance that the grants will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognized as income over the periods necessary to match the grant on a systematic basis to the costs that it is intended to compensate. Where the grant relates to an asset, the grant is deducted from the relevant asset before arriving at the carrying amount of the asset. The grant is recognized in the statement of comprehensive income over the time of asset realization by way of a reduced cost of assets' charge. Grants received in connection with the Group's role in planning and constructing the ancillary public facilities are deducted from the development cost of the ancillary public facilities and would be recognized indirectly in the form of an increased profit margin over the course of recognizing revenue in connection with the ancillary public facilities services.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognized outside profit or loss is recognized outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

- where the deferred tax liability arises from goodwill or the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries and associates, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, carryforward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilized, except:

- where the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries and associates, deferred tax assets are only recognized to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at the end of each reporting period and are recognized to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate the same taxable entity and the same taxation authority.

Dividends

When dividends have been approved by the directors and shareholders and declared, they are recognized as a liability.

Employee retirement benefits

Pursuant to the relevant regulations of the PRC government, the companies comprising the Group operating in the PRC (the "PRC group companies") have participated in a local municipal government retirement benefits scheme (the "Scheme"), whereby the PRC group companies are required to contribute a certain percentage of the salaries of their employees to the Scheme to fund their retirement benefits. The only obligation of the Group with respect to the Scheme is to pay the ongoing contributions under the Scheme. Contributions under the Scheme are charged to profit or loss as incurred.

Share-based payment transactions

The Company operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including senior executives) of the Group receive remuneration in the form of share-based payment transactions, whereby employees render services as consideration for equity instruments ("equity-settled transactions").

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date on which they are granted. The fair value is determined by the Company with assistance from the valuer using an appropriate pricing model.

The cost of equity-settled transactions is recognized, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (the "vesting date"). The cumulative expense recognized for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to profit or loss for a period represents the movement in cumulative expense recognized as at the beginning and end of that period.

No expense is recognized for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied, provided that all other performance conditions are satisfied.

Where the terms of an equity-settled award are modified, the minimum expense recognized is the expense as if the terms had not been modified. An additional expense is recognized for any modification, which increases the total fair value of the share-based payment transaction, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognized for the award is recognized immediately. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph. All cancellations of equity-settled transaction awards are treated equally.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share, where appropriate.

Foreign currency translation

The Financial Information is presented in RMB which is the Company's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. All transactions in foreign currencies are measured in the respective functional currencies of the Company and its subsidiaries and are recorded on initial recognition in the functional currencies at exchange rates approximating to those ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the end of the reporting period. All differences are taken to the statement of comprehensive income. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Contingencies

A contingent liability or asset is a possible obligation or asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of uncertain future events not wholly within the control of the Group. Contingent liabilities and assets are not recognized on the statement of financial position of the Group.

3. INVESTMENTS IN SUBSIDIARIES

Company

	December 31, 2007	December 31, 2008	December 31, 2009	June 30, 2010
Unlisted Shares, at cost	2,024,561	2,024,561	2,024,561	2,024,561
Less: Allowance for impairment	–	(787,000)	(787,000)	(787,000)
Advances to subsidiaries	1,362,285	1,731,138	1,731,138	1,379,988
	<u>3,386,846</u>	<u>2,968,699</u>	<u>2,968,699</u>	<u>2,617,549</u>

SGLD made significant losses in the year ended December 31, 2008, and the carrying amount of investment in SGLD on the Company's separate financial statements before impairment allowance was significantly higher than the Company's share of the book value of SGLD's net assets. As of December 31, 2008, the Company performed an impairment assessment on the investment in SGLD. As a result, RMB787 million impairment loss, being the excess of carrying amount over the recoverable amount (RMB1,237.6 million, the value in use based on estimated future cash flows discounted at a rate of 11.5 per cent per annum), was recognized in the Company's separate financial statements for the year ended December 31, 2008.

During the year ended December 31, 2009 and six months ended June 30, 2010, the Company reassessed the impairment on the investment in SGLD and determined that the carrying amount was close to the recoverable amount (the value in use based on estimated future cash flows discounted as a rate of 11 per cent per annum). As a result, the Company neither further provided nor reversed the impairment loss in the Company's separate financial statements for the year ended December 31, 2009 and six months ended June 30, 2010.

The allowance for impairment did not affect the consolidated financial statements, as the investments in SGLD have been fully eliminated upon consolidation and all operating results of SGLD were included in the consolidated financial statements.

As at the date of this report, the Group's direct or indirect interests in all subsidiaries are set out below:

Directly held by the Company

Name	Place and date of incorporation	Cost of investment	Proportion of ownership interest (%)	Principal activities
Meeko Investment Limited ^(a)	British Virgin Islands August 19, 2005	1,230,300	100	Investment holding
Weblink International Limited ^(a)	British Virgin Islands November 17, 2005	794,261	100	Investment holding
Protex Investment Limited ^(a)	British Virgin Islands October 18, 2006	–	100	Investment holding
New Town (China) Trading Co., Ltd. ^(a)	British Virgin Islands July 31, 2007	–	100	Investment holding
		<u>2,024,561</u>		

Indirectly held by the Company

Ultimately held through	Name of subsidiaries	Place and date of incorporation	Proportion of ownership interest (%)	Effective equity interest (%)	Principal activities
Meeko Investment Limited and Weblink International Limited	SGLD ^(b)	PRC September 26, 2002	72.63	72.63	Land development
	Shanghai Lake Malaren Golf Club Co., Ltd. ⁽ⁱ⁾	PRC July 6, 2004	95	69	Golf club management
	Shanghai Junyihui Entertainment Co., Ltd. ⁽ⁱ⁾	PRC July 28, 2005	100	72.63	Entertainment services provider
	Shanghai Lake Malaren Hotel Management Co., Ltd. ⁽ⁱ⁾	PRC April 25, 2006	100	72.63	Hotel management
	Shanghai Golden Luodian Infrastructure Development Co., Ltd. ⁽ⁱ⁾	PRC March 16, 2009	95	69	Construction of transportation hub and real estate development
	Shanghai Lake Malaren Tourism Development Co., Ltd. ⁽ⁱ⁾	PRC December 29, 2009	90	65.37	Travelling information and wedding etiquette service
	Shanghai Golden Luodian International Travel Services Co., Ltd. ⁽ⁱ⁾	PRC June 18, 2010	100	65.37	Travel services
Weblink Investment Limited	Shanghai Jia Tong Enterprises Co., Ltd. ^(c)	PRC April 12, 2006	100	100	Consultation services
Protex Investment Limited	China New Town Development (Changchun) Company Limited ^(a)	British Virgin Islands September 7, 2006	100	100	Investment holding
	China New Town Development (Wuxi) Company Limited ^(a)	British Virgin Islands October 18, 2006	100	100	Investment holding

Ultimately held through	Name of subsidiaries	Place and date of incorporation	Proportion of ownership interest (%)	Effective equity interest (%)	Principal activities
Protex Investment Limited	China New Town Development (Shenyang) Company Limited ^(a)	British Virgin Islands October 18, 2006	100	100	Investment holding
	Safewell Investment Limited ^(a)	British Virgin Islands February 14, 2007	100	100	Investment holding
	Wuxi Hongshan New Town Development Co., Ltd. ^(d)	PRC March 6, 2007	90	90	Land development
	Shenyang Lixiang New Town Development Co., Ltd. ^(f)	PRC March 6, 2007	90	90	Land development
	Shanghai CNTD Management Consulting Co., Ltd. ^(e)	PRC June 21, 2007	100	100	Enterprise investment consultation
	Wuxi Hongshan New Town Virescence Environmental Protection Construction Co., Ltd. ^(d)	PRC August 17, 2007	90	90	Planting, maintenance and management of scenic spots in the Wuxi Project
	Wuxi Hongqing Real Estate Development Co., Ltd.	PRC April 27, 2010	100	90	Real estate development
	Changchun New Town Automobile Industry Construct Co., Ltd. ^(h)	PRC November 15, 2007	80	80	Land infrastructure development
	Shenyang Lake Malaren Country Club Co., Ltd. ^(g)	PRC March 6, 2008	100	100	Sports management

Ultimately held through	Name of subsidiaries	Place and date of incorporation	Proportion of ownership interest (%)	Effective equity interest (%)	Principal activities
Protex Investment Limited	Shenyang Meteorite Park Tourism Development Co., Ltd. (Formerly named: Shenyang Lixiang New Town Virescence Environmental Protection construction Co., Ltd.) ^(g)	PRC March 13, 2008	100	90	Landscaping, and plant maintenance and management of scenic spots
	Wuxi Hongshan New Town Commercial Operation and Management Co., Ltd. ⁽ⁱ⁾	PRC March 18, 2008	100	90	Business management

The advances to subsidiaries are advances to intermediate holding companies, and they are unsecured, non-interest-bearing, without fixed repayment terms and are expected to be settled in cash. The intermediate holding companies used these advances to finance their investment holdings of equity interests of the Group's indirect subsidiaries. Details of which are as follows:

	December 31, 2007	December 31, 2008	December 31, 2009	June 30, 2010
Amounts due from:				
China New Town Development (Shenyang) Company Limited	673,194	1,042,047	1,042,047	690,897
China New Town Development (Wuxi) Company Limited	511,258	511,258	511,258	511,258
China New Town Development (Changchun) Company Limited	176,320	176,320	176,320	176,320
Safewell Investment Limited	1,513	1,513	1,513	1,513
	<u>1,362,285</u>	<u>1,731,138</u>	<u>1,731,138</u>	<u>1,379,988</u>

Notes:

- (a) Statutory accounts of these subsidiaries have not been audited since their incorporation.
- (b) The statutory accounts of this subsidiary for the years ended December 31, 2007, 2008 and 2009 were audited by Shanghai ShenZhouDaTong Certified Public Accountants Co., Ltd. (上海申洲大通會計師事務所有限公司), a certified public accounting firm registered in the PRC.

- (c) The statutory accounts of this subsidiary for the years ended December 31, 2007, 2008 and 2009 were audited by Shanghai Jiangnan Certified Public Accountants Co., Ltd. (上海江南會計師事務所有限公司), a certified public accounting firm registered in the PRC.
- (d) The statutory accounts of this subsidiary for the years ended December 31, 2007, 2008 and 2009 were audited by Wuxi Fangzheng Certified Public Accountants Co., Ltd. (無錫方正會計師事務所有限公司), a certified public accounting firm registered in the PRC.
- (e) The statutory accounts of this subsidiary for the years ended December 31, 2007, 2008 and 2009 were audited by Shanghai Huashen Certified Public Accountants Co., Ltd. (上海華申會計師事務所有限公司), a certified public accounting firm registered in the PRC.
- (f) The statutory accounts of this subsidiary for the years ended December 31, 2007, 2008 and 2009 were audited by Shenyang Zhengde Certified Public Accountants Co., Ltd. (瀋陽正德會計師事務所有限公司), a certified public accounting firm registered in the PRC.
- (g) No statutory accounts were prepared for this subsidiary for the year ended December 31, 2007 as this subsidiary had not commenced operations in 2007. The statutory accounts of this subsidiary for the years ended December 31, 2008 and 2009 were audited by Shenyang Zhengde Certified Public Accountants Co., Ltd. (瀋陽正德會計師事務所有限公司), a certified public accounting firm registered in the PRC.
- (h) The statutory accounts of this subsidiary for the years ended December 31, 2007, 2008 and 2009 were audited by Jilin Wanxin Certified Public Accountants Co., Ltd. (吉林萬鑫會計師事務所有限公司), a certified public accounting firm registered in the PRC.
- (i) No statutory accounts were prepared for this subsidiary for the year ended December 31, 2007 as this subsidiary had not commenced operations in 2007. The statutory accounts of this subsidiary for the years ended December 31, 2008 and 2009 were audited by Wuxi Fangzheng Certified Public Accountants Co., Ltd. (無錫方正會計師事務所有限公司), a certified public accounting firm registered in the PRC.
- (j) No auditors' reports were issued in respect of the statutory financial statements of those subsidiaries from 2007 to 2009. Based on the Directors' best knowledge of relevant local regulations and as confirmed by the Company's PRC legal advisor, Jingtian & Gongcheng¹, auditors' reports on statutory financial statements were not required by local authorities in those companies' 2007 to 2009 annual local regulatory filing and renewal of their business licenses.

4. INVESTMENTS IN ASSOCIATES

Group	December 31, 2007	December 31, 2008	December 31, 2009	June 30, 2010
Share of net assets:				
Balance at beginning and end of the year/period	200	200	200	200

¹

Jingtian & Gongcheng is a PRC law firm. Its address is: Suite 3505, K. Wah Centre, 1010 Middle Huai Hai Road, Shanghai, China

Details of the associates are as follows:

Name	Place and date of incorporation	Proportion of ownership interest attributable to the Group (%)				Effective equity interest attributable to the Group (%)				Issued and paid-up capital	Authorized share capital	Principal activities
		December 31, 2007	December 31, 2008	December 31, 2009	June 30, 2010	December 31, 2007	December 31, 2008	December 31, 2009	June 30, 2010			
		Shanghai Jinweifeng Commercial Property Management Co., Ltd.*	PRC August 5, 2005	49	49	–	–	35.59	35.59			
Shanghai Lake Malaren Artwork Exhibition Co., Ltd.	PRC April 25, 2006	20	20	20	20	14.53	14.53	14.53	14.53	RMB1 million	RMB1 million	Artwork exhibition

* *The entity was liquidated in 2009.*

The assets and operation results of these associates are not material to the Group.

5. OPERATING SEGMENT INFORMATION

For management purpose, the Group is organized into business units based on their products and services and has the following operating segments. The Group's operational assets and operations are located in Mainland China.

- Land development segment provided land infrastructure development and construction of ancillary public facilities;
- Property leasing segment provides property leasing services of investment properties;
- Hotel operation segment provided room, restaurants and conference hall services;
- Golf operation segment provides golf course management services; and
- Others segment provides investment and property management services.

Management monitors the operating results of the Group's business units separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on operating profit and loss and is measured consistently with operating profit or loss in the consolidated financial statements. However, Group financing (including finance costs) and income taxes are managed on a group basis and are not allocated to operating segments.

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the prevailing market prices.

Land development revenue from the Group's share of proceeds from land sale (including related public utilities fees, if any) by local authorities in Shanghai accounted for 80%, 68% and 74% of the revenue in the years ended December 31, 2009, 2008 and 2007 respectively and 85% for the six months ended June 30, 2009 (unaudited), and in Wuxi accounted for 57% in the six months ended June 30, 2010.

An analysis by operating segment is as follows:

	Year ended December 31, 2007						Total
	Land development	Property leasing	Hotel operations	Golf operations	Others	Adjustments and eliminations	
Segment results							
External sales	267,454	5,255	32,265	56,889	1,331	–	363,194
Inter-segment sales	–	–	281	119	2,981	(3,381) ¹	–
Total segment sales	<u>267,454</u>	<u>5,255</u>	<u>32,546</u>	<u>57,008</u>	<u>4,312</u>	<u>(3,381)</u>	<u>363,194</u>
Other segment items included in the Statement of Comprehensive Income							
Depreciation	(1,914)	–	(33,749)	(21,206)	(881)	–	(57,750)
Amortization	–	–	(3,028)	(5,302)	–	–	(8,330)
Loss on convertible bonds other than interest cost, net	–	–	–	–	(79,445)	–	(79,445)
Fair value gain on completed investment properties	–	38,948	–	–	–	–	38,948
Segment profit/(loss)	<u>154,281</u>	<u>46,535</u>	<u>(51,087)</u>	<u>(1,552)</u>	<u>(145,396)</u>	<u>(293,564)²</u>	<u>(290,783)</u>
Segment assets	<u>3,755,142</u>	<u>942,265</u>	<u>744,131</u>	<u>729,962</u>	<u>1,449,361</u>	<u>3,357³</u>	<u>7,624,218</u>
Segment liabilities	<u>877,000</u>	<u>52,681</u>	<u>38,186</u>	<u>587,666</u>	<u>1,127,513</u>	<u>2,270,461⁴</u>	<u>4,953,507</u>
Other disclosures							
Capital expenditure ⁵	<u>30,626</u>	<u>113,739</u>	<u>62,093</u>	<u>20,285</u>	<u>711</u>	<u>–</u>	<u>227,454</u>

¹ Inter-segment sales are eliminated on consolidation.

² Profit for each operating segment does not include finance costs (RMB293,564 thousand).

³ Assets in segments do not include investments in associates (RMB200 thousand) and deferred tax assets (RMB3,157 thousand) as these assets are managed on a group basis.

⁴ Liabilities in segments do not include current tax payables (RMB176,673 thousand), loans (RMB1,990,000 thousand) and deferred tax liabilities (RMB103,788 thousand) as these liabilities are managed on a group basis.

⁵ Capital expenditure consists of additions of property, plant and equipment (RMB113,715 thousand), completed investment properties and investment properties under construction (RMB113,739 thousand).

	Year ended December 31, 2008						Total
	Land development	Property leasing	Hotel operations	Golf operations	Others	Adjustments and eliminations	
Segment results							
External sales	466,446	558	32,194	61,210	3,688	–	564,096
Inter-segment sales	–	–	–	–	6,552	(6,552) ¹	–
Total segment sales	466,446	558	32,194	61,210	10,240	(6,552)	564,096
Other segment items included in the Statement of Comprehensive Income							
Depreciation	(5,461)	–	(34,450)	(24,548)	(1,390)	–	(65,849)
Amortization	(513)	–	(3,028)	(5,302)	–	–	(8,843)
Loss on CB2 other than interest cost, net	–	–	–	–	(287,826)	–	(287,826)
Impairment loss of property, plant and equipment	–	–	(136,773)	–	–	–	(136,773)
Fair value loss on completed investment properties	–	(488,160)	–	–	–	–	(488,160)
Segment profit/(loss)	<u>131,471</u>	<u>(487,261)</u>	<u>(185,875)</u>	<u>(10,720)</u>	<u>(387,184)</u>	<u>(193,696)²</u>	<u>(1,133,265)</u>
Segment assets	<u>3,429,983</u>	<u>538,507</u>	<u>629,653</u>	<u>841,162</u>	<u>830,801</u>	<u>130,016³</u>	<u>6,400,122</u>
Segment liabilities	<u>1,466,748</u>	<u>137,504</u>	<u>53,023</u>	<u>675,515</u>	<u>593,132</u>	<u>1,398,165⁴</u>	<u>4,324,087</u>
Other disclosures							
Capital expenditure ⁵	<u>28,108</u>	<u>94,574</u>	<u>39,643</u>	<u>107,685</u>	<u>9,507</u>	<u>–</u>	<u>279,517</u>

¹ Inter-segment sales are eliminated on consolidation.

² Profit for each operating segment does not include finance costs (RMB193,696 thousand).

³ Assets in segments do not include investments in associates (RMB200 thousand) and deferred tax assets (RMB129,816 thousand) as these assets are managed on a group basis.

⁴ Liabilities in segments do not include current tax payables (RMB261,165 thousand) and loans (RMB1,137,000 thousand) as these liabilities are managed on a group basis.

⁵ Capital expenditure consists of additions of prepaid land lease payments (non-current) (RMB3,046 thousand), property, plant and equipment (RMB181,897 thousand), completed investment properties and investment properties under construction (RMB94,574 thousand).

	Year ended December 31, 2009						Total
	Land development	Property leasing	Hotel operations	Golf operations	Others	Adjustments and eliminations	
Segment results							
External sales	991,132	6,061	29,744	56,176	4,242	–	1,087,355
Inter-segment sales	–	–	–	–	5,533	(5,533) ¹	–
Total segment sales	991,132	6,061	29,744	56,176	9,775	(5,533)	1,087,355
Other segment items included in the Statement of Comprehensive Income							
Depreciation	(8,082)	–	(29,901)	(26,032)	(1,460)	–	(65,475)
Amortization	(220)	–	(3,028)	(5,302)	–	–	(8,550)
Gain on the repurchase of Senior Notes	–	–	–	–	24,744	–	24,744
Impairment loss of property, plant and equipment	–	–	(8,810)	–	–	–	(8,810)
Fair value loss on completed investment properties	–	(14,163)	–	–	–	–	(14,163)
Fair value gain on investment properties under construction	–	39,036	–	–	–	–	39,036
Segment profit/(loss)	<u>519,357</u>	<u>(13,334)</u>	<u>(45,829)</u>	<u>(10,779)</u>	<u>(2,794)</u>	<u>(104,352)²</u>	<u>342,269</u>
Segment assets	<u>5,160,670</u>	<u>748,192</u>	<u>726,764</u>	<u>867,069</u>	<u>988,923</u>	<u>128,807³</u>	<u>8,620,425</u>
Segment liabilities	<u>2,250,744</u>	<u>91,299</u>	<u>38,258</u>	<u>635,983</u>	<u>279,362</u>	<u>2,515,622⁴</u>	<u>5,811,268</u>
Other disclosures							
Capital expenditure ⁵	<u>8,760</u>	<u>98,087</u>	<u>97,099</u>	<u>51,941</u>	<u>85</u>	<u>–</u>	<u>255,972</u>

¹ Inter-segment sales are eliminated on consolidation.

² Profit for each operating segment does not include finance costs (RMB104,352 thousand).

³ Assets in segments do not include investments in associates (RMB200 thousand) and deferred tax assets (RMB128,607 thousand) as these assets are managed on a group basis.

⁴ Liabilities in segments do not include current tax payables (RMB358,622 thousand) and loans (RMB2,157,000 thousand) as these liabilities are managed on a group basis.

⁵ Capital expenditure consists of additions of prepaid land lease payments (non-current) (RMB79,100 thousand), property, plant and equipment (RMB78,785 thousand), completed investment properties and investment properties under construction (RMB98,087 thousand).

	Six months ended June 30, 2010						Total
	Land development	Property leasing	Hotel operations	Golf operations	Others	Adjustments and eliminations	
Segment results							
External sales	129,376	2,107	24,399	18,291	2,030	–	176,203
Inter-segment sales	–	–	–	–	4,718	(4,718) ¹	–
Total segment sales	129,376	2,107	24,399	18,291	6,748	(4,718)	176,203
Other segment items included in the Statement of Comprehensive Income							
Depreciation	(4,023)	–	(15,004)	(11,680)	(676)	–	(31,383)
Amortization	(110)	–	(2,197)	(2,651)	–	–	(4,958)
Fair value loss on completed investment properties	–	(613)	–	–	–	–	(613)
Fair value loss on investment properties under construction	–	(146)	–	–	–	–	(146)
Segment profit/(loss)	(39,010)	(1,680)	(18,655)	(9,493)	(13,399)	(47,663)²	(129,900)
Segment assets	4,782,717	865,328	630,788	830,771	887,838	148,961³	8,146,403
Segment liabilities	2,086,464	99,129	19,991	639,071	90,374	2,423,730⁴	5,358,759
Other disclosures							
Capital expenditure ⁵	2,360	117,679	–	9,667	72	–	129,778

¹ Inter-segment sales are eliminated on consolidation.

² Loss for each operating segment does not include finance costs (RMB47,663 thousand).

³ Assets in segments do not include investments in associates (RMB200 thousand) and deferred tax assets (RMB148,761 thousand) as these assets are managed on a group basis.

⁴ Liabilities in segments do not include current tax payables (RMB366,729 thousand) and loans (RMB2,057,000 thousand) as these liabilities are managed on a group basis.

⁵ Capital expenditure consists of additions of prepaid land lease payments (non-current) (RMB4,390 thousand), property, plant and equipment (RMB7,339 thousand), completed investment properties and investment properties under construction (RMB118,049 thousand).

	Six months ended June 30, 2009 (unaudited)					Adjustments and eliminations	Total
	Land development	Property leasing	Hotel operations	Golf operations	Others		
Segment results							
External sales	295,988	2,977	13,015	22,967	2,137	–	337,084
Inter-segment sales	–	–	–	–	2,643	(2,643) ¹	–
Total segment sales	295,988	2,977	13,015	22,967	4,780	(2,643)	337,084
Other segment items included in the Statement of Comprehensive Income							
Depreciation	(4,325)	–	(14,960)	(13,132)	(737)	–	(33,154)
Amortization	(110)	–	(1,514)	(2,651)	–	–	(4,275)
Impairment loss on property, plant and equipment	–	–	(6,810)	–	–	–	(6,810)
Fair value loss on completed investment properties	–	(25,690)	–	–	–	–	(25,690)
Fair value gain on investment properties under construction	–	40,687	–	–	–	–	40,687
Segment profit/(loss)	<u>130,182</u>	<u>12,986</u>	<u>(27,346)</u>	<u>(9,804)</u>	<u>(8,783)</u>	<u>(57,562)²</u>	<u>39,673</u>
Other disclosures							
Capital expenditure ³	<u>7,668</u>	<u>35,888</u>	<u>22,353</u>	<u>44,540</u>	<u>53</u>	<u>–</u>	<u>110,502</u>

¹ Inter-segment sales are eliminated on consolidation.

² Profit for each operating segment does not include finance costs (RMB57,562 thousand).

³ Capital expenditure consists of additions of prepaid land lease payments (non-current) (RMB204 thousand), property, plant and equipment (RMB74,410 thousand), completed investment properties and investment properties under construction (RMB35,888 thousand).

6. REVENUE, OTHER INCOME AND OTHER EXPENSES

Revenue

	Year ended December 31, 2007	Year ended December 31, 2008	Year ended December 31, 2009	Six months ended June 30, 2009 unaudited	2010
Land development					
Development of land infrastructure	94,102	193,885	367,024	86,643	71,721
Construction of ancillary public facilities	190,891	303,420	676,073	224,623	64,642
Hotel operations	33,978	34,047	31,325	13,708	25,696
Golf operations	72,786	78,667	72,380	29,850	30,379
Investment property leasing	5,533	593	6,384	3,135	2,219
Others	1,630	4,269	4,613	2,334	2,437
Less: Business tax and surcharges	(35,726)	(50,785)	(70,444)	(23,209)	(20,891)
	<u>363,194</u>	<u>564,096</u>	<u>1,087,355</u>	<u>337,084</u>	<u>176,203</u>

Other income

	Year ended December 31, 2007	Year ended December 31, 2008	Year ended December 31, 2009	Six months ended June 30, 2009 2010 unaudited	
Government grant – interest subsidy	46,486	–	–	–	–
Gain from sale of investment properties	338	–	–	–	–
Foreign exchange gain, net	–	–	300	484	612
Interest income	26,052	14,601	1,237	319	2,695
Tax refund	–	–	5,900	5,900	1,863
Others	43	1,558	982	206	386
	<u>72,919</u>	<u>16,159</u>	<u>8,419</u>	<u>6,909</u>	<u>5,556</u>

In January 2007, the Group obtained RMB61,700 thousand from the government in accordance with relevant policy and detailed regulations with regard to Trial Measures to Expedite the Development of Towns in Shanghai (“關於上海市促進試點城鎮發展的試點意見的實施細則”). The grant amount received was a subsidy for interest expense incurred by the Group for the construction of public facilities. Such type of grant is recognized by the Group only when the application is successful as there is no assurance that the application can be successfully processed. As some of the borrowing costs that the grant was to subsidize had been capitalized as part of land development for sale, a portion of the grant amount was offset against land development for sale and the remaining amount of RMB46,486 thousand was recognized as other income for the year ended December 31, 2007.

Other expenses

	Year ended December 31, 2007	Year ended December 31, 2008	Year ended December 31, 2009	Six months ended June 30, 2009 2010 unaudited	
Foreign exchange loss, net	44,012	34,264	–	–	–
Bank charges	1,345	1,174	1,099	494	478
Donation	–	–	–	–	5,000
Loss from disposal of property, plant and equipment/loss on Shenyang club facilities (Note 17)	207	–	–	–	4,334
Loss on disposal of a subsidiary	–	–	–	–	636
Others	3	724	621	–	184
	<u>45,567</u>	<u>36,162</u>	<u>1,720</u>	<u>494</u>	<u>10,632</u>

7. EXPENSES BY NATURE

	Year ended December 31, 2007	Year ended December 31, 2008	Year ended December 31, 2009	Six months ended June 30, 2009 unaudited	2010
Cost of land development	<u>121,484</u>	<u>278,468</u>	<u>351,785</u>	<u>130,267</u>	<u>100,167</u>
<i>Resettling incumbent residents and enterprises and preparing raw land</i>	97,715	233,592	308,707	106,616	94,152
<i>Constructing public facilities – Road</i>	15,172	28,990	26,978	15,408	3,356
<i>Constructing public facilities – Lake</i>	3,723	7,212	5,938	3,600	375
<i>Constructing public facilities – Park</i>	2,414	4,297	3,735	2,292	242
<i>Constructing public facilities – Others</i>	2,460	4,377	6,427	2,351	2,042
Depreciation of property, plant and equipment	57,750	65,849	65,475	33,154	31,383
Amortization of prepaid land lease payments	8,330	8,843	8,550	4,275	4,958
Auditors' remunerations	9,918	5,145	3,833	1,900	2,450
Employee benefits	66,509	87,064	78,587	38,140	35,925
Cost of inventories	11,271	13,909	12,967	5,036	8,816
Utility expenses	14,306	14,332	13,745	6,260	6,146
Property tax, stamp duty and land use tax	12,196	11,057	11,534	5,751	6,654
Commission to agents for sale of golf club membership	918	1,536	1,462	730	734
Agency fee for promotional services	–	–	78,000	–	–
Financial advisory service fee	–	–	12,120	6,000	–
Bad debt write-off	–	10,193	–	–	–
Expenses incurred for the listing of existing shares	19,437	–	–	–	12,865
Expenses incurred for the repurchase of CB2	–	29,739	–	–	–
Others	<u>25,149</u>	<u>44,768</u>	<u>50,182</u>	<u>23,376</u>	<u>42,507</u>
Total cost of sales, selling and distribution costs and administrative expenses	<u>347,268</u>	<u>570,903</u>	<u>688,240</u>	<u>254,889</u>	<u>252,605</u>

8. FINANCE COSTS

	Year ended December 31, 2007	Year ended December 31, 2008	Year ended December 31, 2009	Six months ended June 30, 2009 2010 unaudited	
Interest on bank and borrowings wholly repayable within 5 years	113,699	123,351	4,890	2,294	2,468
Interest on bank and borrowings not wholly repayable within 5 years	–	–	79,912	37,400	58,395
Interest on Senior Notes	–	36,757	91,335	62,525	9,598
Interest on convertible bonds	215,496	167,704	5,536	–	5,560
Less: Interest capitalized	(35,631)	(134,116)	(77,321)	(45,095)	(28,358)
	<u>293,564</u>	<u>193,696</u>	<u>104,352</u>	<u>57,124</u>	<u>47,663</u>

The borrowing costs have been capitalized at weighted average rates of 11.44%, 12.70% and 9.97% per annum for the years ended December 31, 2007, 2008 and 2009, and of 9.97% and 6.43% per annum for the six months ended June 30, 2009 (unaudited) and June 30, 2010, respectively.

9. INCOME TAX

The Group is subject to income tax on an entity basis on profit arising in or derived from the tax jurisdictions in which members of the Group are domiciled and operate.

The Company is a tax-exempted company incorporated in the British Virgin Islands.

No provision for Hong Kong profits tax has been made as the Group and the Company had no assessable profits derived from or earned in Hong Kong during the Relevant Periods.

The principal operating subsidiaries of the Company were subject to income tax at the rate of 25% (2007: 33%, 2008: 25%, and 2009: 25%) on their taxable income according to the Income Tax Law of the PRC.

The major components of income tax are:

	Year ended December 31, 2007	Year ended December 31, 2008	Year ended December 31, 2009	Six months ended June 30, 2009 2010 unaudited	
Income tax charge/(credit):					
Current income tax	12,526	84,532	97,600	17,529	8,151
Deferred tax	(31,298)	(230,447)	1,209	1,651	(20,402)
	<u>(18,772)</u>	<u>(145,915)</u>	<u>98,809</u>	<u>19,180</u>	<u>(12,251)</u>

A reconciliation between tax credit and the product of accounting profit multiplied by the Group's applicable income tax rate is as follows:

Year ended December 31, 2007

	Company and BVI companies		Mainland China		Total	
Profit/(loss) before tax	<u>(322,151)</u>		<u>31,368</u>		<u>(290,783)</u>	
Tax at the statutory tax rate	-	-	10,351	33.0%	10,351	(3.6%)
Tax losses not recognized	-	-	259	0.8%	259	(0.1%)
Non-deductible expenses for tax purposes	-	-	<u>2,822</u>	<u>9.0%</u>	<u>2,822</u>	<u>(1.0%)</u>
	-	-	13,432	42.8%	13,432	(4.6%)
Effects on deferred tax of enactment of change in tax rate from 33% to 25%	-	-	<u>(32,204)</u>	<u>(102.7%)</u>	<u>(32,204)</u>	<u>11.1%</u>
Income tax as reported in the Statement of Comprehensive Income	-	-	<u>(18,772)</u>	<u>(59.8%)</u>	<u>(18,772)</u>	<u>6.5%</u>

Year ended December 31, 2008

	Company and BVI companies		Mainland China		Total	
Loss before tax	<u>(454,874)</u>		<u>(678,391)</u>		<u>(1,133,265)</u>	
Tax at the statutory tax rate	-	-	(169,598)	25.0%	(169,598)	15.0%
Tax losses not recognized	-	-	692	(0.1%)	692	(0.1%)
Non-deductible expenses for tax purposes	-	-	<u>22,991</u>	<u>(3.4%)</u>	<u>22,991</u>	<u>(2.0%)</u>
Income tax as reported in Statement of Comprehensive Income	-	-	<u>(145,915)</u>	<u>21.5%</u>	<u>(145,915)</u>	<u>12.9%</u>

Year ended December 31, 2009

	Company and BVI companies		Mainland China		Total	
Profit/(loss) before tax	<u>(30,416)</u>		<u>372,685</u>		<u>342,269</u>	
Tax at the statutory tax rate	-	-	93,171	25.0%	93,171	27.2%
Tax losses not recognized	-	-	1,843	0.5%	1,843	0.5%
Non-deductible expenses for tax purposes	-	-	<u>3,795</u>	<u>1.0%</u>	<u>3,795</u>	<u>1.1%</u>
Income tax as reported in Statement of Comprehensive Income	-	-	<u>98,809</u>	<u>26.5%</u>	<u>98,809</u>	<u>28.9%</u>

Six months ended June 30, 2010

	Company and BVI companies		Mainland China		Total	
Profit/(loss) before tax	<u>(23,504)</u>		<u>(106,396)</u>		<u>(129,900)</u>	
Tax at the statutory tax rate	-	-	(26,599)	25.0%	(26,599)	20.5%
Tax losses not recognized	-	-	465	(0.4%)	465	(0.4%)
Non-deductible expenses for tax purposes	-	-	13,883	(13.0%)	13,883	(10.7%)
Income tax as reported in Statement of Comprehensive Income	<u>-</u>		<u>(12,251)</u>	<u>11.5%</u>	<u>(12,251)</u>	<u>9.4%</u>

Six months ended June 30, 2009 (unaudited)

	Company and BVI companies		Mainland China		Total	
Profit/(loss) before tax	<u>(29,901)</u>		<u>69,574</u>		<u>39,673</u>	
Tax at the statutory tax rate	-	-	17,394	25.0%	17,394	43.8%
Tax losses not recognized	-	-	82	0.1%	82	0.2%
Non-deductible expenses for tax purposes	-	-	1,704	2.4%	1,704	4.3%
Income tax as reported in Statement of Comprehensive Income	<u>-</u>		<u>19,180</u>	<u>27.6%</u>	<u>19,180</u>	<u>48.3%</u>

Other comprehensive income

	Year ended December 31, 2007	Year ended December 31, 2008	Year ended December 31, 2009	Six months ended June 30, 2009 unaudited	
Deferred tax related to items charged or credited directly to equity during the year:					
Income tax charged directly to equity	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

Deferred income tax:

	Consolidated Statement of Financial Position				Consolidated Statement of Comprehensive Income			Six	Six
	December 31, 2007	December 31, 2008	December 31, 2009	June 30, 2010	Year ended December 31, 2007	Year ended December 31, 2008	Year ended December 31, 2009	months ended June 30, 2009	months ended June 30, 2010
								unaudited	
Deferred tax liabilities/(assets)									
Net difference between net carrying amount of prepaid land lease payments and land development for sale and their tax base	34,368	40,613	41,932	41,555	(3,998)	6,245	1,319	(249)	(377)
Pre-operating expense	(433)	(211)	(47)	–	962	222	164	115	47
Net difference between net carrying amount of property, plant and equipment and its tax base	–	(34,193)	(35,218)	(34,627)	–	(34,193)	(1,025)	(1,114)	591
Net difference between net carrying amount of investment properties and their tax base	101,356	(17,820)	(4,656)	(2,640)	(16,865)	(119,176)	13,164	8,268	2,016
Losses available for offsetting against future taxable income	(2,724)	(7,807)	(17,410)	(34,683)	(1,609)	(5,083)	(9,603)	(3,781)	(17,273)
The difference in accounting and tax bases arising from the accounting for golf club revenue and related costs	(31,936)	(110,398)	(114,871)	(117,874)	(7,936)	(78,462)	(4,473)	(427)	(3,003)
Disposal of a subsidiary (Note 33)	–	–	–	–	–	–	–	–	(248)
Others	–	–	1,663	(492)	(1,852)	–	1,663	(1,161)	(2,155)
	<u>100,631</u>	<u>(129,816)</u>	<u>(128,607)</u>	<u>(148,761)</u>					
Deferred income tax charge/(credit)					<u>(31,298)</u>	<u>(230,447)</u>	<u>1,209</u>	<u>1,651</u>	<u>(20,402)</u>
Deferred tax assets	<u>(3,157)</u>	<u>(129,816)</u>	<u>(128,607)</u>	<u>(148,761)</u>					
Deferred tax liabilities	<u>103,788</u>	<u>–</u>	<u>–</u>	<u>–</u>					

10. DIVIDENDS

A final dividend of SG\$0.00278 per ordinary share has been proposed by the Company in respect of the year ended December 31, 2009 (nil for the years ended December 31, 2007 and 2008 and for the six months ended June 30, 2009 (unaudited) and 2010). The proposed dividend which has been approved by the shareholders at the Annual General Meeting on April 30, 2010 and dividends of SG\$10,684 thousand (RMB52,281 thousand) was paid on May 24, 2010.

11. PROFIT/(LOSS) ATTRIBUTABLE TO OWNERS OF THE COMPANY

The consolidated profit/(loss) attributable to owners of the parent for each of the three years ended December 31, 2007, 2008 and 2009 and the six months ended June 30, 2009 (unaudited) and June 30, 2010, includes a loss of RMB308,423 thousand, RMB1,240,953 thousand, RMB30,314 thousand, RMB29,843 thousand, and RMB11,997 thousand respectively, which has been dealt within the financial statements of the Company.

12. EARNINGS/(LOSS) PER SHARE

The calculation of basic earnings/(loss) per share amounts is based on the profit/(loss) attributable to ordinary equity holders of the parent for the years ended December 31, 2007, 2008 and 2009, and the six months ended June 30, 2009 (unaudited) and 2010.

The diluted earnings/(loss) per share amounts are calculated by dividing the profit/loss attributable to ordinary equity holders of the parent (after adjusting profit or loss effects of dilutive convertible bonds or employee share options, if any) by the weighted average number of ordinary shares outstanding during the year/period plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares. Employee share options (see Note 29) are treated as options and outstanding from the date of grant, since they are dilutive, they have been included in the dilutive earnings per share calculation for the year ended December 31, 2009 (anti-dilutive on December 31, 2007 and 2008 and June 30, 2009 (unaudited) and 2010, and excluded in the dilutive loss per share calculation). The calculation of diluted earnings per share for the year ended December 31, 2009 and the six months ended June 30, 2009 (unaudited) assumes the conversion of CB3 which would have a dilutive effect on the earnings per share. The calculation of diluted loss per share for the year ended December 31, 2007 did not assume the conversion of CB2 which would have an anti-dilutive effect on the loss per share.

The following reflects the profit/(loss) and share data used in the basic and diluted earnings/(loss) per share calculations:

	Year ended December 31, 2007	Year ended December 31, 2008	Year ended December 31, 2009	Six months ended June 30, 2009 unaudited	2010
Profit/(loss) attributable to ordinary equity holders of the parent	(287,353)	(845,543)	166,630	8,771	(92,281)
Less: Net effect of the dilutive convertible bond	—	—	2,943	—	—
Profit/(loss) attributable to ordinary equity holders of the parent adjusted for effect of the dilutive convertible bond	<u>(287,353)</u>	<u>(845,543)</u>	<u>169,573</u>	<u>8,771</u>	<u>(92,281)</u>
Weighted average number of ordinary shares outstanding	837,882,945	1,584,838,699	2,603,796,888	2,237,177,860	3,386,821,812
Add: Net effect of dilutive potential ordinary shares of Management Grant	—	—	994,897	1,989,793	—
Add: Net effect of dilutive potential ordinary shares of convertible bond	—	—	235,541,457	—	—
Number of ordinary shares used to calculate the diluted earnings/(loss) per share	<u>837,882,945</u>	<u>1,584,838,699</u>	<u>2,840,333,242</u>	<u>2,239,167,653</u>	<u>3,386,821,812</u>
Basic earnings/(loss) per share (RMB)	<u>(0.3430)</u>	<u>(0.5335)</u>	<u>0.0640</u>	<u>0.0039</u>	<u>(0.0272)</u>
Diluted earnings/(loss) per share (RMB)	<u>(0.3430)</u>	<u>(0.5335)</u>	<u>0.0597</u>	<u>0.0039</u>	<u>(0.0272)</u>

13. PROPERTY, PLANT AND EQUIPMENT

Group	Hotel properties	Golf operational assets	Other buildings	Furniture, fixtures and equipment	Motor vehicles	Construction in progress	Total
Original cost							
At January 1, 2007	686,437	520,209	16,262	46,462	26,479	21,643	1,317,492
Transfers	–	10,600	22,864	–	–	(33,464)	–
Additions	–	–	414	3,890	5,205	104,206	113,715
Disposals	–	–	(772)	–	(222)	–	(994)
At December 31, 2007	686,437	530,809	38,768	50,352	31,462	92,385	1,430,213
Transfers	16,748	88,268	30,988	–	–	(136,004)	–
Additions	15,874	4,788	5,104	7,837	9,167	139,127	181,897
Disposals	–	–	(252)	(57)	(642)	–	(951)
At December 31, 2008	719,059	623,865	74,608	58,132	39,987	95,508	1,611,159
Transfers	1,021	–	–	–	–	(25,241)	(24,220)
Additions	1,180	563	7,276	706	1,361	67,699	78,785
Disposals	–	–	–	(49)	(1,450)	–	(1,499)
At December 31, 2009	721,260	624,428	81,884	58,789	39,898	137,966	1,664,225
Additions	218	1,448	–	1,672	1,214	2,787	7,339
Disposals	–	(33,546)	–	(425)	(716)	–	(34,687)
Disposal of a subsidiary	–	–	–	(2,329)	(285)	–	(2,614)
At June 30, 2010	721,478	592,330	81,884	57,707	40,111	140,753	1,634,263
Accumulated depreciation							
At January 1, 2007	49,214	29,055	1,236	8,999	8,034	–	96,538
Provided during the year	28,439	14,354	1,274	8,969	4,714	–	57,750
Disposals	–	–	–	–	(113)	–	(113)
At December 31, 2007	77,653	43,409	2,510	17,968	12,635	–	154,175
Provided during the year	30,438	16,533	3,646	9,031	6,201	–	65,849
Disposals	–	–	(252)	(28)	(543)	–	(823)
At December 31, 2008	108,091	59,942	5,904	26,971	18,293	–	219,201
Provided during the year	25,879	17,574	4,573	10,158	7,291	–	65,475
Disposals	–	–	–	(26)	(1,300)	–	(1,326)
At December 31, 2009	133,970	77,516	10,477	37,103	24,284	–	283,350
Provided during the year	12,929	9,955	2,041	4,441	2,017	–	31,383
Disposals	–	(2,879)	–	(63)	(390)	–	(3,332)
Disposal of a subsidiary	–	–	–	(1,814)	(224)	–	(2,038)
At June 30, 2010	146,899	84,592	12,518	39,667	25,687	–	309,363

Group	Hotel properties	Golf operational assets	Other buildings	Furniture, fixtures and equipment	Motor vehicles	Construction in progress	Total
Impairment							
At January 1, 2007	-	-	-	-	-	-	-
At December 31, 2007	-	-	-	-	-	-	-
Recognized during the year	136,773	-	-	-	-	-	136,773
Reversals	-	-	-	-	-	-	-
At December 31, 2008	136,773	-	-	-	-	-	136,773
Recognized during the year	8,810	-	-	-	-	-	8,810
At December 31, 2009	145,583	-	-	-	-	-	145,583
At June 30, 2010	145,583	-	-	-	-	-	145,583
Net carrying amount							
At December 31, 2007	608,784	487,400	36,258	32,384	18,827	92,385	1,276,038
At December 31, 2008	474,195	563,923	68,704	31,161	21,694	95,508	1,255,185
At December 31, 2009	441,707	546,912	71,407	21,686	15,614	137,966	1,235,292
At June 30, 2010	428,996	507,738	69,366	18,040	14,424	140,753	1,179,317

Certain of the Group's properties have been pledged to banks for interest-bearing bank loans granted to the Group (see Note 22).

Disposals of property, plant and equipment

During the six months ended June 30, 2010, the disposal of property, plant and equipment included a write-down of RMB30.6 million carrying amount of club facilities located in Shenyang (see Note 17).

Disposals of a subsidiary

The Group disposed certain property, plant and equipment as a result of disposal of a subsidiary (see Note 33).

Impairment of property, plant and equipment

Due to the economic downturn and losses in hotel operations in 2008, the Group performed an impairment assessment on the property, plant and equipment used in the hotel operations, and as a result, an impairment loss of RMB136,773 thousand, being the excess of their carrying amounts over their recoverable amounts, was recognized in the Group's financial statements for the year ended December 31, 2008. The recoverable amounts were determined based on value in use and were determined at the estimated future cash flow discounted at rates of 11 to 11.5 per cent per annum.

Due to the significant losses in hotel operations in 2009, the Group performed an impairment assessment on the property, plant and equipment used in the hotel operations and conference center, and as a result, a total impairment loss of RMB8,810 thousand of conference center, being the excess of its carrying amount over its recoverable amount, was recognized in the Group's financial statements for the year ended December 31, 2009. The recoverable amount of the conference center was determined based on value in use and was determined at the estimated future cash flow discounted at rate of 11 per cent per annum.

During the six months ended June 30, 2010, the Group reassessed the impairment on the property, plant and equipment used in the hotel operations and conference center, and determined the carrying amounts were closed to the recoverable amounts. As a result, the Group neither further recognized nor reversed the impairment loss in the Group's financial statements for the six months ended June 30, 2010. The recoverable amounts were determined based on value in use and were determined at the estimated future cash flow discounted at rates of 11 to 11.5 per cent per annum.

During the six months ended June 30, 2009 (unaudited), the Group reassessed the impairment on the property, plant and equipment used in the hotel operations and conference center, and as a result, a total of impairment loss of RMB6,810 thousand of conference center, being the excess of its carrying amount over its recoverable amount, was recognized in the Group's financial statements for the six months ended June 30, 2009 (unaudited). The recoverable amount of the conference center was determined based on value in use and was determined at the estimated future cash flow discounted at rate of 11 per cent per annum.

14. COMPLETED INVESTMENT PROPERTIES AND INVESTMENT PROPERTIES UNDER CONSTRUCTION

Group

	Year ended December 31, 2007	Year ended December 31, 2008	Year ended December 31, 2009	Six months ended June 30, 2010
Completed investment properties				
At beginning of year/period	780,000	845,000	497,010	489,000
Add: Transfer from investment properties under construction	28,403	140,170	6,153	613
Less: Disposal of investment properties	(2,351)	–	–	–
Add: Gain/(loss) from increase/(decrease) in fair value of completed investment properties	38,948	(488,160)	(14,163)	(613)
At end of year/period	<u>845,000</u>	<u>497,010</u>	<u>489,000</u>	<u>489,000</u>

	Year ended December 31, 2007	Year ended December 31, 2008	Year ended December 31, 2009	Six months ended June 30, 2010
Investment properties under construction				
At beginning of year/period	–	85,336	39,740	170,710
Add: Construction costs	85,336	94,574	98,087	118,049
Less: Transfers to completed investment properties	–	(140,170)	(6,153)	(613)
Add: Fair value gain/(loss)	–	–	39,036	(146)
At end of year/period	<u>85,336</u>	<u>39,740</u>	<u>170,710</u>	<u>288,000</u>

The investment properties owned by the Group include retail spaces on commercial streets and comprise both completed investment properties and investment properties under construction. The fair values were valued by DTZ Debenham Tie Leung Limited¹.

As set out in Note 2.4, prior to January 1, 2009, investment properties under construction were carried at cost under "investment properties under construction".

As there is no active market for the said properties, and due to the absence of similar properties in the same location and condition, the valuations were performed based on the income approach. The following main inputs have been used.

Completed investment properties	December 31, 2007	December 31, 2008	December 31, 2009	June 30, 2010
Yield				
Scandinavia Street, Shanghai	8 – 9.5%	9 – 10.5%	9 – 10%	9 – 10%
Retail Street in Wuxi Project	–	4 – 5%	4 – 5%	4 – 5%

Investment properties under construction

In arriving at fair value of the investment properties under construction, reference is made to the comparable sales evidence available in the relevant market, after taking into account the construction costs and the costs that will be expended to complete the development.

Changes in fair values of completed investment properties are recognized in profit or loss. The Group's interests in completed investment properties at their net book values are analyzed as follows:

Description and location	Existing use	Tenure	Unexpired lease term at				
			June 30, 2010	December 31, 2007	December 31, 2008	December 31, 2009	June 30, 2010
Scandinavia Street Shanghai, PRC	Retail street	Leasehold	45.3 years	845,000	420,000	420,000	420,000
Retail Street in Wuxi Project Wuxi, PRC	Retail street	Leasehold	37.4 years	–	77,010	69,000	69,000
				<u>845,000</u>	<u>497,010</u>	<u>489,000</u>	<u>489,000</u>

The Group's investment properties are held under medium term (less than 50 years but not less than 10 years) leases and situated in Mainland China.

¹ Address: 16/F, Jardine House, 1 Connaught Place, Central, Hong Kong (office in Central); and 16/F, Fortis Centre, 1063 King's Road, Quarry Bay, Hong Kong (office in Quarry Bay). Professional qualification of Mr. Andrew K. F. Chan, Director: Member of the Royal Institution of Chartered Surveyors; Member of the Hong Kong Institute of Surveyors; Registered Professional Surveyor (General Practice); Member of China Institute of Real Estate Appraisers; and Registered Business Valuer registered with the Hong Kong Business Valuation Forum.

The following amounts relating to the completed investment properties and investment properties under construction have been recognized in profit or loss

	Year ended December 31, 2007	Year ended December 31, 2008	Year ended December 31, 2009	Six months ended June 30, 2009 unaudited	2010
Completed investment properties:					
Rental income	5,533	593	6,384	3,135	2,219
Gain/(loss) from increase/(decrease) in fair value	38,948	(488,160)	(14,163)	(25,690)	(613)
Gain from disposal of investment properties	338	-	-	-	-
Other direct operating expenses	<u>(3,540)</u>	<u>(547)</u>	<u>(1,033)</u>	<u>(789)</u>	<u>(3,028)</u>
Investment properties under construction:					
Gain/(loss) from increase/(decrease) in fair value	<u>-</u>	<u>-</u>	<u>39,036</u>	<u>40,687</u>	<u>(146)</u>

Certain investment properties have been pledged for bank borrowings (see Note 22).

15. PREPAID LAND LEASE PAYMENTS

The Group's prepaid land lease payments represent prepaid operating lease payments and their movements are analyzed below:

Group	December 31, 2007	December 31, 2008	December 31, 2009	June 30, 2010
In Mainland China, Medium term leaseholds (less than 50 years but not less than 10 years)	326,070	320,273	477,548	477,109
In Mainland China, Long term leaseholds (not less than 50 years)	<u>-</u>	<u>-</u>	<u>75,863</u>	<u>77,188</u>
	<u>326,070</u>	<u>320,273</u>	<u>553,411</u>	<u>554,297</u>

Group	Year ended December 31, 2007	Year ended December 31, 2008	Year ended December 31, 2009	Six months ended June 30, 2010
At beginning of year/period	334,400	326,070	320,273	553,411
Additions	–	3,046	241,688	7,520
Amortization charges to profit or loss	(8,330)	(8,843)	(8,550)	(4,958)
Amortization into properties under development for sales and construction in progress	–	–	–	(1,676)
	<u>326,070</u>	<u>320,273</u>	<u>553,411</u>	<u>554,297</u>

As of June 30, 2010, the above prepaid land lease payments included a balance of RMB165,515 thousand (2007 and 2008: nil, 2009: RMB162,588 thousand) prepaid land lease payments held for development into properties for sale, hence they are classified as current assets.

The net carrying amounts of prepaid land lease payments, which were pledged for bank borrowings (see Note 22), were as follows at the respective end of the reporting periods:

	December 31, 2007	December 31, 2008	December 31, 2009	June 30, 2010
Land use rights for convention facilities	75,445	73,865	72,285	71,495
Land use rights for golf club house and hotel	<u>239,625</u>	<u>232,875</u>	<u>226,125</u>	<u>222,750</u>
	<u>315,070</u>	<u>306,740</u>	<u>298,410</u>	<u>294,245</u>

16. LAND DEVELOPMENT FOR SALE

Group	December 31, 2007	December 31, 2008	December 31, 2009	June 30, 2010
At cost:				
Mainland China	<u>2,633,604</u>	<u>3,470,967</u>	<u>3,640,398</u>	<u>3,764,434</u>

Land development for sale represents cost of land development within the districts of the new town development projects. Though the Group does not have ownership title or land use right to such land, the Group is given the right to carry out construction and preparation works in respect of land infrastructure and ancillary public facilities in those new town development projects. When the land plots are sold by the local governments, the Group is entitled to receive from the local authorities a proportion of the proceeds from land sales (including related public utilities fees, if any).

Land development for sale is expected to be realized in the normal operating cycle, which is longer than twelve months.

As mentioned in Note 2.4 accounting policy of revenue recognition on land development for sale, when revenue is recognized depends on the timing of sales of related land plots by authorities, which is uncertain and out of the control of the Group. Upon the sales of related land plots by authorities, the amounts of land development for sale was recognized and recorded as cost of sales (see Note 7).

17. PREPAYMENTS AND OTHER RECEIVABLES

Group	December 31, 2007	December 31, 2008	December 31, 2009	June 30, 2010
Prepayments	2,260	9,442	6,155	43,949
Other receivables	24,933	22,418	354,983	430,783

The above other receivables balances at June 30, 2010 included a RMB294 million (December 31, 2009: RMB322 million) estimated receivable due from the Changchun Auto Industry Development Zone Administrative Committee (the "Changchun Committee"). In December 2009, the Group has entered into an agreement with the Changchun Committee to cease the land development by the Group through Changchun New Town Automobile Industry Construct Co., Ltd. in Changchun. Pursuant to the agreement, although no detailed repayment schedule had been set out in the agreement, the Changchun Committee agreed to fully repay the Group within a year from the date of the agreement, for, firstly, the cost of construction, which shall be determined by independent qualified professional parties after conducting construction audits, and, secondly, the cost of relocation that have been incurred by the Group in accordance with the relevant relocation agreement, and compensate the Group for finance costs (including certain related miscellaneous expenditure) at an interest rate of 10% per annum based on the time lapsed since the actual date when such finance costs were incurred by the Group. After the agreement was entered into, during the six months ended June 30, 2010, RMB15 million has been collected by the Group (year ended December 31, 2009: RMB10 million), among which RMB9 million and RMB4 million (year ended December 31, 2009: nil) were used to settle the estimated payables to constructors on behalf of the Changchun Committee during the six months ended June 30, 2010 and in July 2010, respectively. In addition, the estimated receivables from the Changchun Committee and estimated payables to constructors were both reduced by a total amount of RMB13 million as a result of the construction audits to date. The total collections so far from the Changchun Committee was approximately RMB33 million (RMB8 million was received before the agreement was reached). As at December 31, 2009 and June 30, 2010, no provision had been made for receivable due from the Changchun Committee because the directors expect that the receivable will be fully settled. The transaction did not contribute any significant profit or loss to the Group.

The above other receivables balances at June 30, 2010 also included an amount of RMB41 million receivable due from two third-party constructors. In December 2008, due to illegal occupation of agricultural land for the purpose of constructing a golf course, the Liaoning Department of Land and Resources established that as a case for investigation, and it issued an Administrative Penalty Decision Notice in this respect. Though the Group has instructed third-party constructors to stop the construction of the golf course on the agricultural land, those constructors still continued such construction and therefore those constructors agreed to compensate the Group by RMB41 million. Up to May 2010, the Group has fulfilled what was required by the Liaoning Department of Land and Resources, i.e. the golf clubhouse which was established within the grounds of the sports and recreation park under the Shenyang Project, was confiscated, the Group paid a fine of approximately RMB14.7 million and was required to reinstate the portion of agricultural land that was illegally occupied for the construction of the golf course and clubhouse. The confiscation of club house and reinstatement of portion of agricultural land caused the Group to write down a total carrying amount of RMB30.6 million (see Note 13) of property, plant and equipment. Since the RMB41 million compensation from the constructors partially compensate the fine and write-down of property, plant and equipment, the Group incurred a loss of RMB4.3 million as disclosed in Note 6. As of June 30, 2010, no further provision in respect of the case was made as the case was closed officially in June 2010.

An aged analysis of the other receivables is as follows:

	December 31, 2007	December 31, 2008	December 31, 2009	June 30, 2010
Within 6 months	5,610	567	334,131	115,768
6 months to 1 year	18,831	947	156	294,557
1 year to 2 years	312	20,141	755	890
2 years to 3 years	180	186	19,331	1,001
Over 3 years	–	577	610	18,567
	<u>24,933</u>	<u>22,418</u>	<u>354,983</u>	<u>430,783</u>

None of the above balance is neither past due nor impaired.

18. TRADE RECEIVABLES

Group	December 31, 2007	December 31, 2008	December 31, 2009	June 30, 2010
Receivables from land development for sale	541,975	302,369	374,545	302,819
Receivables from the sale of golf club membership	74,792	110,531	51,075	25,854
Others	14,293	1,953	5,203	5,274
	<u>631,060</u>	<u>414,853</u>	<u>430,823</u>	<u>333,947</u>

An aged analysis of the trade receivables is as follows:

Group	December 31, 2007	December 31, 2008	December 31, 2009	June 30, 2010
Within 6 months	273,059	153,356	164,472	71,338
6 months to 1 year	118,843	92,209	14,640	39,552
1 year to 2 years	136,078	52,510	156,993	108,833
2 years to 3 years	4,180	47,226	27,991	39,831
Over 3 years	98,900	69,552	66,727	74,393
	<u>631,060</u>	<u>414,853</u>	<u>430,823</u>	<u>333,947</u>

The above balances are unsecured and interest-free. The fair values of the trade receivables at each of the reporting dates approximate to their carrying amounts. No trade receivables were written off for the six months ended June 30, 2010 (2007: Nil, 2008: RMB10,193 thousand, 2009: Nil).

The aged analysis of the trade receivables that are not considered to be impaired is as follows:

Group	December 31, 2007	December 31, 2008	December 31, 2009	June 30, 2010
Neither past due nor impaired	619,900	396,609	408,062	310,028
Past due but not impaired:				
Within 30 days	3,402	584	618	205
30 to 60 days	2,520	266	667	317
60 to 90 days	2,049	189	1,127	3,641
90 to 120 days	1,128	795	517	351
Over 120 days	2,061	16,410	19,832	19,405
	<u>631,060</u>	<u>414,853</u>	<u>430,823</u>	<u>333,947</u>

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, the directors of the Company are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral or other credit enhancements over these balances.

19. CASH AND BANK BALANCES

	Group				Company			
	December 31, 2007	December 31, 2008	December 31, 2009	June 30, 2010	December 31, 2007	December 31, 2008	December 31, 2009	June 30, 2010
Cash on hand	264	372	310	422	12	1	1	2
Cash at banks	715,273	112,604	1,365,302	808,153	3,089	1,276	6,762	28,959
Short-term bank deposits	1,002,958	25,000	100,000	–	1,002,789	–	–	–
Cash and cash equivalents	1,718,495	137,976	1,465,612	808,575	1,005,890	1,277	6,763	28,961
Restricted bank deposits	31,761	46,277	43,759	43,762	31,673	46,134	7,758	7,762
	<u>1,750,256</u>	<u>184,253</u>	<u>1,509,371</u>	<u>852,337</u>	<u>1,037,563</u>	<u>47,411</u>	<u>14,521</u>	<u>36,723</u>

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short-term bank deposits are made for varying periods of between one day and three months, based on the immediate cash requirements of the Group, and earn interest at the respective short-term bank deposit rates.

Included in restricted bank deposits as of December 31, 2007 is mainly an amount of US\$4,336,057, relating to interest payable for convertible bonds issued on February 13, 2007 (CB2) from August 14, 2007 to February 13, 2008, which has been escrowed in a debt service account.

Included in restricted bank deposits as of December 31, 2008 is mainly an amount of US\$6,750 thousand, relating to the interest to be paid for Senior Notes issued on September 12, 2008 (see Note 23) on March 12, 2009, which has been escrowed in an interest reserve account.

Included in restricted bank deposits as of December 31, 2009 are mainly amounts of US\$1,135 thousand and RMB36 million, relating to the interest to be paid for Senior Notes on March 12, 2010 and for the RMB600 million bank loan obtained in October 2009 respectively, which have been escrowed in an interest reserve account.

Included in restricted bank deposits as of June 30, 2010 are mainly amounts of US\$1,135 thousand and RMB36 million, relating to the interest to be paid for Senior Notes on September 12, 2010 and for the RMB580 million bank loan obtained in October 2009 respectively, which have been escrowed in an interest reserve account.

The carrying amounts of the cash and deposits which are denominated in the following currencies are set out below:

RMB equivalent of the following currencies:	Group				Company			
	December 31, 2007	December 31, 2008	December 31, 2009	June 30, 2010	December 31, 2007	December 31, 2008	December 31, 2009	June 30, 2010
SG\$	962,496	79	72	188	962,496	79	72	188
RMB	609,822	136,772	1,494,781	815,545	–	–	–	–
HK\$	2,935	1,199	6,682	325	2,934	1,198	6,682	324
US\$	175,003	46,203	7,836	36,279	72,133	46,134	7,767	36,211
	<u>1,750,256</u>	<u>184,253</u>	<u>1,509,371</u>	<u>852,337</u>	<u>1,037,563</u>	<u>47,411</u>	<u>14,521</u>	<u>36,723</u>

RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorized to conduct foreign exchange business.

20. SHARE CAPITAL

	Year ended December 31, 2007		Year ended December 31, 2008		Year ended December 31, 2009		Six months ended June 30, 2010	
	Number of shares (Thousands)	Amount*	Number of shares (Thousands)	Amount*	Number of shares (Thousands)	Amount*	Number of shares (Thousands)	Amount*
Ordinary shares authorized:	10,000,000	–	10,000,000	–	10,000,000	–	10,000,000	–
Ordinary shares issued and fully paid:								
Share capital at the beginning of the year/period	10	78	1,401,025	1,891,080	2,006,025	2,115,240	3,140,659	2,497,385
Share split (sub-division of each existing share into 75,000 shares)	750,000	78	–	–	–	–	–	–
Increases during the year/period:								
Ordinary shares issued upon initial public listing at SG\$0.83 per share, net of related transaction costs of RMB87,792 thousand	323,350	1,288,498	–	–	–	–	–	–
Ordinary shares converted from CB1	265,125	469,828	–	–	–	–	–	–
Ordinary shares converted from CB2	62,550	132,676	–	–	–	–	–	–
Ordinary shares converted from CB3	–	–	–	–	–	–	754,146	283,696
Shares issued upon private placement	–	–	–	–	902,295	244,252	–	–
Shares issued upon exercise of management's share options granted under Management Grant	–	–	–	–	2,753	5,569	–	5,592
Shares issued upon the repurchase of Senior Notes	–	–	–	–	229,586	132,324	–	–
Subscription Shares issued upon the repurchase of CB2 (see Note 24)	–	–	525,000	175,125	–	–	–	–
Grant Shares issued with issuance of Senior Notes upon the repurchase of CB2 (see Note 24)	–	–	80,000	26,686	–	–	–	–
Refund of transaction costs for new shares issued upon IPO	–	–	–	22,349	–	–	–	–
Share capital at the end of the year/period	<u>1,401,025</u>	<u>1,891,080</u>	<u>2,006,025</u>	<u>2,115,240</u>	<u>3,140,659</u>	<u>2,497,385</u>	<u>3,894,805</u>	<u>2,786,673</u>

* There is no par value for the shares of the Company. In 2007, there was a share split whereby one existing share prior to the share split had been split into 75,000 shares.

The holders of ordinary shares, except treasury shares, are entitled to receive dividends as and when they are declared by the Board of Directors and approved by the shareholders. All ordinary shares carry one vote per share without restrictions.

Treasury shares	Year ended December 31, 2007		Year ended December 31, 2008		Year ended December 31, 2009		Six months ended June 30, 2010	
	Number of shares		Number of shares		Number of shares		Number of shares	
	(Thousands)	Amount*	(Thousands)	Amount*	(Thousands)	Amount*	(Thousands)	Amount*
At the beginning of the year/period	-	-	-	-	600	180	55,768	37,294
Acquired during the year/period	-	-	600	180	55,168	37,114	-	-
Issued upon exercise of management share options granted under Management Grant	-	-	-	-	-	-	(4,129)	(2,761)
At the end of the year/period	-	-	600	180	55,768	37,294	51,639	34,533

Treasury shares relate to ordinary shares of the Company that is held by the Company.

The Company acquired 55,168 thousand (2007: Nil, 2008: 600 thousand) shares in the Company through purchases on the Singapore Exchange during the financial year 2009. The total amount paid to acquire the shares was RMB37,114 thousand (2007: Nil, 2008: RMB180 thousand) and this was presented as a component within shareholders' equity.

21. OTHER RESERVES

Group

	Imputed equity contribution upon reorganization	Employee equity benefit reserve	Equity component of convertible bonds	Capital contribution received upon the repurchase of CB2	Other reserves	Total
At January 1, 2007	224,032	–	–	–	–	224,032
Equity-settled share options to management	–	8,516	–	–	–	8,516
Convertible bonds issuance	–	–	620,900	–	–	620,900
CB1 conversion	–	–	(396,900)	–	–	(396,900)
CB2 conversion	–	–	(20,572)	–	–	(20,572)
At December 31, 2007	224,032	8,516	203,428	–	–	435,976
Equity-settled share options to management	–	16,884	–	–	–	16,884
Transfer upon the repurchase of CB2	–	–	(191,805)	–	191,805	–
Considerations for the repurchase of CB2's equity component	–	–	(11,623)	–	–	(11,623)
Capital contribution from an indirect shareholder received upon the repurchase of CB2	–	–	–	163,433	–	163,433
At December 31, 2008	224,032	25,400	–	163,433	191,805	604,670
Equity-settled share options to management	–	12,485	–	–	–	12,485
Shares issued upon exercise of management's share options granted under Management Grant	–	(5,569)	–	–	–	(5,569)
Equity component of CB3	–	–	137,415	–	–	137,415
At December 31, 2009	224,032	32,316	137,415	163,433	191,805	749,001
Equity-settled share options to management	–	1,636	–	–	–	1,636
Shares issued upon exercise of management's share options granted under Management Grant	–	(8,353)	–	–	–	(8,353)
Shares issued upon CB3 conversion	–	–	(137,415)	–	–	(137,415)
At June 30, 2010	224,032	25,599	–	163,433	191,805	604,869

Company

	Imputed equity contribution upon reorganization	Employee equity benefit reserve	Equity component of convertible bonds	Capital contribution received upon the repurchase of CB2	Other reserves	Total
At January 1, 2007	1,557,445	–	–	–	–	1,557,445
Equity-settled share options to management	–	8,516	–	–	–	8,516
Convertible bonds issuance	–	–	620,900	–	–	620,900
CB1 conversion	–	–	(396,900)	–	–	(396,900)
CB2 conversion	–	–	(20,572)	–	–	(20,572)
At December 31, 2007	1,557,445	8,516	203,428	–	–	1,769,389
Equity-settled share options to management	–	16,884	–	–	–	16,884
Transfer upon the repurchase of CB2	–	–	(191,805)	–	191,805	–
Considerations for the repurchase of CB2's equity component	–	–	(11,623)	–	–	(11,623)
Capital contribution from an indirect shareholder received upon the repurchase of CB2	–	–	–	163,433	–	163,433
At December 31, 2008	1,557,445	25,400	–	163,433	191,805	1,938,083
Equity-settled share options to management	–	12,485	–	–	–	12,485
Shares issued upon exercise of management share options granted under Management Grant	–	(5,569)	–	–	–	(5,569)
Equity component of CB3	–	–	137,415	–	–	137,415
At December 31, 2009	1,557,445	32,316	137,415	163,433	191,805	2,082,414
Equity-settled share options to management	–	1,636	–	–	–	1,636
Shares issued upon exercise of management share options granted under Management Grant	–	(8,353)	–	–	–	(8,353)
Shares issued upon CB3 conversion	–	–	(137,415)	–	–	(137,415)
At June 30, 2010	1,557,445	25,599	–	163,433	191,805	1,938,282

Nature and purpose of other reserves

Imputed equity contribution upon reorganization

The Company applied the pooling of interests method to account for the business combination under common control which occurred on December 20, 2006. This therefore represents the difference between the Company's share of net assets of the Group and the sum of share capital and retained earnings that should be recorded as a result of applying the pooling of interest method.

Employee equity benefit reserve

Employee equity benefit reserve represents the equity-settled share options granted to management (see Note 29). The reserve represents of the cumulative value of services received from management recorded since the grant date of equity-settled share options, and would be reduced by the exercise of the share options.

	Year ended December 31, 2007	Year ended December 31, 2008	Year ended December 31, 2009	Six months ended June 30, 2010
At beginning of year/period	–	8,516	25,400	32,316
Cost of equity-settled share options during the year/period	8,516	16,884	12,485	1,636
Transfer upon the exercise of share options during the year/period	–	–	(5,569)	(8,353)
At end of year/period	<u>8,516</u>	<u>25,400</u>	<u>32,316</u>	<u>25,599</u>

Equity component of convertible bonds

This represents the equity component of convertible bonds after the change of terms of CB2 net of effect of the repurchase of CB2 and issuance as well as conversion of CB3 (see Note 24).

Capital contribution received upon the repurchase of CB2

This represents the capital contribution from SRE Investment Holdings Limited (“SRE Investment”), the shareholder of SRE Group limited, in connection with the Company’s repurchase of CB2 (see Note 24).

Other reserves

This represents the fair value change of the equity component of CB2 upon the Repurchase of CB2.

22. INTEREST-BEARING BANK BORROWINGS

The interest-bearing bank borrowings which were all denominated in RMB were as follows:

Group	December 31, 2007	December 31, 2008	December 31, 2009	June 30, 2010
Bank loans – collateralized	<u>1,640,000</u>	<u>1,137,000</u>	<u>2,157,000</u>	<u>2,057,000</u>

The bank borrowings are repayable as follows:

	December 31, 2007	December 31, 2008	December 31, 2009	June 30, 2010
Within 6 months	1,640,000	–	100,000	210,000
6 months to 9 months	–	791,000	–	–
9 months to 12 months	–	346,000	210,000	20,000
1 year to 2 years	–	–	250,000	250,000
2 years to 5 years	–	–	870,000	870,000
Over 5 years	–	–	727,000	707,000
	<u>1,640,000</u>	<u>1,137,000</u>	<u>2,157,000</u>	<u>2,057,000</u>

The Group's bank loans bore interest at floating rates ranging from 6.30% to 7.56%, 5.76% to 7.74%, 5.35% to 6.37%, and 5.35% to 5.94% per annum for the years ended December 31, 2007, 2008 and 2009, and the six months ended June 30, 2010, respectively.

Long-term and short-term bank borrowings

As at June 30, 2010, bank borrowings of RMB2,057,000 thousand (2007: RMB1,640,000 thousand; 2008: RMB1,137,000 thousand, 2009: RMB2,157,000 thousand) were collateralized by the Group's certain properties, completed investment properties and investment properties under construction as well as prepaid land lease payments, whose net carrying amounts at June 30, 2010 were RMB526,891 thousand (2007: RMB715,052 thousand, 2008: RMB579,394 thousand, 2009: RMB558,978 thousand), RMB420,000 thousand (2007: RMB845,000 thousand, 2008: RMB420,000 thousand, 2009: RMB584,000 thousand), RMB294,245 thousand (2007: RMB315,070 thousand, 2008: RMB306,740 thousand, 2009: RMB298,410 thousand) respectively.

The Group had no undrawn credit facilities as at December 31, 2007, 2008 and 2009 and June 30, 2010.

23. SENIOR NOTES

On September 12, 2008, a 17.75% US dollar settled Senior Secured Guaranteed Notes (the "Senior Notes") with the principal amount of RMB593.3 million due on September 12, 2011 were issued by the Company as part of the consideration for the Repurchase of CB2 (see Note 24).

On September 11, 2009, the Company has completed the repurchase of RMB505,940 thousand in principal amount (with a carrying amount of RMB497 million) of the Senior Notes from the Noteholders by an aggregate of newly issued 229,586,468 ordinary shares (with a fair value of RMB132 million) of the Company by way of a private placement and cash amounting to US dollar equivalent of RMB340 million, as a result, the Group reported a RMB24,744 thousand gain on repurchase. The Company financed the above mentioned cash consideration through (i) the issue of 2% convertible bonds in an aggregate of RMB276 million due 2016 (see Note 24) and (ii) the issue of an aggregate of 222,295,064 shares in amount of RMB84 million by way of private placement to Sinopower Investment Limited ("Sinopower"), a wholly-owned subsidiary of SRE Group Limited. The repurchased Senior Notes were cancelled and the outstanding principal after the repurchase was reduced to RMB87,360 thousand.

The movements of the carrying amounts of the Senior Notes for the years ended December 31, 2008 and 2009 and the six months ended June 30, 2010 are as follows:

	Year ended December 31, 2008	Year ended December 31, 2009	Six months ended June 30, 2010
Carrying amount at beginning of year/period	–	550,835	84,363
Carrying amount on initial recognition upon issuance	514,078	–	–
Interest expense (recognized using the effective interest rate of 25.75% per annum)	36,757	91,335	9,598
Interest paid	–	(60,409)	(7,753)
Repurchase	–	(497,398)	–
	<hr/>	<hr/>	<hr/>
Carrying amount at end of year/period	550,835	84,363	86,208
Less: accrued coupon interest (Note 26)	(32,026)	–	–
Current portion	–	(84,363)	(86,208)
	<hr/>	<hr/>	<hr/>
Non-current portion	518,809	–	–
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

Since certain covenants of the remaining Senior Notes have not been complied with as of June 30, 2010 and as of December 31, 2009, which could result in the holder of the Senior Notes requiring immediate repayment of the outstanding principal and accrued and unpaid interest, the Group classified the Senior Notes as current liability as of June 30, 2010 and December 31, 2009 accordingly. Subsequent to the year/period end date, the Company signed two waivers with the holder of the Senior Notes who provided waivers to the breaches happened as of June 30, 2010 and December 31, 2009. As a result, the holder of the Senior Notes would not require immediate repayment of the outstanding principal and accrued and unpaid interest based on the breaches happened as of June 30, 2010 and December 31, 2009.

24. CONVERTIBLE BONDS AND DERIVATIVE FINANCIAL LIABILITIES

Group and Company

CB1

On December 20, 2006, a convertible bond (“CB1”) convertible into ordinary shares of the Company was issued to Sinopower, a shareholder, by the Company together with additional shares representing 49% of the enlarged ordinary issued share capital of the Company, in exchange for Sinopower’s 100% interest in Meeko Investment Limited (“Meeko”), a BVI company which directly holds 45.26% of equity interest in SGLD (Note 1).

The principal amount of this convertible bond is US\$12,173,833.93. This bond was not interest-bearing and would fall due on December 19, 2008. The holder of the bond had the right to convert the entire bond to 3,535 shares (subject to adjustments when there is a share split, consolidation of shares, capitalization of reserves, etc. and equivalent to 265,125,000 shares after the share split disclosed in Note 20) of the Company on the earlier of the date when the Company’s shares commenced dealing on a recognized stock exchange and December 19, 2008.

Based on the original terms of CB1, the equity conversion options embedded in CB1 are not equity instruments of the Company, the entire convertible bond is accounted for as financial liabilities, i.e., host debt instruments with embedded derivatives. The embedded derivatives are separated from the host debt instruments, and are accounted for as financial liabilities at fair value through profit or loss. The host debt instruments are initially recognized at fair value net of related transaction costs, and are subsequently measured at amortized cost.

However, on July 1, 2007, the terms and conditions of CB1 were amended as follows:

- The denomination of CB1 was amended from US\$ to RMB and the principal amount of CB1 was amended from US\$12,173,833.93 to RMB94,712,427.98.
- The denomination of the conversion price was amended from US\$ to RMB and the initial conversion price was amended from US\$3,443.80 to RMB26,792.76 per share, based on the principal amount of CB1 of RMB94,712,427.98 and 3,535 shares (subject to adjustments when there is a share split, consolidation of shares, capitalization of reserves, etc. and equivalent to 265,125,000 shares after the share split disclosed in Note 20).

The purpose of the revision in terms, which became effective on July 1, 2007, was to revise the currency denomination of CB1 so that it becomes the same as the functional currency of the Company, i.e. RMB, and fix the number of shares issued on the conversion of the CB1, so that the revised embedded conversion option becomes an equity instrument of the Company. Hence, after the change in terms new CB1 comprises two components: a financial liability (a straight debt) and an equity instrument (the conversion option, i.e. a call option granting the holder the right to convert CB1 into a fixed number of ordinary shares of the Company). Accordingly, the Company has presented the liability and equity components separately on its balance sheet from July 1, 2007, and hence any subsequent changes in fair value of conversion option should no longer be accounted for in the financial statements.

The Company engaged DTZ Debenham Tie Leung Limited and Real Actuarial Consulting Limited¹ to value the fair value of CB1 based on the revised terms at July 1, 2007 (the date when the terms were amended), and the difference of the fair value before and after the change was recognized in the statement of comprehensive income. The straight debt was initially recognized at fair value, and was subsequently carried at amortized cost based on the effective interest rate for the cash flows based on the new terms since July 1, 2007. As a result, the effective interest rate for the straight debt portion was changed from 29.40% to 26.78% per annum.

Conversion of CB1

On November 13, 2007, the Company allotted and issued 265,125,000 shares to Sinopower pursuant to the conversion of CB1. On November 13, 2007, the carrying amount of liability and equity components of CB1 was transferred to share capital from liability and other reserves respectively.

CB2

On February 13, 2007, 5.0% US dollar settled convertible bonds ("CB2") with a principal amount of RMB1,239.6 million due on February 13, 2010 (the "Maturity Date") were issued by the Company to four investors. On the Maturity Date, the Company should pay 136.2201% of the principal amount if CB2 had still not been converted by the investors into shares of the Company. In addition, CB2 could be put back to the Company at 135% of the principal amount on February 13, 2009 (the "Redemption Date") if the Company is not listed on an acceptable stock exchange by that date.

Based on the original terms of CB2, bondholders may convert CB2 into shares at any time during the period between the date when the Company is listed on an acceptable stock exchange and the Redemption Date or Maturity Date, as applicable. Since the number of shares to be issued upon conversion and the conversion price should be calculated by applying certain formulas contingent upon the time when the initial public offer of the Company occurs and exchange rates of the US\$ versus the RMB, etc, the equity conversion options embedded in the CB2 (based on original terms) were not equity instruments of the Company, the entire CB2 were accounted for as financial liabilities, i.e., host debt instruments with embedded derivatives (a conversion option and a put option).

On September 15, 2007, the Company agreed with the holders of CB2 to modify the terms of CB2, such that the modified equity conversion options of the instruments would be classified as equity of the Company.

After the amendment, the revised CB2 comprise three components: a straight-debt portion (financial liability), an embedded put option (financial liability) as revised (i.e., the right of the bondholders to put back the revised the convertible bonds at 135% of the principal amount during the period from September 15, 2008 to October 15, 2008 if they are not yet converted) and an equity instrument (the conversion option granting the holders the right, for a specified period of time before the Maturity Date, to convert the CB2 into a fixed number of ordinary shares of the Company. Accordingly, the Company has presented the liability and equity components separately on its statement of financial position since the date when the terms of CB2 were amended. The straight debt was initially recognized at fair value on the amendment date, and was subsequently carried at amortized cost. The embedded put option was separated from the straight debt instrument, and was accounted for as a financial liability at fair value through profit or loss.

On November 5, 2007, the Company allotted and issued 62,550,000 shares (after adjusting for the share split) pursuant to the partial conversion of CB2.

¹ Address: Unit No 3, 23/F, Bonham Strand Trade Centre, 135 Bonham Strand, Sheung Wan, Hong Kong. Professional qualification of Mr. Victor Shiu Fung Wong, Chief Executive Officer: Fellow of the Society of Actuaries; Fellow of the Canadian Institute of Actuaries; Charter holder of the Chartered Financial Analyst; Certified in Risk Management; and Interest Rate Committee Member of the Actuarial Society of Hong Kong.

Repurchase of CB2

On September 12, 2008, the Company has completed the purchase of all the outstanding CB2 with a principal amount of RMB1,127 million from the bondholders (the "Repurchase of CB2"). The Company, as consideration given to the bondholders for the Repurchase of CB2, paid RMB639.5 million in cash, issued 525 million shares (the "Subscription Shares") of the Company, and issued Senior Notes (see Note 23) with a principal amount of RMB593.3 million together with a grant of 80 million shares of the Company (the "Grant Shares"). In connection with the Repurchase of CB2, the Company's indirect and substantial shareholder, SRE Investment, also issued to those bondholders a price guarantee (the "Price Guarantee") regarding the price of the Company's shares on the third anniversary of the issuance of the Subscription Shares (the "Third Anniversary"), under which SRE Investment undertook to pay the bondholders an amount equal to the difference between the SG\$0.165 and the share price of the Subscription Shares sold during 40 business days after the Third Anniversary, multiplied by the number of such Subscription Shares sold.

As a result, on that date, the Company accounted for the Repurchase of CB2 by:

- Recognized the issuance of Subscription Shares, Senior Notes and Grant Shares, at their fair values, i.e., RMB175,125 thousand, RMB514,078 thousand and RMB26,686 thousand respectively;
- Recognized a capital contribution, at its fair value of RMB163,433 thousand, from SRE Investment as a result of its Price Guarantee issued to the bondholders in connection with the Repurchase of CB2; and
- Allocated the consideration given and any transaction costs for the repurchase to the liability and equity components of CB2. The liability components of CB2 (the host debt portion and embedded put option) were derecognized, and the resulting gain of RMB25,025 thousand (i.e., the difference between the consideration of RMB1,507,150 thousand allocated to the liability components and their carrying amounts of RMB1,532,175 thousand) was recognized in profit or loss, while the amount of consideration of RMB11,623 thousand allocated to the equity component was recognized in equity.

CB3

On September 9, 2009, the Company issued RMB275,994 thousand in aggregate principal amount of two (2) per cent convertible bonds due in 2016 ("CB3"), to Sinopower, a shareholder of the Company. The holder of the bond has the right to convert the entire bond to 754,145,894 shares of the Company at the conversion price of RMB0.3660 per share (translated from SG\$0.07872, translated at an exchange rate, which is fixed in the terms and conditions) at any time from the issue date until the maturity date. On the maturity date, the CB3 shall be redeemed at principal amount together with unpaid accrued interest.

Based on the terms of CB3, the equity conversion options embedded in CB3 are equity instruments of the Company. Hence, the convertible bond comprises two components: a financial liability (a straight debt) and an equity instrument (the conversion option, i.e., a call option granting the holder the right to convert CB3 into a fixed number of ordinary shares of the Company). Accordingly, the Company has presented the liability and equity components separately on its statement of financial position from September 9, 2009. The host debt instruments are initially recognized at fair value net of related transaction costs, and are subsequently measured at amortized cost.

Conversion of CB3

On April 20, 2010, the Company allotted and issued 754,145,894 shares to Sinopower pursuant to the conversion of CB3. The carrying amounts of liability and equity components of CB3 were transferred to share capital from liability and other reserves respectively.

The movements of the carrying amounts of host debts in CB1, CB2 and CB3 in the years ended December 31, 2007, 2008 and 2009, and the six months ended June 30, 2010 are as follows:

	Year ended December 31, 2007		Total
	CB1	CB2	
Carrying amount of host debts at beginning of year	56,773	–	56,773
Carrying amount of host debts on initial recognition upon issuance (fair value upon issuance net of attributable transaction cost of 50,492 thousands)	–	1,038,364	1,038,364
Foreign exchange gain	(1,405)	–	(1,405)
Interest expense	14,270	201,227	215,497
Change in the carrying amount due to the change in terms	3,291	1,212	4,503
Conversion to shares	(72,929)	(107,953)	(180,882)
Interest paid	–	(30,990)	(30,990)
	<u>–</u>	<u>(30,990)</u>	<u>(30,990)</u>
Carrying amounts of host debts at end of year	<u>–</u>	<u>1,101,860</u>	<u>1,101,860</u>
			Year ended December 31, 2008
Carrying amount of host debts at beginning of year			1,101,860
Interest expense recognized using the effective interest rate of 22.94% per annum			167,704
Interest paid			(61,140)
Repurchase			<u>(1,208,424)</u>
Carrying amount of host debts at end of year			<u>–</u>
			Year ended December 31, 2009
			Six months ended June 30, 2010
Carrying amount of host debts at beginning of year/period	–		144,115
Carrying amount of host debts on initial recognition upon issuance (fair value upon issuance)	138,579		–
Interest expense recognized using the effective interest rate of 13.49% per annum	5,536		5,560
Interest paid	–		(3,394)
Conversion to shares	–		<u>(146,281)</u>
Carrying amount of host debts at end of year/period	144,115		–
Less: current portion – accrued coupon interest (Note 26)	<u>(1,709)</u>		<u>–</u>
Non-current portion at end of year/period	<u>142,406</u>		<u>–</u>

The major parameters and assumptions used for valuations on dates of issuance, repurchase and year-end are as follows:

Major assumptions and parameters	December 20, 2006 (issuance date of CB1)	February 13, 2007 (issuance date of CB2)	December 31, 2007 (year-end date)	September 12, 2008 (date of repurchase of all outstanding CB2)
Share price	US\$19,948 (before 1:75000 share split)	US\$19,948 (before 1:75000 share split)	SG\$0.59	SG\$0.07
Volatility	26%	26%	33%	100%
Risk-free interest rate	4.71%	4.85%	3.10%	2.10%
p.a.				
Dividend yield p.a.	0%	0%	0%	0%
Credit spread (as determined using the Merton Model)	19.22%	15.34%	12.39%	23.17%

As at December 31, 2008 and 2009 and June 30, 2010, no derivative financial liabilities are outstanding.

Those parameters and assumptions are based on observable markets if available, but where this is not feasible, e.g. share price before listing and volatility before listing and when the period since listing is shorter than the terms of the bonds/derivatives, reference is made to data of comparable companies adjusted for the Company's own situation and calibrated to the actual issuance prices of the convertible bonds, where appropriate.

25. DEFERRED INCOME

Group	<i>Notes</i>	December 31, 2007	December 31, 2008	December 31, 2009	June 30, 2010
Deferred revenue arising from:					
Sale of golf club membership	<i>(i)</i>	487,224	591,165	562,675	548,644
Land development	<i>(ii)</i>	141,849	271,443	639,940	700,015
		<u>629,073</u>	<u>862,608</u>	<u>1,202,615</u>	<u>1,248,659</u>

Notes:

- (i) The revenue arising from the sale of golf club membership is deferred and recognized on the straight-line basis over the expected period when the related benefits would be provided.
- (ii) The deferred revenue arising from land development for sale represents the portion of amounts received/receivable from the land authorities as a result of the sales of parcels of land developed by the Group that are not yet recognized as revenue, because the developments of the ancillary public facilities attributable to the parcels of land sold are still in progress. The amounts received/receivable are non-refundable unless the Group cannot complete the development work. The deferred income is classified as a current liability as the remaining development work is expected to be provided within the normal operating cycle.

26. TRADE PAYABLES, OTHER PAYABLES AND ACCRUALS

Group	December 31, 2007	December 31, 2008	December 31, 2009	June 30, 2010
Trade payables	832,167	1,036,291	1,265,252	1,123,971
Accruals for commission of golf club membership	20,330	29,219	28,488	25,132
Payroll and welfare	4,124	4,230	5,158	848
Other taxes payable:				
Business tax payable	13,266	101,460	176,860	186,806
Property tax payable	15,704	19,695	25,406	27,254
Land use tax payable	4,360	7,616	10,407	11,821
Other miscellaneous tax	1,548	2,189	4,743	8,776
Unpaid expenses incurred for the repurchase of CB2	–	22,785	–	–
Receipts in excess of the Group's estimated share of land sale proceeds	–	25,152	26,477	26,477
Agency fee payables for promotional services	–	–	42,000	–
Obligation to construct a transportation center	–	–	53,222	34,675
Earnest money of potential investment	–	–	43,605	–
Estimated payables to constructors on behalf of the Changchun Committee	–	–	132,125	108,210
Other payables	44,842	56,308	42,631	35,608
Accrued coupon interest of Senior Notes (Note 23)	–	32,026	–	–
Accrued coupon interest of CB3 (Note 24)	–	–	1,709	–
Accrued interest on bank borrowings	1,284	936	3,603	2,742
	<u>937,625</u>	<u>1,337,907</u>	<u>1,861,686</u>	<u>1,592,320</u>

Terms and conditions of the above liabilities:

- Trade payables are non-interest-bearing and are normally settled within one year.
- Accruals for the commission of golf club membership to agents are settled in the period in which the related golf club membership fees are received.
- Payroll and welfare are normally settled within the next month.
- Interest payable on bank borrowings is normally settled quarterly throughout the financial year.
- Other payables and other tax payables are non-interest-bearing and are normally settled within one year.

An aged analysis of the Group's trade payables as at the reporting dates is as follows:

	December 31, 2007	December 31, 2008	December 31, 2009	June 30, 2010
Within one year	553,948	806,571	903,808	809,545
1 to 2 years	103,782	83,307	285,174	265,747
Over 2 years	174,437	146,413	76,270	48,679
	<u>832,167</u>	<u>1,036,291</u>	<u>1,265,252</u>	<u>1,123,971</u>

27. AMOUNTS DUE FROM/TO RELATED PARTIES

Group	Notes	December 31, 2007	December 31, 2008	December 31, 2009	June 30, 2010
Amounts due from related parties:					
Shenyang Hua Rui Shiji Asset Management Co., Ltd.	(i)	–	–	47,000	–
Shanghai Good Property Management Co., Ltd.	(ii)	–	–	–	3,040
Amounts due from associates		<u>1,755</u>	<u>1,757</u>	<u>3</u>	<u>–</u>
		<u>1,755</u>	<u>1,757</u>	<u>47,003</u>	<u>3,040</u>
Amounts due to related parties:					
SRE Group Limited	(iii)	30	109,845	11	–
Sinopower		–	7,591	–	–
Grand Wealth Resources Limited		987	–	–	–
Shanghai Lake Malaren Property Management Co., Ltd.	(iv)	–	–	–	3,729
Others		<u>–</u>	<u>1</u>	<u>1</u>	<u>–</u>
		<u>1,017</u>	<u>117,437</u>	<u>12</u>	<u>3,729</u>

- (i) Balances as at December 31, 2009 represented the loan to Shenyang Hua Rui Shiji Asset Management Co., Ltd., a partially-owned subsidiary owned by SRE Group Limited. The loan and the amounts due from associates were interest-free, unsecured and repayable on demand. The loan was fully repaid to the Group during the six months ended June 30, 2010.
- (ii) Balances as at June 30, 2010 represented the consideration receivable arising from disposal of a subsidiary during the six months ended June 30, 2010 (see Note 30 (ii)). The receivable was fully settled in August 2010.
- (iii) Balance as at December 31, 2008 represented US\$16 million earnest money (equivalent to RMB109.8 million) pursuant to a letter of intent where SRE Group Limited intended to acquire certain properties of the Group at RMB2 billion. The letter of intent would not be binding and the earnest money would be refunded to SRE Group Limited, unless approvals from shareholders of both the Company and SRE Group Limited could be obtained by June 30, 2010 and registration with the local land authorities would be completed by that date. However, the letter of intent was terminated in 2009 and the earnest money was used to net-off with the proceeds of new ordinary shares from Sinopower.
- (iv) Balances as at June 30, 2010 represented the amounts payable for the property management services provided by Shanghai Lake Malaren Property Management Co., Ltd., a former subsidiary that was disposed (see Note 30(ii)), which became a subsidiary of SRE Group Limited.

28. ADVANCES FROM CUSTOMERS

Group

Advances from customers mainly represented sales proceeds received in advance for its land sales, hotel operations and golf operations during the years ended December 31, 2007, 2008 and 2009 and the six months ended June 30, 2010. All of the advances from customers are expected to be recognized as revenue when the related services are provided and they are non-refundable unless the Group cannot provide related services.

29. EMPLOYEE BENEFITS AND DIRECTORS' REMUNERATION

Employee benefits (Group)

	Year ended December 31, 2007	Year ended December 31, 2008	Year ended December 31, 2009	Six months ended June 30, 2009 unaudited	2010
Employee benefits expense (including directors)					
Wages and salaries	47,474	56,355	49,144	25,473	27,736
Social welfare other than pensions	3,164	4,367	5,568	2,651	2,188
Pension – defined contribution plan	2,717	3,225	2,131	1,075	1,636
Staff welfare and bonuses	4,638	6,233	9,259	2,629	2,729
Share-based payments (Management Grant)	8,516	16,884	12,485	6,312	1,636
	<u>66,509</u>	<u>87,064</u>	<u>78,587</u>	<u>38,140</u>	<u>35,925</u>

Directors' remuneration

Details of the directors' remuneration are as follows:

	Year ended December 31, 2007	Year ended December 31, 2008	Year ended December 31, 2009	Six months ended June 30, 2009 unaudited	2010
Fees	1,475	1,426	1,538	733	861
Other emoluments:					
Salaries, allowances and benefits in kind	7,444	10,164	7,776	4,132	4,911
Equity-settled share option expense	6,238	12,366	11,531	5,832	1,495
Pension scheme contributions	–	217	143	84	70
	<u>15,157</u>	<u>24,173</u>	<u>20,988</u>	<u>10,781</u>	<u>7,337</u>

During the Relevant Periods, certain directors were granted share options, in respect of their services to the Group, under the share option scheme of the Company, further details of which are set out in this note below. The fair values of such options which have been recognized in the consolidated statement of comprehensive income over the vesting periods, were determined as at the dates of grant and the amounts included in the consolidated statements of comprehensive income for the Relevant Periods are included in the above directors' remuneration disclosures.

The names of the directors and their remuneration for the Relevant Periods are set out below:

Year ended December 31, 2007	Fees	Salaries, allowances and benefits in kind	Equity- settled share option expenses	Total
Shi Jian	–	703	–	703
Li Yao Min	–	1,016	1,818	2,834
Cheng Wai Ho	–	1,795	921	2,716
Gu Biya	–	860	921	1,781
Mao Yiping	–	860	760	1,620
Shi Janson Bing	–	47	–	47
Yue Wai Leung Stan	–	2,163	1,818	3,981
Henry Tan Song Kok	407	–	–	407
Loh Weng Whye	356	–	–	356
Lam Bing Lun Philip	356	–	–	356
Kong Siu Chee	356	–	–	356
	<u>1,475</u>	<u>7,444</u>	<u>6,238</u>	<u>15,157</u>

Year ended December 31, 2008	Fees	Salaries, allowances and benefits in kind	Equity- settled share option expenses	Pension scheme contributions	Total
Shi Jian	–	758	–	–	758
Li Yao Min	–	1,742	3,605	–	5,347
Cheng Wai Ho	–	1,958	1,825	98	3,881
Gu Biya	–	1,259	1,825	–	3,084
Mao Yiping	–	1,259	1,506	–	2,765
Shi Janson Bing	–	811	–	–	811
Yue Wai Leung Stan	–	2,378	3,605	119	6,102
Henry Tan Song Kok	393	–	–	–	393
Loh Weng Whye	344	–	–	–	344
Lam Bing Lun Philip	344	–	–	–	344
Kong Siu Chee	344	–	–	–	344
	<u>1,425</u>	<u>10,165</u>	<u>12,366</u>	<u>217</u>	<u>24,173</u>

Year ended December 31, 2009	Fees	Salaries, allowances and benefits in kind	Equity- settled share option expenses	Pension scheme contributions	Total
Shi Jian	–	220	–	–	220
Li Yao Min	–	1,432	2,687	–	4,119
Cheng Wai Ho	–	1,858	1,361	93	3,312
Gu Biya	–	664	1,361	–	2,025
Mao Yiping	–	1,424	1,122	–	2,546
Yang Yonggang	–	477	2,313	–	2,790
Shi Janson Bing	–	825	–	–	825
Yue Wai Leung Stan	123	876	2,687	50	3,736
Henry Tan Song Kok	389	–	–	–	389
Loh Weng Whye	342	–	–	–	342
Lam Bing Lun Philip	342	–	–	–	342
Kong Siu Chee	342	–	–	–	342
	<u>1,538</u>	<u>7,776</u>	<u>11,531</u>	<u>143</u>	<u>20,988</u>

Six months ended June 30, 2010	Fees	Salaries, allowances and benefits in kind	Equity- settled share option expenses	Pension scheme contributions	Total
Shi Jian	–	438	–	–	438
Li Yao Min	–	876	395	–	1,271
Cheng Wai Ho	–	1,315	–	51	1,366
Gu Biya	–	565	200	–	765
Mao Yiping	–	607	165	–	772
Yang Yonggang	–	324	340	–	664
Shi Janson Bing	–	405	–	–	405
Song Yi Qing	–	381	–	19	400
Yue Wai Leung Stan	105	–	395	–	500
Henry Tan Song Kok	183	–	–	–	183
Loh Weng Whye	183	–	–	–	183
Lam Bing Lun Philip	183	–	–	–	183
Kong Siu Chee	207	–	–	–	207
	<u>861</u>	<u>4,911</u>	<u>1,495</u>	<u>70</u>	<u>7,337</u>

Six months ended June 30, 2009 (unaudited)	Fees	Salaries, allowances and benefits in kind	Equity- settled share option expenses	Pension scheme contributions	Total
Shi Jian	–	–	–	–	–
Li Yao Min	–	661	1,359	–	2,020
Cheng Wai Ho	–	774	688	39	1,501
Gu Biya	–	663	688	–	1,351
Mao Yiping	–	712	568	–	1,280
Yang Yonggang	–	54	1,170	–	1,224
Shi Janson Bing	–	392	–	–	392
Yue Wai Leung Stan	18	876	1,359	45	2,298
Henry Tan Song Kok	196	–	–	–	196
Loh Weng Whye	173	–	–	–	173
Lam Bing Lun Philip	173	–	–	–	173
Kong Siu Chee	173	–	–	–	173
	<u>733</u>	<u>4,132</u>	<u>5,832</u>	<u>84</u>	<u>10,781</u>

The directors have not waived any remuneration as listed above.

Five highest paid employees

The five highest paid employees during the Relevant Periods included four directors in 2007 and 2008, five directors in 2009, four directors in the six months ended June 30, 2010 and five directors in the six months ended June 30, 2009 (unaudited), details of whose remuneration are set out above. Details of the remuneration of the remaining one non-director, highest paid employees are as follows:

	Year ended December 31, 2007	Year ended December 31, 2008	Year ended December 31, 2009	Six months ended June 30, 2009 unaudited	2010
Salaries, allowances and benefits in kind	254	545	–	–	1,315
Discretionary bonuses	–	136	–	–	–
Equity-settled share option expense	1,565	3,103	–	–	51
Pension scheme contributions	–	–	–	–	–
	<u>1,819</u>	<u>3,784</u>	<u>–</u>	<u>–</u>	<u>1,366</u>

The number of non-director, highest paid employee whose remuneration fell within the following band areas:

	Year ended December 31, 2007	Year ended December 31, 2008	Year ended December 31, 2009	Six months ended June 30, 2009 unaudited	2010
RMB1,500,001 to RMB2,000,000	1	–	–	–	1
RMB3,500,001 to RMB4,000,000	–	1	–	–	–
	<u>1</u>	<u>1</u>	<u>–</u>	<u>–</u>	<u>1</u>

Management Grant

On July 5, 2007, the Board of Directors of the Company passed a resolution to award a total of 380 shares (equivalent to 28,500,000 shares after the share split on October 16, 2007) to certain of the Company's directors and employees ("Entitled Persons") as an incentive for their continued service to the Company in the following proportions.

Entitled Person	Number of shares allotted	
	Before share split	Equivalent to numbers after share split
Li Yao Min	79	5,925,000
Yue Wai Leung Stan	79	5,925,000
Yang Yonggang	68	5,100,000
Gu Biya	40	3,000,000
Cheng Wai Ho	40	3,000,000
Mao Yiping	33	2,475,000
Tai Kuo-Lin	25	1,875,000
Ma Da Yu	10	750,000
Sun Xiaomeng	3	225,000
Zhang Qiong	3	225,000
Total	<u>380</u>	<u>28,500,000</u>

In accordance with the terms of Management Grant, the shares are allotted and will vest as follows:

- 10% at the end of the 12th month after the date of listing of the Company on the Main Board of the SGX;
- 15% at the end of the 24th month after the date of listing of the Company on the Main Board of the SGX;
- 20% at the end of the 36th month after the date of listing of the Company on the Main Board of the SGX;
- 25% at the end of 48th month after the date of listing of the Company on the Main Board of the SGX; and
- the remaining 30% at the end of the 60th month after the date of listing of the Company on the Main Board of the SGX.

Management Grant is provided on the basis that the relevant Entitled Persons remain in service within the Group on the vesting days and he/she has not submitted a notice of resignation at those dates. The exercise price is RMB8 per share (before share split). Management Grant is accounted for as a compensation for services to be provided by the Entitled Persons in the periods of service (the "vesting periods") as specified above. Since the shares granted do not vest until the Entitled Persons complete their services in the vesting periods, the Company will recognize the expenses over the vesting periods.

Fair value of stock options granted

DTZ Debenham Tie Leung Limited was engaged by the Group to assess the fair value of these Management Grant, who estimated the weighted average fair value to be RMB151,717 per share (before the share split, see Note 20) at the date of grant.

The fair value of the equity-settled stock options granted is estimated as at the date of grant using the binomial option pricing model, taking into accounts the terms and conditions upon which the options were granted. The following are the major inputs to the model used in the valuation at the grant date:

Estimated share price (before the share split)	RMB151,724
Exercise price (before the share split)	RMB8
Maturity date for exercise	No maturity date
Dividend yield (p.a.)	0.00%
Risk-free interest rate (p.a.)	5.24%
Volatility rate (p.a.)	28.40%

The volatility used in the model was based on the historical volatilities of listed companies who have risk profiles comparable with the risk profile of the Group.

Some of the Entitled Persons who have totally 43 shares (before the share split) left the Company during the years ended December 31, 2007 and 2009, and the six months ended June 30, 2010, so their rights under Management Grant were forfeited according to the terms of Management Grant.

There have been no cancellations or modifications to any of Management Grant during 2007, 2008 and 2009 and the six months ended June 30, 2010.

Movement

The following table illustrates the number of and movements in Management Grant:

	December 31, 2007	December 31, 2008	December 31, 2009	June 30, 2010
	Number of shares options (after the share split)	Number of shares options (after the share split)	Number of shares options (after the share split)	Number of shares options (after the share split)
Outstanding at the beginning of the year/period	–	27,750,000	27,750,000	24,772,500
Granted during the year/period	28,500,000	–	–	–
Forfeited during the year/period	(750,000)	–	(225,000)	(2,250,000)
Exercised during the year/period	–	–	(2,752,500)	(4,128,750)
	<u>27,750,000</u>	<u>27,750,000</u>	<u>24,772,500</u>	<u>18,393,750</u>
Outstanding at the end of the year/period	<u>27,750,000</u>	<u>27,750,000</u>	<u>24,772,500</u>	<u>18,393,750</u>
Exercisable at the end of the year/period	<u>–</u>	<u>2,775,000</u>	<u>4,128,750</u>	<u>–</u>

The weighted average share price at the date of exercise for share options exercised during the six months ended June 30, 2010 was SG\$0.12 (year ended December 31, 2009: SG\$0.07).

30. RELATED PARTY TRANSACTIONS

For the purposes of these financial statements, parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely the legal form.

As at June 30, 2010 and December 31, 2009, 2008 and 2007, Sinopower, a wholly-owned subsidiary of SRE Group Limited, holds at 62.36%, 50.07%, 32.03% and 45.15% of the Group's shares, respectively. In September 2009, the Group issued CB3 (see Note 24) to Sinopower. Since CB3 can be converted at any time into the shares of the Company, and upon such conversion, Sinopower will hold more than 50% of shares of the Company, for accounting purposes, Sinopower became the parent company of the Company since then. The Company was an associate of Sinopower before that.

SRE Investment Holding Limited is the largest shareholder of SRE Group Limited. It holds at 34.84%, 34.64%, 44.84% and 44.08% of the issued share capital of SRE Group Limited as at June 30, 2010 and December 31, 2009, 2008 and 2007 respectively.

- (a) In addition to the transactions detailed in Notes 24, 27 and 29, the Group had the following material transactions with related parties during the years ended December 31, 2007, 2008 and 2009 and the six months ended June 30, 2010 and 2009 (unaudited):

		Year ended December 31, 2007	Year ended December 31, 2008	Year ended December 31, 2009	Six months ended June 30, 2009	Six months ended June 30, 2010
	Notes				unaudited	unaudited
Transactions with parent, fellow subsidiaries the parties significantly influenced by or whose significant voting power resides with, directly or indirectly, some members of key management personnel of the Company:						
Land development revenue	(i)	321,198	221,964	289,977	289,977	–
Sale of a subsidiary	(ii)	–	–	–	–	3,040
Property management service expense	(iii)	–	–	–	–	348
Loan provided by the entity who has significant influence over the Group	(iv)	350,000	–	–	–	–
Loan provided to another subsidiary of SRE Group Limited	(v)	–	–	47,000	–	–
Loan repaid	(vi)	–	350,000	–	–	47,000
Issuance of new ordinary shares to Sinopower	(vii)	–	–	244,252	160,326	–
Issuance of CB3 to Sinopower	23	–	–	275,994	–	–
Capital contribution from SRE Investment in connection with the Company's Repurchase of CB2	23	–	163,433	–	–	–
		<u>–</u>	<u>163,433</u>	<u>–</u>	<u>–</u>	<u>–</u>

Notes:

- (i) The revenue in 2009 was from land development for sale as a result of the purchase of land use rights, through public auction, tender or listing, by Shanghai Oasis Garden Real Estate Co., Ltd., a subsidiary of SRE Group Limited (2008: Shenyang Lv Kang Real Estate Limited Company, a subsidiary of SRE Group Limited; 2007: Shanghai Anderson Fuxing Land Co., Ltd, a subsidiary of SRE (year 2007)). RMB258,685 thousand was recognized for the year ended December 31, 2009 (2008: RMB89,544 thousand; 2007: RMB300,553 thousand) and RMB31,292 thousand was deferred as income arising from construction of ancillary public facilities as at December 31, 2009 (2008: RMB132,420 thousand; 2007: RMB20,645 thousand).
- (ii) During the six months ended June 30, 2010, the Group entered into an agreement with Shanghai Good Property Management Co., Ltd., a subsidiary of SRE Group Limited, to dispose of its entire interests in one of its subsidiaries, Shanghai Lake Malaren Property Management Co., Ltd.. The total purchase consideration was RMB3,040 thousand payable in cash and was arrived at based on the net asset value of the subsidiary as at March 28, 2010. The transfer of interests completed on June 18, 2010 and resulted in an amount of RMB636 thousand investment loss to the Group.
- (iii) Shanghai Lake Malaren Property Management (a former subsidiary disposed of in 2010, see Note (ii) above) provides property management services to SGLD in respect of the Luodian New Town.
- In July 2010, SGLD and Shanghai Lake Malaren Property Management entered into an agreement pursuant to which Shanghai Lake Malaren Property Management agreed to continue to provide property management services to SGLD for a term from July 1, 2010 to December 31, 2012 at a fixed management fee of RMB869,373.90 per month, out of which Shanghai Lake Malaren Property Management shall be responsible for payment of the wages of management staff and their social insurance and statutory benefits, and other management expenses including those for daily operations and maintenance of and insurance for the common areas and shared facilities of the Luodian New Town, cleaning and sanitation, maintenance of greenery and social order.
- (iv) During the year ended December 31, 2007, Shanghai Luodian Assets Management and Investment Co., Ltd., a 27.37% shareholder of SGLD, provided an unsecured loan of RMB350 million to the Group. The loan bore interest at 7% per annum and the term of the loan was for a period of six months.
- (v) During the year ended December 31, 2009, the Group provided an interest-free loan to a related party. The loan was fully repaid on June 29, 2010 (see Note 27(i)).
- (vi) The loan in (iv) and (v) was repaid.
- (vii) During the year ended December 31, 2009, the Company has issued to Sinopower with 680 million new ordinary shares and 222,295,064 shares upon the repurchase of Senior Notes.

The directors have confirmed that item (iii) above will continue, other items listed above will be discontinued, after the listing of the Company's shares on the Hong Kong Stock Exchange.

(b) Compensation of key management personnel of the Group:

	Year ended December 31, 2007	Year ended December 31, 2008	Year ended December 31, 2009	Six months ended June 30, 2009 unaudited	2010
Wages and salaries	10,716	15,796	14,223	6,832	8,320
Share-based payments (Management Grant)	8,516	16,884	12,485	6,314	1,636
Social security costs	102	274	197	99	106
Pension – defined contribution plan	97	591	330	178	175
Staff welfare and bonuses	221	360	2,127	1,110	38
	<u>19,652</u>	<u>33,905</u>	<u>29,362</u>	<u>14,533</u>	<u>10,275</u>

31. CAPITAL COMMITMENTS AND COMMITMENTS IN RESPECT OF LAND DEVELOPMENT FOR SALE

At the end of each reporting period, the Group had capital commitments and commitments in respect of land development for sale as follows:

Group	December 31, 2007	December 31, 2008	December 31, 2009	June 30, 2010
Commitments in respect of land development for sale:				
Contracted but not provided for	2,790,355	2,626,055	2,216,317	2,158,025
Authorized but not contracted for	6,869,908	6,061,496	5,312,403	5,219,450
Investment properties under construction:				
Contracted but not provided for	15,230	–	101,179	50,571
Authorized but not contracted for	155,738	157,405	169,066	164,954
Property, plant and equipment and leasehold land:				
Contracted but not provided for	131,309	348,296	270,017	282,909
Authorized but not contracted for	<u>3,514,443</u>	<u>3,230,256</u>	<u>2,531,860</u>	<u>2,528,423</u>
Total	<u>13,476,983</u>	<u>12,423,508</u>	<u>10,600,842</u>	<u>10,404,332</u>

The Group had significant commitments as it had entered into three township development projects in Shanghai, Wuxi and Shenyang and such commitments are quantified based on contracts, feasibility studies and detailed plans for the respective projects. As a result, the Group prepares cash flow budgets for major project companies annually and updates the cash flow budgets regularly.

For the years ended December 31, 2007, 2008 and 2009, and six months ended June 30, 2010 and 2009 (unaudited), the Group obtained cash generated from operating activities as well as financing activities.

As of June 30, 2010, among the commitments that are contracted but not provided for, RMB1,777 million are with no specified due date for payments (2007: RMB2,384 million, 2008: RMB2,009 million and 2009: RMB1,810 million).

32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments, other than derivatives, comprise bank borrowings, Senior Notes, CB3, trade and other payables, other borrowings and cash and bank balances. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various financial assets such as trade receivables, cash and short-term deposits, which arose directly from its operations. The main risks faced by the Group are interest rate risk, foreign currency risk, credit risk and liquidity risk. The Group does not hold or issue derivative financial instruments either for hedging or for trading purposes. The board reviews and agrees policies for managing each of the risks which are summarized below:

Interest rate risk

The Group's exposure to the risk of changes in interest rates relates primarily to its interest-bearing bank borrowings. The Group does not use derivative financial instruments to manage its interest rate risk. The interest rates and terms of repayments of the borrowings are disclosed in Note 22.

The following table demonstrates the sensitivity to reasonably possible changes in interest rates, with all other variables held constant, of the Group's profit/loss before tax (mainly the impact on floating rate borrowings). Group's equity is not affected, other than the consequential effect on the accumulated losses (a component of the Group's equity) of the changes in the profit/loss before tax as disclosed below.

	Year ended December 31, 2007	Year ended December 31, 2008	Year ended December 31, 2009	Six months ended June 30, 2010
Increase/(decrease) in interest rate (basis points)	50/(50)	100/(100)	100/(100)	100/(100)
(Decrease)/increase on profit/(loss) before tax	(9,519)/9,519	(15,822)/15,822	(21,670)/21,670	(10,335)/10,335

Foreign currency risk

All the Group's operating entities operate in Mainland China with most of the transactions denominated in Renminbi. The Group is exposed to foreign exchange risk arising from golf membership fees received in United States dollars. In addition, the Group has raised significant amounts of funds in United States dollars via the issuance of convertible bonds. The Group has not hedged its foreign exchange rate risk as it expects that the bank deposits raised would be utilized for projects and converted to RMB in the near future.

The RMB is not a freely convertible currency, the conversion of the RMB into foreign currencies is subject to the rules and regulations of the foreign exchange control promulgated by the PRC government.

The following table demonstrates the sensitivity to reasonably possible changes in the US\$, HK\$ or SG\$ exchange rate, with all other variables held constant, of the Group's profit/loss before tax (due to changes in the carrying amount of monetary assets and liabilities). Group's equity is not affected, other than the consequential effect on the accumulated losses (a component of the Group's equity) of the changes in the profit/loss before tax as disclosed below.

	Year ended December 31, 2007	Year ended December 31, 2008	Year ended December 31, 2009	Six months ended June 30, 2010
Increase/(decrease) in US\$ exchange rate	5%/(5%)	10%/(10%)	10%/(10%)	10%/(10%)
Increase/(decrease) on profit/(loss) before tax	8,894/(8,894)	4,737/(4,737)	900/(900)	3,744/(3,744)
Increase/(decrease) in HK\$ exchange rate	5%/(5%)	10%/(10%)	10%/(10%)	10%/(10%)
Increase/(decrease) on profit/(loss) before tax	147/(147)	120/(120)	(3,690)/3,690	32/(32)
Increase/(decrease) in SG\$ exchange rate	5%/(5%)	10%/(10%)	10%/(10%)	10%/(10%)
Increase/(decrease) on profit/(loss) before tax	48,125/(48,125)	8/(8)	7/(7)	19/(19)

Credit risk

Credit risk arises from cash and bank balances, trade receivables, other receivables and amounts due from related parties, the balances of which represent the maximum credit risk exposure of the Group. As at December 31, 2007, 2008 and 2009, and June 30, 2010, a large portion of the trade receivables were from the revenue derived from land development for sale and therefore there is concentration of risk. Management considers that the credit risk is considered low as land development for sale is sold through public auction, tender or listing to qualified land buyers, whose qualifications are verified by relevant government authorities and buyers have paid a portion of proceeds as performance bonds to the government authorities.

Purchasers of golf club membership are generally granted with monthly installment payment terms mainly ranging from 12 to 24 months. Pursuant to the related sale agreement, the Group can cancel a buyer's membership if the installment payment is overdue for more than three months. The Group has no net exposure as the deferred income from sale of golf club membership is larger than related receivables. Hence, no adverse impact on the profit/(loss) before tax if the buyers' membership were cancelled due to the non-payments.

Liquidity risk

The Group policy is to maintain sufficient cash and cash equivalents or have available funding through the use of bank loans, debentures and other borrowings to meet its commitments over the foreseeable future in accordance with its strategic plan.

The table below summarizes the maturity profile of the Group's financial liabilities based on contractual undiscounted payments.

The Group

						Contractual due date not specified	Total
December 31, 2007	On demand	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years		
Interest-bearing loans	–	28,632	2,084,719	–	–	–	2,113,351
Convertible Bonds	–	–	1,576,057	–	–	–	1,576,057
Trade payables	493,417	–	–	–	–	338,750	832,167
Other liabilities	70,313	–	–	–	–	–	70,313
	<u>563,730</u>	<u>28,632</u>	<u>3,660,776</u>	<u>–</u>	<u>–</u>	<u>338,750</u>	<u>4,591,888</u>
December 31, 2008	On demand	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	Contractual due date not specified	Total
Interest-bearing loans	–	16,373	1,165,426	–	–	–	1,181,799
Convertible Bonds	–	52,655	52,655	803,922	–	–	909,232
Trade payables	673,698	–	–	–	–	362,593	1,036,291
Other liabilities	255,131	–	–	–	–	–	255,131
	<u>928,829</u>	<u>69,028</u>	<u>1,218,081</u>	<u>803,922</u>	<u>–</u>	<u>362,593</u>	<u>3,382,453</u>
December 31, 2009	On demand	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	Contractual due date not specified	Total
Interest-bearing loans	–	30,773	398,837	1,443,047	883,608	–	2,756,265
Senior Notes	92,076	–	–	–	–	–	92,076
CB3	–	2,760	2,760	22,080	287,034	–	314,634
Trade payables	781,614	–	–	–	–	483,638	1,265,252
Other liabilities	373,718	–	–	–	–	–	373,718
	<u>1,247,408</u>	<u>33,533</u>	<u>401,597</u>	<u>1,465,127</u>	<u>1,170,642</u>	<u>483,638</u>	<u>4,801,945</u>

June 30, 2010						Contractual	Total
	On demand	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	due date not specified	
Interest-bearing loans	–	29,210	311,126	1,410,496	844,066	–	2,594,898
Senior Notes	92,033	–	–	–	–	–	92,033
Trade payables	713,013	–	–	–	–	410,958	1,123,971
Other liabilities	234,679	–	–	–	–	–	234,679
	<u>1,039,725</u>	<u>29,210</u>	<u>311,126</u>	<u>1,410,496</u>	<u>844,066</u>	<u>410,958</u>	<u>4,045,581</u>

The Company

All of the Company's financial liabilities, except for Senior Notes as of June 30, 2010 and December 31, 2009 and Convertible Bonds disclosed as above, are repayable on demand as at each of the reporting dates.

Fair values

Except as indicated below, the fair values of the Group's financial instruments are not materially different from their carrying amounts. Fair value estimates are made at a specific point in time and are based on relevant market information and appropriate valuation models.

	Carrying amount				Fair value			
	December 31, 2007	December 31, 2008	December 31, 2009	June 30, 2010	December 31, 2007	December 31, 2008	December 31, 2009	June 30, 2010
Senior Notes	–	550,835	84,363	86,208	–	550,964	92,076	92,033
CB2 – host debt	1,101,860	–	–	–	1,249,900	–	–	–
CB3 – host debt	–	–	144,115	–	–	–	143,720	–
	<u>–</u>	<u>550,835</u>	<u>144,478</u>	<u>86,208</u>	<u>1,249,900</u>	<u>–</u>	<u>235,796</u>	<u>92,033</u>

Capital management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it, in the light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, issue bonds, convertible bonds or new shares.

As the Group is engaged in land development, it needs substantial amount of funds. The Group manages capital by closely monitoring its gearing ratio (which is defined by management as net debt divided by capital plus net debt).

For capital management purpose, the Group has changed the way net debt and equity were defined before in calculation of gearing ratio to be more in line with industry practice since year of 2010. Net debts include interest bearing bank loans, Senior Notes and CB and excludes trade and other payable. Equity includes equity attributable to owners of the parent and non-controlling interests. The gearing ratios as at the end of each reporting period are as follows:

	December 31, 2007	December 31, 2008	December 31, 2009	June 30, 2010
Interest-bearing loans and borrowings	1,990,000	1,137,000	2,157,000	2,057,000
Senior Notes	–	550,835	84,363	86,208
Convertible bonds	1,112,760	–	142,406	–
Less: Cash and bank balances	<u>(1,750,256)</u>	<u>(184,253)</u>	<u>(1,509,371)</u>	<u>(852,337)</u>
Net debt	<u>1,352,504</u>	<u>1,503,582</u>	<u>874,398</u>	<u>1,290,871</u>
Capital: Equity	<u>2,670,711</u>	<u>2,076,035</u>	<u>2,809,157</u>	<u>2,787,644</u>
Capital and net debt	<u>4,023,215</u>	<u>3,579,617</u>	<u>3,683,555</u>	<u>4,078,515</u>
Gearing ratio	<u>33.62%</u>	<u>42.00%</u>	<u>23.74%</u>	<u>31.65%</u>

Collateral

RMB7,762 thousand (equivalent to US\$1,135 thousand) (2009: RMB7,758 thousand (equivalent to US\$1,135 thousand), 2008: RMB46,134 thousand, equivalent to US\$6,750 thousand, 2007: RMB31,761 thousand, equivalent to US\$4,336 thousand) of the Group's restricted bank deposits (see Note 19) has been escrowed in an interest reserve bank account of the Senior Notes. RMB36 million (2009: RMB36 million) of restricted bank deposits are also escrowed into banks for the RMB580 million (2009: RMB600 million) of bank borrowings as at June 30, 2010 (see Note 19). Besides, the Group has also pledged its certain properties, investment properties and prepaid land lease payments in order to fulfil the collateral requirements for the interest-bearing bank borrowings (see Note 22) as at December 31, 2007, 2008 and 2009, and June 30, 2010.

The Group did not hold collateral of any sort as at December 31, 2007, 2008 and 2009, and June 30, 2010.

33. DISPOSAL OF A SUBSIDIARY

During the six months ended June 30, 2010, the Group disposed of its entire 97.6% interest in Shanghai Lake Malaren Property Management Co., Ltd. (see Note 30(ii)).

	June 18, 2010
	unaudited
Net assets at the date of disposal:	
Investment in non-controlling equity interest of another subsidiary of the Group	500
Property, plant and equipment	576
Deferred tax assets	248
Amounts due from the Group	3,505
Inventories	54
Trade and other receivables	110
Cash and bank balances	3,376
Trade and other payables and accruals	(4,693)
	<u>3,676</u>
Loss on disposal of a subsidiary (<i>Note 6</i>)	(636)
	<u>3,040</u>
Consideration receivable	<u><u>3,040</u></u>

An analysis of the net outflows of cash and cash equivalents in respect of the disposal of a subsidiary is as follows:

	June 30, 2010
Consideration receivable	3,040
Less: amount not yet received (<i>Note 27(ii)</i>)	<u>(3,040)</u>
Cash received up to date of June 30, 2010	–
Cash and bank balances disposed of	<u>(3,376)</u>
Net outflow of cash and cash equivalents as a result of the disposal of a subsidiary	<u><u>(3,376)</u></u>

34. EVENTS AFTER THE REPORTING PERIOD

- (a) In July 2010, the Group sold 51,639,250 treasury shares to the stock market and received a total amount of SG\$5.4 million proceeds (equivalent to HK\$30 million).
- (b) In August 2010, Shanghai Municipal Bureau of Planning and Land Resources has announced the completion of public auction of two parcels of residential land (with site areas of 43,326 square meters and 107,825 square meters respectively) from the SGLD project for public auction. The Group recognized approximately RMB1.1 billion as revenue in August 2010.

35. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Group in respect of any period subsequent to June 30, 2010.

Yours faithfully,
Ernst & Young
Certified Public Accountants
 Hong Kong

The following is the text of a letter, summary of valuations and valuation certificates prepared for the purpose of incorporation in this document received from DTZ Debenham Tie Leung Limited, an independent property valuer, in connection with its opinion of values of the property interests of our Group as at August 31, 2010.



16th Floor
Jardine House
1 Connaught Place
Central
Hong Kong

October 18, 2010

The Directors
China New Town Development Company Limited
Suite 2503
Convention Plaza Office Tower
1 Harbour Road
Wan Chai
Hong Kong

Dear Sirs,

INSTRUCTIONS, PURPOSE & DATE OF VALUATION

In accordance with your instructions for us to value the properties held by China New Town Development Company Limited (referred to as the “Company”) and its subsidiaries (hereinafter together referred to as the “Group”) have interests in the People’s Republic of China (the “PRC”) (as more particularly described in the valuation certificates), we confirm that we have inspected the properties, made relevant enquiries and obtained such further information as we consider necessary to provide you with our opinion of the values of such properties as at August 31, 2010 (the “date of valuation”).

DEFINITION OF MARKET VALUE

Our valuation of each of the properties represents its market value which in accordance with The HKIS Valuation Standards on Properties (First Edition 2005) published by the Hong Kong Institute of Surveyors is defined as “the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm’s-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion”.

VALUATION BASIS AND ASSUMPTIONS

In valuing the properties, we have complied with the requirements set out in Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities published by The Stock Exchange of the Hong Kong Limited and the HKIS Valuation Standards on Properties (First Edition 2005) issued by the Hong Kong Institute of Surveyors.

Our valuations exclude an estimated price inflated or deflated by special terms or circumstances such as atypical financing, sale and leaseback arrangement, special considerations or concessions granted by anyone associated with the sale, or any element of special value.

In the course of our valuation of the properties in the PRC, we have assumed that, unless otherwise stated, the transferable land use rights of the properties for their respective terms at nominal annual land use fees have been granted and that any premium payable has already been fully paid. We have relied on the information and advice given by the Group and its legal advisor, Jingtian & Gongcheng regarding the title to each of the properties and the interests of the Group in the properties. In valuing the properties, we have assumed that the Group has an enforceable title to each of the properties and has free and uninterrupted rights to use, occupy or assign the properties for the whole of the respective unexpired land use term as granted.

In respect of the properties situated in the PRC, the status of titles and grant of major certificates approvals and licenses, in accordance with the information provided by the Group are set out in the notes of the respective valuation certificates.

No allowance has been made in our valuations for any charges, mortgages or amounts owing on the properties nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the properties are free from encumbrances, restrictions and outgoings of an onerous nature which could affect their values.

METHOD OF VALUATION

In valuing the properties in Group I, which are held and occupied by the Group in the PRC, we have used the direct comparison approach assuming sale of the property in its existing state by making reference to comparable sales transactions as available in the relevant market.

In valuing the properties in Group II, which are held by the Group for investment in the PRC, we have used income approach on the basis of capitalization of net rental income derived from the existing tenancies with due allowance for reversionary income potential of the property or by reference to comparable market transactions.

In respect of the properties in Groups III to V, which are held by the Group for investment and sale both under construction and for future development respectively in the PRC, we have valued on the basis that the properties will be developed and completed in accordance with the Group's latest development proposals provided to us (if any). We have assumed that all consents, approvals and licenses from relevant government authorities for the development proposals have been obtained without onerous conditions or delays. We have also assumed that the design and construction of the development are in compliance with the local planning regulations and have been approved by the relevant authorities. In arriving at our opinion of values, we have adopted the direct comparison approach by making reference to comparable sales evidence as available in the relevant market and have also taken into account the expended construction costs and the costs that will be expended to complete the development to reflect the quality of the completed development.

For properties in Group VI, which are leased by the Group in the PRC, are considered to have no commercial value due mainly to the prohibition against assignment and subletting or otherwise to the lack of the substantial profit rents.

SOURCE OF INFORMATION

We have been provided by the Group with extracts of documents in relation to the titles to the properties. However, we have not inspected the original documents to ascertain any amendments which may not appear on the copies handed to us.

In the course of our valuations, we have relied to a very considerable extent on the information given to us by the Group in respect of the properties in the PRC and have accepted advice given by the Group on such matters as planning approvals or statutory notices, easements, tenure, identification of land and buildings, completion date of buildings, number of car parking spaces, particulars of occupancy, site and floor areas, interest attributable to the Group and all other relevant matters.

Dimensions, measurements and areas included in the valuation certificates are based on information provided to us and are therefore only approximations. We have had no reason to doubt the truth and accuracy of the information provided to us by the Group which is material to the valuations. We were also advised by the Group that no material facts have been omitted from the information provided.

TITLE INVESTIGATION

We have been provided with extracts of documents relating to the titles of the properties in the PRC, but no searches have been made in respect of the properties. We have not searched the original documents to verify ownership or to ascertain any amendment which may not appear on the copies handed to us. We are also unable to ascertain the title of the properties in the PRC and we have therefore relied on the advice given by the Group regarding the Group's interests in the PRC properties.

SITE INSPECTION

We have inspected the exterior and, wherever possible, the interior of the properties. However, we have not carried out investigation on site to determine the suitability of the soil conditions and the services etc. for any future development. Our valuation is prepared on the assumption that these aspects are satisfactory and that no extraordinary costs or delays will be incurred during the construction period. No structural survey has been made, but in the course of our inspection, we did not note any serious defects. We are not, however, able to report whether the properties are free of rot, infestation or any other structural defects. No tests were carried out to any of the services. Unless otherwise stated, we have not been able to carry out on-site measurements to verify the site and floor areas of the properties and we have assumed that the area shown on the documents handed to us are correct.

CURRENCY

Unless otherwise stated, all money amounts indicated herein our valuations are in Renminbi (RMB), which is the official currency of the PRC.

We enclose herewith a summary of our valuations and our valuation certificates.

Yours faithfully,
for and on behalf of
DTZ Debenham Tie Leung Limited
Andrew K.F. Chan
Registered Professional Surveyor (GP)
Registered China Real Estate Appraiser
MSc., M.H.K.I.S., M.R.I.C.S.
Director

Note: Mr. Andrew Chan is a Registered Professional Surveyor who has over 23 years' of experience in the valuation of properties in Hong Kong and the PRC.

SUMMARY OF VALUATIONS

Group I – Properties held and occupied by the Group in the PRC

Property	Capital value in existing state as at August 31, 2010 (RMB)	Interest attributable to the Group (%)	Capital value in existing state attributable to the Group as at August 31, 2010 (RMB)
1. Command center in Luodian New Town, Baoshan District, Shanghai, the PRC 中國上海市寶山區 羅店新鎮 指揮中心	45,000,000	72.63	32,683,500
2. Lake Malaren Convention Center in Luodian New Town, Baoshan District, Shanghai, the PRC 中國上海市寶山區 羅店新鎮 美蘭湖會議中心	207,000,000	72.63	150,344,100
3. Crowne Plaza Lake Malaren Shanghai Hotel in Luodian New Town, Baoshan District, Shanghai, the PRC 中國上海市寶山區 羅店新鎮 上海美蘭湖皇冠假日酒店	459,000,000	72.63	333,371,700

Property	Capital value in existing state as at August 31, 2010 (RMB)	Interest attributable to the Group (%)	Capital value in existing state attributable to the Group as at August 31, 2010 (RMB)
4. Unit No. 815 of Retail Street on the west side of Xinhong Road, Hongshan New Town, New District, Wuxi, Jiangsu Province, the PRC 中國江蘇省無錫市新區 鴻山新鎮新鴻路以西的 風情街815商舖單元	16,500,000	90	14,850,000
Sub-total of Group I:	727,500,000		531,249,300

Group II – Properties held by the Group for investment in the PRC

Property	Capital value in existing state as at August 31, 2010 (RMB)	Interest attributable to the Group (%)	Capital value in existing state attributable to the Group as at August 31, 2010 (RMB)
5. Various shops in Retail Street of Luodian New Town, Baoshan District, Shanghai, the PRC 中國上海市寶山區 羅店新鎮風情街商舖	420,000,000	72.63	305,046,000
6. Various shops in Retail Street and the remaining land plot on the west side of Xinhong Road, Hongshan New Town, New District, Wuxi, Jiangsu Province, the PRC 中國江蘇省無錫市新區 鴻山新鎮新鴻路以西的 風情街商舖及剩餘土地	164,000,000	90	147,600,000
Sub-total of Group II:	584,000,000		452,646,000

Group III – Property held by the Group for investment and under construction in the PRC

Property	Capital value in existing state as at August 31, 2010 (RMB)	Interest attributable to the Group (%)	Capital value in existing state attributable to the Group as at August 31, 2010 (RMB)
7. Retail portion of Transport Center of Luodian New Town, Baoshan District, Shanghai, the PRC 中國上海市寶山區 羅店新鎮交通樞紐的 商舖部份	233,000,000	72.63	169,227,900
Sub-total of Group III:	<u>233,000,000</u>		<u>169,227,900</u>

Group IV – Property held by the Group for sale and under construction in the PRC

Property	Capital value in existing state as at August 31, 2010 (RMB)	Interest attributable to the Group (%)	Capital value in existing state attributable to the Group as at August 31, 2010 (RMB)
8. Office portion of Transport Center of Luodian New Town, Baoshan District, Shanghai, the PRC	200,000,000	72.63	145,260,000
中國上海市寶山區 羅店新鎮交通樞紐的 辦公樓部份			
Sub-total of Group IV:	<u>200,000,000</u>		<u>145,260,000</u>

Group V – Properties held by the Group for future development in the PRC

Property	Capital value in existing state as at August 31, 2010 (RMB)	Interest attributable to the Group (%)	Capital value in existing state attributable to the Group as at August 31, 2010 (RMB)
9. A parcel of land beside Crowne Plaza Lake Malaren Shanghai Hotel in Luodian New Town, Baoshan District, Shanghai, the PRC 中國上海市寶山區 羅店新鎮上海美蘭湖 皇冠假日酒店旁邊的土地	291,000,000	72.63	211,353,300
10. A parcel of land on the west side of Xinhong Road, Hongshan New Town, New District, Wuxi, Jiangsu Province, the PRC 中國江蘇省無錫市新區鴻山 新鎮新鴻路以西的一塊土地	175,000,000	90	157,500,000
11. A parcel of land on the north side of Xixian Road, Hongshan New Town, New District, Wuxi, Jiangsu Province, the PRC 中國江蘇省無錫市新區鴻山 新鎮錫賢路北側的一塊土地	170,000,000	90	153,000,000
Sub-total of Group V:	636,000,000		521,853,300

Group VI – Properties leased and occupied by the Group in the PRC

Property	Capital value in existing state as at August 31, 2010 (RMB)	Capital value in existing state attributable to the Group as at August 31, 2010 (RMB)
12. A portion of building at No. 4 Zhenxing Road, Hongshan Town, Wuxi, Jiangsu Province, the PRC 中國江蘇省無錫市 鴻山鎮振興路4號房屋部份	No commercial value	No commercial value
13. A portion of building at No. 4-1 Zhenxing Road, Hongshan Town, Wuxi, Jiangsu Province, the PRC 中國江蘇省無錫市 鴻山鎮振興路4-1號房屋部份	No commercial value	No commercial value
14. Golf courses in Luodian New Town, Baoshan District, Shanghai, the PRC 中國上海市寶山區 羅店新鎮高爾夫球場	No commercial value	No commercial value
Sub-total of Group VI:	No commercial value	No commercial value
Grand total of Groups I to VI:	2,380,500,000	1,820,236,500

VALUATION CERTIFICATE

Group I – Properties held and occupied by the Group in the PRC

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at August 31, 2010
<p>1. Command center in Luodian New Town, Baoshan District, Shanghai, the PRC</p> <p>中國上海市寶山區羅店新鎮指揮中心</p>	<p>Luodian New Town is a comprehensive development comprising retail shops, convention center complex, golf course, clubhouse, driving range, hotel and various land parcels planned for residential developments.</p> <p>The command center comprises two buildings in Luodian New Town. One is a 2-storey building completed in 2003 and is known as Phase 1 of the property. Another one is a 4-storey building completed in 2007 and is known as Phase 2 of the property.</p> <p>Phase 1 of the property has a total gross floor area of approximately 1,328.9 sq.m. without Shanghai Certificate of Real Estate Ownership.</p> <p>Phase 2 of the property has a total gross floor area of approximately 5,302.88 sq.m. with Shanghai Certificate of Real Estate Ownership.</p> <p>The property is held with land use rights for a term of 50 years from September 6, 2006 to September 5, 2056 for public facilities (organization) use.</p>	<p>The property is occupied by the Group as office.</p>	<p>RMB45,000,000</p> <p>(72.63% interest attributable to the Group: RMB32,683,500)</p>

Notes:

- (1) According to Shanghai Contract for Grant of State-owned Land Use Rights (2006) No. 168 entered into between Shanghai Baoshan District Housing and Land Administrative Bureau (the “Grantor”) and 上海金羅店開發有限公司 (Shanghai Golden Luodian Development Co., Ltd.) (the “Grantee”) on September 6, 2006, the Grantor has granted the land use rights of the land in Luonan Town, Baoshan District, Shanghai to the Grantee. The salient conditions as stipulated in the contract are summarized as follows:

Location	:	south side of Yuepa Road and east side of Hutai Road, Luonan Town, Baoshan District
Site area	:	12,142.7 sq.m.
Land premium	:	RMB2,185,680
Uses	:	Public facilities (Organization)
Land use term	:	50 years
Plot ratio	:	0.53 (total gross floor area shall not be more than 6,435.63 sq.m.)

- (2) According to Shanghai Certificate of Real Estate Ownership No. (2008) 029673 dated August 1, 2008, the salient details of the Phase 2 of the property are summarized as follows:

Owner	:	上海金羅店開發有限公司 (Shanghai Golden Luodian Development Co., Ltd.)
Location	:	No. 6655 Hutai Road
Land use	:	Public facilities (Organization)
Lot no.	:	Qiu 44/3, Jiefang 12, Luonan Town, Baoshan District
Land use term	:	From September 6, 2006 to September 5, 2056 (50 years)
Site area	:	12,142.70 sq.m.
Gross floor area	:	5,302.88 sq.m.

In the course of our valuation, we have ascribed no commercial value to the Phase 1 of the property as the Shanghai Certificate of Real Estate Ownership has not been issued to the Group.

- (3) According to Planning Permit for Construction Use of Land No. (2006) 13060118E00091 issued by Urban Planning Administrative Bureau of Baoshan District on January 17, 2006, the construction project of 羅店新鎮指揮中心 (Command Center of Luodian New Town) on the land parcel situated on the south side of Meilanhu Road and on the east side of Luotai Road, with a site area of 17,260 sq.m. is in compliance with the urban planning requirements.
- (4) According to Business License No. 310000400317858 dated December 3, 2009, 上海金羅店開發有限公司 (Shanghai Golden Luodian Development Co., Ltd.) was established with a registered capital of RMB548,100,000 for an operating period from September 26, 2002 to September 25, 2017. The scope of business comprises land development in the Luodian New Town area, real estate development for the land obtained by the process of transfer of state-owned land with consideration, provision of public utilities services and construction of municipal facilities, related property management, operation of golf course, driving range, hotel, food and beverage outlets, ancillary shopping arcades (with cigarettes and alcohol), swimming pool, tennis court, yacht berth and convention center.

- (5) We have been provided with a Legal Opinion on the property prepared by the Group's PRC legal advisor, which contains, inter alia, the following information:
- (i) the Shanghai Certificate of Real Estate Ownership of the Phase 2 of the property is legal, valid and protected under the PRC laws and 上海金羅店開發有限公司 (Shanghai Golden Luodian Development Co., Ltd) (SGLD) can lawfully enjoy the land use rights under such certificate;
 - (ii) SGLD has performed the necessary government approval procedures and obtained the necessary documents in respect of the construction of Phase 2 of the property but has not yet obtained the relevant approval documents in respect of the construction of Phase 1 of the property. As such, the PRC government may require the demolition of Phase 1 of the property and the relevant government approval authority may impose administrative penalty on SGLD;
 - (iii) SGLD has the right to occupy, use and mortgage the land use rights and building ownership under the Shanghai Certificate of Real Estate Ownership of the property during the term of such rights in accordance with the PRC laws; and
 - (iv) all land premium stated in the Contract for Grant of Stated-owned Land Use Rights have been paid and settled.
- (6) The status of the title and grant of major approvals and licenses in accordance with the information provided to us are as follows:

Contract for Grant of State-owned Land Use Rights	Yes
Shanghai Certificate of Real Estate Ownership	Yes
Planning Permit for Construction Use of Land	Yes
Business License	Yes

VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at August 31, 2010
2. Lake Malaren Convention Center in Luodian New Town, Baoshan District, Shanghai, the PRC 中國上海市寶山區羅店新鎮美蘭湖會議中心	<p>Luodian New Town is a comprehensive development comprising retail shops, convention center complex, golf course, clubhouse, driving range, hotel and various land parcels planned for residential developments.</p> <p>The property comprises a 5-storey convention center complex in Luodian New Town. The complex comprises 4 convention halls, 2 multifunctional halls, 22 conference rooms, an exhibition hall, theater, restaurants, 76 guest rooms, other entertainment facilities and underground car parking spaces.</p> <p>Completed in 2004, the property has a total gross floor area of approximately 33,537.26 sq.m.</p> <p>The property is held with land use rights for a term of 50 years from October 26, 2005 to October 25, 2055 for public facilities use.</p>	The property is operated as a convention center complex.	RMB207,000,000 (72.63% interest attributable to the Group: RMB150,344,100)

Notes:

- (1) According to Shanghai Contract for Grant of State-owned Land Use Rights (2005) No. 140 entered into between Shanghai Baoshan District Housing and Land Administrative Bureau (the "Grantor") and 上海金羅店開發有限公司 (Shanghai Golden Luodian Development Co., Ltd.) (the "Grantee") on October 26, 2005, the Grantor has granted the land use rights of the land in Luonan Town, Baoshan District, Shanghai to the Grantee. The salient conditions as stipulated in the contract are summarized as follows:

Plot no.	:	Qiu 28/3, Jiefang 12, Luonan Town, Baoshan District
Site area	:	26,116 sq.m.
Land premium	:	RMB7,386,720
Uses	:	Public facilities
Land use term	:	50 years
Plot ratio	:	Total floor area shall not be more than 33,537.26 sq.m.

- (2) According to Shanghai Certificate of Real Estate Ownership No. (2005) 035549 dated October 27, 2005 issued by Shanghai Municipal Building and Land Administrative Bureau, the ownership of the property has been vested in 上海金羅店開發有限公司 (Shanghai Golden Luodian Development Co., Ltd.) as follows:

Owner	:	Shanghai Golden Luodian Development Co., Ltd.
Location	:	No. 888 Luofen Road, Luonan Town, Baoshan District
Land area	:	26,116 sq.m.
Land use	:	Public facilities
Land use term	:	From October 26, 2005 to October 25, 2055
Gross floor area	:	33,537.26 sq.m.
Building uses	:	Hotel
Number of stories	:	5
Year of completion	:	2004

- (3) According to Planning Permit for Construction Use of Land No. (2003) 0087 issued by Urban Planning Administrative Bureau of Baoshan District on April 14, 2003, the construction project of 羅店新鎮美蘭湖會議中心 (Lake Malaren Convention Center of Luodian New Town) on the land parcel situated on the south side of Nuobeier Road and on the west side of Luotai Road, with a site area of 18,340 sq.m. is in compliance with the urban planning requirements.
- (4) According to Planning Permit for Construction Works No. (2003) 0383 issued by Planning Administrative Bureau of Baoshan District on October 23, 2003, the construction works of the convention center on the land parcel situated on the south side of Nuobeier Road and on the west side of Luotai Road, with an area of 34,560 sq.m. are in compliance with the urban planning requirements and have been approved.
- (5) According to Business License No. 310000400317858 dated December 3, 2009, 上海金羅店開發有限公司 (Shanghai Golden Luodian Development Co., Ltd.) was established with a registered capital of RMB548,100,000 for an operating period from September 26, 2002 to September 25, 2017. The scope of business comprises land development in the Luodian New Town area, real estate development for the land obtained by the process of transfer of state-owned land with consideration, provision of public utilities services and construction of municipal facilities, related property management, operation of golf course, driving range, hotel, food and beverage outlets, ancillary shopping arcades (with cigarettes and alcohol), swimming pool, tennis court, yacht berth and convention center.
- (6) We have been provided with a Legal Opinion on the property prepared by the Group's PRC legal advisor, which contains, inter alia, the following information:
- the Shanghai Certificate of Real Estate Ownership of the property is legal, valid and protected under the PRC laws and 上海金羅店開發有限公司 (Shanghai Golden Luodian Development Co., Ltd) (SGLD) can lawfully enjoy the land use rights under such certificate;
 - SGLD has performed the necessary government approval procedures and has obtained the necessary documents in respect of the construction of the property;
 - SGLD has the right to occupy and use the land use rights and building ownership of the property during the term of such rights in accordance with the PRC laws;

- (iv) all land premium stated in the Contract for Grant of Stated-owned Land Use Rights have been paid and settled; and
 - (v) the property has been mortgaged to the Industrial and Commercial Bank of China Limited Huangpu Branch.
- (7) The status of the title and grant of major approvals and licenses in accordance with the information provided to us are as follows:

Contract for Grant of State-owned Land Use Rights	Yes
Shanghai Certificate of Real Estate Ownership	Yes
Planning Permit for Construction Use of Land	Yes
Planning Permit for Construction Works	Yes
Business License	Yes

VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at August 31, 2010
3. Crowne Plaza Lake Malaren Shanghai Hotel in Luodian New Town, Baoshan District, Shanghai, the PRC 中國上海市寶山區羅店新鎮上海美蘭湖皇冠假日酒店	<p>Luodian New Town is a comprehensive development comprising retail shops, convention center complex, golf course, clubhouse, driving range, hotel and various land parcels planned for residential developments.</p> <p>The property comprises a 9-storey hotel consisting of 274 guest rooms, underground car parking spaces, Chinese and western restaurants, bars, indoor swimming pools, gyms, spas, clubhouse and other facilities in Luodian New Town.</p> <p>Completed in 2006, the property has a total gross floor area of approximately 49,708.83 sq.m. of which approximately 37,477.35 sq.m. is above ground and approximately 12,231.48 sq.m. is underground.</p> <p>The property is held with land use rights of for a term of 40 years from July 18, 2003 to July 17, 2043 for commercial use.</p>	<p>The property is operated as a hotel under the name "Crowne Plaza Lake Malaren Shanghai Hotel" and is subject to a management agreement dated June 20, 2007 with 假日酒店(中國)有限公司 (Holiday Inns (China) Ltd.) for an initial term of 10 years after the full opening of the hotel; and an automatic renewal term of 10 years unless notice is given by either party to terminate the agreement.</p>	<p>RMB459,000,000 (72.63% interest attributable to the Group: RMB333,371,700)</p>

Notes:

- (1) According to Shanghai Contract for Grant of State-owned Land Use Rights (2003) No. 14 entered into between Shanghai Baoshan District Housing and Land Administrative Bureau (the "Grantor") and 上海金羅店開發有限公司 (Shanghai Golden Luodian Development Co., Ltd.) (the "Grantee") on July 18, 2003, the Grantor has agreed to grant the land use rights of the land located on the east side of Fuyuan Road, the south side of Malu River and the west side of Panjing Road, Luonan Town, Baoshan District, Shanghai to the Grantee. The salient conditions as stipulated in the contract are, inter alia, summarized as follows:

Location	:	on the east side of Fuyuan Road, the south side of Malu River and the west side of Panjing Road, Luonan Town, Baoshan District, Shanghai
Site area	:	336,491 sq.m.
Land premium	:	RMB47,108,740
Uses	:	Commercial and service
Land use term	:	40 years
Plot ratio	:	Not more than 0.4 (Total floor area shall not be more than 134,596.4 sq.m.)

- (2) According to Shanghai Certificate of Real Estate Ownership No. (2007) 040750 dated October 28, 2007 issued by Shanghai Municipal Building and Land Administrative Bureau, the ownership of the property has been vested in 上海金羅店開發有限公司 (Shanghai Golden Luodian Development Co., Ltd) as follows:
- Owner : Shanghai Golden Luodian Development Co., Ltd.
- Location : Qiu 88/8, Jiefang 5, Luonan Town, Baoshan District
- Land use : Commercial and service
- Land use term : From July 18, 2003 to July 17, 2043 (40 years)
- Site area : 336,491 sq.m.
- Year of completion : 2006
- Gross floor area : 49,708.83 sq.m.
- (3) As advised by the Group, there are a hotel and a golf club house building located on the land. The Group cannot provide evidence to ascertain a separate site area for the portions of land occupied by the hotel and clubhouse building.
- (4) According to Planning Permit for Construction Use of Land No. (2002) 0275 issued by Planning Administrative Bureau of Baoshan District on December 31, 2002, the construction project of 羅店新鎮高爾夫俱樂部、練習場 (Driving range of golf club of Luodian New Town) on the land parcel situated on the west side of Panjing Road, with a site area of 340,000 sq.m. is in compliance with the urban planning requirements.
- (5) According to Planning Permit for Construction Works No. (2004) 0268 issued by Planning Administrative Bureau of Baoshan District on October 22, 2004, the construction works of 羅店新鎮高爾夫俱樂部A幢 (Block A of golf club of Luodian New Town) on the land parcel situated Meilanhu Road, with an area of 37,661 sq.m. are in compliance with the urban planning requirements and have been approved.
- (6) According to Business License No. 310000400317858 dated December 3, 2009, Shanghai Golden Luodian Development Co., Ltd. was established with a registered capital of RMB548,100,000 for an operating period from September 26, 2002 to September 25, 2017. The scope of business comprises land development in the Luodian New Town area, real estate development for the land obtained by the process of transfer of state-owned land with consideration, provision of public utilities services and construction of municipal facilities, related property management, operation of golf course, driving range, hotel, food and beverage outlets, ancillary shopping arcades (with cigarettes and alcohol), swimming pool, tennis court, yacht berth and convention center.
- (7) We have been provided with a Legal Opinion on the property prepared by the Group's PRC legal advisor, which contains, inter alia, the following information:
- (i) the Shanghai Certificate of Real Estate Ownership of the property is legal, valid and protected under the PRC laws and 上海金羅店開發有限公司 (Shanghai Golden Luodian Development Co., Ltd) (SGLD) can lawfully enjoy the land use rights under such certificate;
 - (ii) SGLD has performed the necessary government approval procedures and has obtained the necessary documents in respect of the construction of the property;
 - (iii) SGLD has the right to occupy and use the land use rights and building ownership of the property during the term of such rights in accordance with the PRC laws;

- (iv) all land premium stated in the Contract for Grant of Stated-owned Land Use Rights have been paid and settled; and
 - (v) the property has been mortgaged to the Agricultural Bank of China Limited Baoshan Branch.
- (8) The status of the title and grant of major approvals and licenses in accordance with the information provided to us are as follows:

Contract for Grant of State-owned Land Use Rights	Yes
Shanghai Certificate of Real Estate Ownership	Yes
Planning Permit for Construction Use of Land	Yes
Planning Permit for Construction Works	Yes
Business License	Yes

VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at August 31, 2010
4. Unit No. 815 of Retail Street on the west side of Xinhong Road, Hongshan New Town, New District, Wuxi, Jiangsu Province, the PRC 中國江蘇省無錫市新區鴻山新鎮新鴻路以西的風情街商舖815單元	The property comprises a unit of various 2 to 3-storey buildings erected on a parcel of land with a total site area of 31,715.60 sq.m. which is a portion of whole land with a total site area of approximately 88,903.40 sq.m. and is known as Retail Street of Hongshan New Town. Completed in 2008, the property has a total gross floor area of approximately 2,916.64 sq.m. The property is held with land use rights for a term due to expire on November 29, 2047 for commercial use.	As at the date of valuation, the property was used by the Group as office.	RMB16,500,000 (90% interest attributable to the Group: RMB14,850,000)

Notes:

- (1) According to State-owned Land Use Right Certificate No. (2008)2 issued by Wuxi Peoples' Government on January 29, 2008, the land use rights of the property having a total site area of approximately 88,903.4 sq.m. have been vested in 無錫鴻山新城鎮開發有限公司 (Wuxi Hongshan New Town Development Co. Ltd.) for a term due to expire on November 29, 2047 for commercial use.
- (2) According to a Building Ownership Certificate issued by Wuxi Real Estate Administrative Bureau on November 18, 2008, the building ownership of the property with a total gross floor area of approximately 2,916.64 sq.m. has been vested in 無錫鴻山新城鎮開發有限公司 (Wuxi Hongshan New Town Development Co. Ltd.) for commercial use with details as follows:

Certificate No.	Address	No. of storey	GFA (sq.m.)
XQ1000109757	No. 815 Zhide Avenue	3	2,916.64

- (3) According to Business License No. 320200400029334 dated November 11, 2009, 無錫鴻山新城鎮開發有限公司 (Wuxi Hongshan New Town Development Co. Ltd.) was established with a registered capital of US\$24,900,000 for an operating period from March 6, 2007 to March 5, 2057. The scope of business comprises the real estate development, public facilities development and property management in Hongshan New Town.
- (4) We have been provided with a Legal Opinion on the property prepared by the Group's PRC legal advisor, which contains, inter alia, the following information:
- (i) the State-owned Land Use Right Certificate and Building Ownership Certificate of the property are legal, valid and protected under the PRC laws and 無錫鴻山新城鎮開發有限公司 (Wuxi Hongshan New Town Development Co. Ltd.) can lawfully enjoy the land use rights under such certificates;
- (ii) 無錫鴻山新城鎮開發有限公司 (Wuxi Hongshan New Town Development Co. Ltd.) has performed the necessary government approval procedures and has obtained necessary documents in respect of the construction of the property;

- (iii) 無錫鴻山新城鎮開發有限公司 (Wuxi Hongshan New Town Development Co. Ltd.) has the right to occupy, use and mortgage the land use rights and building ownership of the property during the term of such land use rights in accordance with the PRC laws; and
- (iv) all land premium stated in the Contract for Grant of Stated-owned Land Use Rights have been paid and settled.
- (5) The status of the title and grant of major approvals and licenses in accordance with the information provided to us are as follows:
- | | |
|---|-----|
| State-owned Land Use Rights Certificate | Yes |
| Building Ownership Certificate | Yes |
| Business License | Yes |

VALUATION CERTIFICATE

Group II – Properties held by the Group for investment in the PRC

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at August 31, 2010
5. Various shops in Retail Street of Luodian New Town, Baoshan District, Shanghai, the PRC 中國上海市寶山區羅店新鎮風情街商舖	<p>Luodian New Town is a comprehensive development comprising retail shops, convention center complex, golf course, clubhouse, driving range, hotel and various land parcels planned for residential developments.</p> <p>The property comprises various shops and public utilities in Luodian New Town.</p> <p>The property was completed in 2004 and renovation works were completed in 2008.</p> <p>The property has a total gross floor area of approximately 72,494.23 sq.m.</p> <p>The property is held with land use rights for a term of 50 years from October 26, 2005 to October 25, 2055 for public facilities use.</p>	As at the date of valuation, portion of the property was subject to various lease agreements at a total monthly rent of RMB122,178 and the last expiry date of the lease agreements was December 31, 2019. The remaining portion of the property was vacant.	RMB420,000,000 (72.63% interest attributable to the Group: RMB305,046,000)

Notes:

- (1) According to Shanghai Contract for Grant of State-owned Land Use Rights (2005) No. 141 entered into between Shanghai Baoshan District Housing and Land Administrative Bureau (the “Grantor”) and 上海金羅店開發有限公司 (Shanghai Golden Luodian Development Co., Ltd.) (the “Grantee”) on October 26, 2005, the Grantor has granted the land use rights of the land in Luonan Town, Baoshan District, Shanghai to the Grantee. The salient conditions as stipulated in the contract are, inter alia, summarized as follows:

Plot no.	:	Qiu 28/6, Jiefang 12, Luonan Town, Baoshan District
Site area	:	90,329 sq.m.
Land premium	:	RMB22,420,980
Use	:	Public facilities
Land use term	:	50 years
Plot ratio	:	Total floor area shall not be more than 74,912 sq.m.

- (2) According to Shanghai Certificate of Real Estate Ownership No. (2005) 035588 dated October 27, 2005, the salient details as stipulated in the certificate are, inter alia, summarized as follows:

Owner	:	上海金羅店開發有限公司 (Shanghai Golden Luodian Development Co., Ltd.)
Location	:	Lanes 555, 689, 789, 989, Luofen Road, Luonan Town, Baoshan District
Land use	:	Public facilities
Lot no.	:	Qiu 28/6, Jiefang 12, Luonan Town, Baoshan District
Land use term	:	From October 26, 2005 to October 25, 2055 (50 years)
Site area	:	90,329 sq.m.
Year of completion	:	2004
Gross floor area	:	62,628.98 sq.m.

- (3) According to Shanghai Certificate of Real Estate Ownership No. (2008) 028929 dated July 29, 2008, the salient details as stipulated in the certificate are, inter alia, summarized as follows:

Owner	:	上海金羅店開發有限公司 (Shanghai Golden Luodian Development Co., Ltd.)
Location	:	Nos. 63 to 66 in Lanes 555 Luofen Road and Nos. 86 to 88 and Basement car park in Lane 698 Luofen Road
Land use	:	Public facilities
Lot no.	:	Qiu 28/6, Jiefang 12, Luonan Town, Baoshan District
Land use term	:	From October 26, 2005 to October 25, 2055 (50 years)
Site area	:	90,329 sq.m.
Year of completion	:	2008
Gross floor area	:	10,054.01 sq.m.

- (4) According to Business License No. 310000400317858 dated December 3, 2009, 上海金羅店開發有限公司 (Shanghai Golden Luodian Development Co., Ltd.) was established with a registered capital of RMB548,100,000 for an operating period from September 26, 2002 to September 25, 2017. The scope of business comprises land development in the Luodian New Town area, real estate development for the land obtained by the process of transfer of state-owned land with consideration, provision of public utilities services and construction of municipal facilities, related property management, operation of golf course, driving range, hotel, food and beverage outlets, ancillary shopping arcades (with cigarettes and alcohol), swimming pool, tennis court, yacht berth and convention center.

- (5) We have been provided with a Legal Opinion on the property prepared by the Group's PRC legal advisor, which contains, inter alia, the following information:

- (i) the Shanghai Certificates of Real Estate Ownership of the property are legal, valid and protected under the PRC laws and 上海金羅店開發有限公司 (Shanghai Golden Luodian Development Co., Ltd) (SGLD) can lawfully enjoy the land use rights under such certificates;

- (ii) SGLD has performed the necessary government approval procedures and has obtained the necessary documents in respect of the construction of the property;
 - (iii) SGLD has the right to occupy and use the land use rights and building ownership of the property during the term of such land use rights in accordance with the PRC laws;
 - (iv) all land premium stated in the Contract for Grant of Stated-owned Land Use Rights have been paid and settled; and
 - (v) the property has been mortgaged to the Industrial and Commercial Bank of China Limited Huangpu Branch.
- (6) The status of the title and grant of major approvals and licenses in accordance with the information provided to us are as follows:

Contract for Grant of State-owned Land Use Rights	Yes
Shanghai Certificates of Real Estate Ownership	Yes
Business License	Yes

VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at August 31, 2010
<p>6. Retail Street and the remaining portion of land on the west side of Xinhong Road, Hongshan New Town, New District, Wuxi, Jiangsu Province, the PRC</p> <p>中國江蘇省無錫市新區鴻山新鎮新鴻路以西的風情街商舖</p>	<p>The property comprises various 2 to 3-storey buildings erected on a parcel of land with a total site area of 31,715.60 sq.m. which is a portion of whole land with a total site area of approximately 88,903.40 sq.m. and is known as Retail Street of Hongshan New Town.</p> <p>Completed in 2008, the property comprises a total gross floor area of approximately 12,161.94 sq.m..</p> <p>The property also comprises the remaining land plot of the land with a total site area of approximately 57,187.80 sq.m.</p> <p>As advised by the Group, the remaining phase of Retail Street will be developed on the property with a total gross floor area of approximately 51,450 sq.m.</p> <p>The property is held with land use rights for a term due to expire on November 29, 2047 for commercial use.</p>	<p>As at the date of valuation, portion of the retail street was subject to various lease agreements and the last expiry date of the lease agreements was February 28, 2015.</p> <p>The total monthly rent received was RMB39,981 for the leased portion.</p> <p>The remaining portion of the retail street was vacant.</p> <p>The remaining portion of land was a bare land.</p>	<p>RMB164,000,000</p> <p>(90% interest attributable to the Group: RMB147,600,000)</p>

Notes:

- (1) According to State-owned Land Use Right Certificate No. (2008)2 issued by Wuxi Peoples' Government on January 23, 2008, the land use rights of the property having a total site area of approximately 88,903.4 sq.m. have been vested in 無錫鴻山新城鎮開發有限公司 (Wuxi Hongshan New Town Development Co. Ltd.) for a term due to expire on November 29, 2047 for commercial use.

- (2) According to ten Building Ownership Certificates all issued by Wuxi Real Estate Administrative Bureau on November 18, 2008, the building ownership of the property with a total gross floor area of approximately 12,161.94 sq.m. has been vested in 無錫鴻山新城鎮開發有限公司 (Wuxi Hongshan New Town Development Co. Ltd.) for commercial use with details as follows:

Certificate No.	Address	No. of storey	GFA (sq.m.)
XQ1000109808-1	No. 803-1 to 803-6 Zhide Avenue	2	976.30
XQ1000109808-2	No. 803-1 to 803-6 Zhide Avenue	2	185.01
XQ1000109809	No. 811 Zhide Avenue	2	2,039.23
XQ1000109805	No. 807-1 to 807-4 Zhide Avenue	2	2,377.02
XQ1000109806	No. 809-1 to 809-2 Zhide Avenue	3	804.30
XQ1000109811	No. 813-1 to 813-2 Zhide Avenue	2	2,361.79
XQ1000109810-1	No. 805-1 to 805-13 Zhide Avenue	2	855.47
XQ1000109810-2	No. 805-1 to 805-13 Zhide Avenue	2	1,063.80
XQ1000109810-3	No. 805-1 to 805-13 Zhide Avenue	2	393.11
XQ1000109807	No. 801-1 to 801-5 Zhide Avenue	2	1,105.91
Total:			12,161.94

- (3) According to Business License No. 320200400029334 dated November 11, 2009, 無錫鴻山新城鎮開發有限公司 (Wuxi Hongshan New Town Development Co. Ltd.) was established with a registered capital of US\$24,900,000 for an operating period from March 6, 2007 to March 5, 2057. The scope of business comprises the real estate development, public facilities development and property management in Hongshan New Town.
- (4) We have been provided with a Legal Opinion on the property prepared by the Group's PRC legal advisor, which contains, inter alia, the following information:
- (i) the State-owned Land Use Right Certificate and Building Ownership Certificates of the property are legal, valid and protected under the PRC laws and 無錫鴻山新城鎮開發有限公司 (Wuxi Hongshan New Town Development Co. Ltd.) can lawfully enjoy the land use rights under such certificate;
 - (ii) 無錫鴻山新城鎮開發有限公司 (Wuxi Hongshan New Town Development Co. Ltd.) has performed the necessary government approval procedures and has obtained the necessary documents in respect of the construction of the property;
 - (iii) 無錫鴻山新城鎮開發有限公司 (Wuxi Hongshan New Town Development Co. Ltd.) has the right to occupy, use and mortgage the land use rights and building ownership of the property; and
 - (iv) all land premium stated in the Contract for Grant of Stated-owned Land Use Rights have been paid and settled.
- (5) The status of the title and grant of major approvals and licenses in accordance with the information provided to us are as follows:

State-owned Land Use Rights Certificate	Yes
Building Ownership Certificates	Yes
Business License	Yes

VALUATION CERTIFICATE

Group III – Property held by the Group for investment and under construction in the PRC

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at August 31, 2010
7. Retail portion of Transport Center of Luodian New Town, Baoshan District, Shanghai, the PRC 中國上海市寶山區羅店新鎮交通樞紐的商舖部份	Luodian New Town is a comprehensive development comprising retail shops, convention center complex, golf course, clubhouse, driving range, hotel and various land parcels planned for residential developments. The property comprises the retail portion of Transport Center in Luodian New Town. As advised by the Group, the property is scheduled to be completed in the end of 2010. The property has a total above ground gross floor area of approximately 15,282 sq.m. and a total under ground gross floor area of approximately 10,277 sq.m. The property is held with land use rights for terms of 50 years and 40 years from December 15, 2009 for transport use and commercial use respectively.	As at the date of valuation, the property was under construction.	RMB233,000,000 (72.63% interest attributable to the Group: RMB169,227,900)

Notes:

- (1) According to Shanghai Certificate of Real Estate Ownership No. (2010) 019799 dated April 29, 2010, the salient details as stipulated in the certificate are, inter alia, summarized as follows:

Owner	:	上海金羅店開發有限公司 (Shanghai Golden Luodian Development Co., Ltd.)
Location	:	Qiu 93/20, Jiefang 10, Luonan Town, Baoshan District
Land use	:	Other commercial use
Land use term	:	From December 15, 2009 to December 14, 2059 (50 years for public transport use) From December 15, 2009 to December 14, 2049 (40 years for commercial use)
Site area	:	17,969.20 sq.m.

- (2) According to Contract for Grant of State-owned Land Use Rights No. (2009) 84 entered into between 上海市寶山區規劃和土地管理局 (Planning and Land Administrative Bureau of Baoshan District of Shanghai Municipality) (the “Grantor”) and 上海金羅店開發有限公司 (Shanghai Golden Luodian Development Co., Ltd.) (the “Grantee”) on November 24, 2009, the Grantor has granted the land use rights of a parcel of commercial land to the Grantee with details as follows:
- (i) Location : west of Hutai Road
 - (ii) Site area : 17,969.2 sq.m.
 - (iii) Use : Other commercial use
 - (iv) Consideration : RMB59,400,000
 - (v) Land use term : 50 years for transport use and 40 years for commercial use
- (3) According to Planning Permit of Construction Use of Land No. (2009) EA31011320091523 issued by 上海市寶山區規劃和土地管理局 (Planning and Land Bureau of Baoshan District of Shanghai Municipality) on December 10, 2009, the construction site of the property for transport and commercial uses with a site area of 17,969.20 sq.m. is in compliance with the urban planning requirements.
- (4) As advised by the Group, the total expended construction cost for the property as at the date of valuation was RMB169,551,206 whilst the outstanding construction cost for completion of the property as at the date of valuation was RMB33,448,794. We have taken into account such amounts in our valuation.
- (5) The capital value when completed of the proposed development as at the date of valuation was in the sum of RMB304,000,000.
- (6) According to Business License No. 310000400317858 dated December 3, 2009, 上海金羅店開發有限公司 (Shanghai Golden Luodian Development Co., Ltd.) was established with a registered capital of RMB548,100,000 for an operating period from September 26, 2002 to September 25, 2017. The scope of business comprises land development in the Luodian New Town area, real estate development for the land obtained by the process of transfer of state-owned land with consideration, provision of public utilities services and construction of municipal facilities, related property management, operation of golf course, driving range, hotel, food and beverage outlets, ancillary shopping arcades (with cigarettes and alcohol), swimming pool, tennis court, yacht berth and convention center.
- (7) We have been provided with a Legal Opinion on the property prepared by the Group’s PRC legal advisor, which contains, inter alia, the following information:
- (i) the Shanghai Certificate of Real Estate Ownership of the property is legal, valid and protected under the PRC laws and 上海金羅店開發有限公司 (Shanghai Golden Luodian Development Co., Ltd) (SGLD) can lawfully enjoy the land use rights under such certificate;
 - (ii) 上海金羅店開發有限公司 (Shanghai Golden Luodian Development Co., Ltd.) (SGLD) has performed the necessary government approval procedures and has obtained the necessary documents from the government in respect of the construction of the property;
 - (iii) SGLD has the right to occupy, use and mortgage the land use rights and building ownership of the property; and
 - (iv) all land premium stated in the Contract for Grant of Stated-owned Land Use Rights have been paid and settled.

- (8) The status of the title and grant of major approvals and licenses in accordance with the information provided to us are as follows:

Contract for Grant of State-owned Land Use Rights	Yes
Shanghai Certificate of Real Estate Ownership	Yes
Planning Permit for Construction Use of Land	Yes
Business License	Yes

VALUATION CERTIFICATE

Group IV – Property held by the Group for sale and under construction in the PRC

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at August 31, 2010
8. The office portion of Transport Center of Luodian North European New Town, Baoshan District, Shanghai, the PRC 中國上海市寶山區羅店新鎮交通樞紐的辦公樓部份	Luodian North European New Town is a comprehensive development comprising retail shops, convention center complex, golf course, clubhouse, driving range, hotel and various land parcels planned for residential developments. The property comprises the office portion of Transport Center in Luodian North European New Town. As advised by the Group, the property is scheduled to be completed in the end of 2012. The property has a total planned above ground gross floor area of approximately 41,200 sq.m. and a total under ground gross floor area of approximately 10,700 sq.m. The property is held with land use rights for terms of 50 years and 40 years from the date of delivery of the land for transport use and commercial use respectively.	As at the date of valuation, the property was under construction.	RMB200,000,000 (72.63% interest attributable to the Group: RMB145,260,000)

Notes:

- (1) According to Shanghai Certificate of Real Estate Ownership No. (2010) 019799 dated April 29, 2010, the salient details as stipulated in the certificate are, inter alia, summarized as follows:
- Owner : 上海金羅店開發有限公司 (Shanghai Golden Luodian Development Ltd.)
- Location : Qiu 93/20, Jiefang 10, Luonan Town, Baoshan District
- Land use : Other commercial use
- Land use term : From December 15, 2009 to December 14, 2059 (50 years for public transport use)
From December 15, 2009 to December 14, 2049 (40 years for commercial use)
- Site area : 17,969.20 sq.m.
- (2) According to Grant Contract of State-owned Land Use Rights No. (2009) 84 entered into between 上海市寶山區規劃和土地管理局 (Planning and Land Administrative Bureau of Baoshan District of

Shanghai Municipality) (the “Grantor”) and 上海金羅店開發有限公司 (Shanghai Golden Luodian Development Ltd.) (the “Grantee”) on 24 November 2009, the Grantor has granted the land use rights of a parcel of commercial land to the Grantee with details as follows:

- (i) Location : west of Hutai Road
 - (ii) Site area : 17,969.20 sq.m.
 - (iii) Use : commercial
 - (iv) Consideration : RMB59,400,000
 - (v) Land use term : 50 years for transport use and 40 years for commercial use
- (3) According to Planning Permit of Construction Use of Land No. (2009) EA31011320691528 issued by 上海市寶山區規劃和土地管理局 (Planning and Land Bureau of Baoshan District of Shanghai Municipality) on December 10, 2009, the construction site of the property for transport and commercial uses with a site area of 17,969.20 sq.m. is in compliance with the urban planning requirements.
- (4) As advised by the Group, the total expended construction cost for the property as at the date of valuation was RMB92,900,000 whilst the outstanding construction cost for completion of the property as at the date of valuation was RMB262,600,000. We have taken into account such amounts in our valuation.
- (5) The capital value when completed of the proposed development as at the date of valuation was in the sum of RMB494,000,000.
- (6) According to Business License No. 31000040317858 dated December 3, 2009, 上海金羅店開發有限公司 (Shanghai Golden Luodian Development Ltd.) was established with a registered capital of RMB548,100,000 for an operating period from 26 September 2002 to 25 September 2017. The scope of business comprises land development in the Luodian New Town area, real estate development for the land obtained by the process of transfer of state-owned land with consideration, provision of public utilities services and construction of municipal facilities, related property management, operation of golf course, driving range, hotel, food and beverage outlets, ancillary shopping arcades (with cigarettes and alcohol), swimming pool, tennis court, yacht berth and convention center.
- (7) We have been provided with a Legal Opinion on the property prepared by the Group’s PRC legal advisor, which contains, inter alia, the following information:
- (i) the Shanghai Certificate of Real Estate Ownership of the property is legal, valid and protected under the PRC laws and 上海金羅店開發有限公司 (Shanghai Golden Luodian Development Co., Ltd) (SGLD) can lawfully enjoy the land use rights under such certificate;
 - (ii) SGLD has performed the necessary government approval procedures and has obtained the necessary documents in respect of the construction of the property;
 - (iii) SGLD has the right to occupy, use and mortgage the land use rights and building ownership of the property; and
 - (iv) all land premium stated in the Contract for Grant of Stated-owned Land Use Rights have been paid and settled.
- (8) The status of the title and grant of major approvals and licenses in accordance with the information provided to us are as follows:
- | | |
|---|-----|
| Contract for Grant of State-owned Land Use Rights | Yes |
| Shanghai Certificate of Real Estate Ownership | Yes |
| Planning Permit for Construction Use of Land | Yes |
| Business License | Yes |

VALUATION CERTIFICATE

Group V – Properties held by the Group for future development in the PRC

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at August 31, 2010
<p>9. A parcel of land beside Crowne Plaza Lake Malaren Shanghai Hotel in Luodian New Town, Baoshan District, Shanghai, the PRC</p> <p>中國上海市寶山區羅店新鎮上海美蘭湖皇冠假日酒店旁邊土地</p>	<p>Luodian New Town is a comprehensive development comprising retail shops, convention center complex, golf course, clubhouse, driving range, hotel and various land parcels planned for residential developments.</p>	<p>As at the date of valuation, the property was a bare land</p>	<p>RMB291,000,000 (72.63% interest attributable to the Group: RMB211,353,300)</p>
	<p>The property comprises a parcel of land which, together with the sites on which a hotel, and clubhouse are erected, has a site area of approximately 336,491 sq.m. in Luodian New Town.</p>		
	<p>The Group cannot provide evidence to ascertain a separate site area for the portion of land excluding the site area occupied by hotel and clubhouse but advises that the total above ground gross floor area of the hotel and clubhouse is 37,477.35 sq.m.</p>		
	<p>Based on the information in the Grant Contract, the remaining unexpended potential of permissible gross floor area on the property is estimated to be approximately 97,119.05 sq.m. (134,596.40 sq.m. less 37,477.35 sq.m.).</p>		
	<p>As advised by the Group, it is expected that the date of commencement of construction is September 30, 2010.</p>		
	<p>The property is held with land use rights for a term of 40 years from July 18, 2003 to July 17, 2043 for commercial use.</p>		

Notes:

- (1) According to Shanghai Contract for Grant of State-owned Land Use Rights (2003) No. 14 entered into between Shanghai Baoshan District Housing and Land Administrative Bureau (the “Grantor”) and 上海金羅店開發有限公司 (Shanghai Golden Luodian Development Co., Ltd.) (the “Grantee”) on July 18, 2003, the Grantor has agreed to grant the land use rights of the land located on the east side of Fuyuan Road, the south side of Malu River and the west side of Panjing Road, Luonan Town, Baoshan District, Shanghai to the Grantee. The salient conditions as stipulated in the contract are, inter alia, summarized as follows:

Location	:	on the east side of Fuyuan Road, the south side of Malu River and the west side of Panjing Road, Luonan Town, Baoshan District, Shanghai
Site area	:	336,491 sq.m.
Land premium	:	RMB47,108,740
Uses	:	Commercial and service
Land use term	:	40 years
Plot ratio	:	Not more than 0.4 (Total floor area shall not be more than 134,596.4 sq.m.)

- (2) According to Shanghai Certificate of Real Estate Ownership No. (2007) 040750 dated October 27, 2005 issued by Shanghai Municipal Building and Land Administrative Bureau, the ownership of the property has been vested in Shanghai Golden Luodian Development Co., Ltd as follows:

Owner	:	Shanghai Golden Luodian Development Co., Ltd.
Location	:	Qiu 88/8, Jiefang 5, Luonan Town, Baoshan District
Land use	:	Commercial
Land use term	:	From July 18, 2003 to July 17, 2043 (40 years)
Site area	:	336,491 sq.m.

- (3) As advised by the Group, there are a hotel and a golf club house building located on the land. The Group cannot provide evidence to ascertain a separate site area for the portion of land occupied by the hotel and clubhouse but advises that the total above ground gross floor area of the hotel and clubhouse is 37,477.35 sq.m.. Based on the information in the Grant Contract, the remaining unexpended potential of permissible gross floor area on the property is estimated to be approximately 97,119.05 sq.m. (i.e. 134,596.40 sq.m. less 37,477.35 sq.m.).

- (4) According to Planning Permit for Construction Use of Land No. (2002) 0275 issued by Planning Administrative Bureau of Baoshan District on December 31, 2002, the construction project of 羅店新鎮高爾夫俱樂部、練習場 (Driving range of golf club of Luodian New Town) on the land parcel situated on the west side of Panjing Road, with a site area of 340,000 sq.m. is in compliance with the urban planning requirements.

- (5) According to Business License No. 310000400317858 dated December 3, 2009, Shanghai Golden Luodian Development Co., Ltd. was established with a registered capital of RMB548,100,000 for an operating period from September 26, 2002 to September 25, 2017. The scope of business comprises land development in the Luodian New Town area, real estate development for the land obtained by the process of transfer of state-owned land with consideration, provision of public utilities services and construction of municipal facilities, related property management, operation of golf course, driving range, hotel, food and beverage outlets, ancillary shopping arcades (with cigarettes and alcohol), swimming pool, tennis court, yacht berth and convention center.

- (6) We have been provided with a Legal Opinion on the property prepared by the Group's PRC legal advisor, which contains, inter alia, the following information:
- (i) the Shanghai Certificate of Real Estate Ownership of the property is legal, valid and protected under the PRC laws and 上海金羅店開發有限公司 (Shanghai Golden Luodian Development Co., Ltd) (SGLD) can lawfully enjoy the land use rights under such certificate;
 - (ii) SGLD has the right to occupy, use and mortgage the land use rights of the property;
 - (iii) all land premium stated in the Contract for Grant of Stated-owned Land Use Rights have been paid and settled; and
 - (iv) the property has been mortgaged to the Agricultural Bank of China Limited Baoshan Branch.
- (7) The status of the title and grant of major approvals and licenses in accordance with the information provided to us are as follows:

Contract for Grant of State-owned Land Use Rights	Yes
Shanghai Certificate of Real Estate Ownership	Yes
Planning Permit for Construction Use of Land	Yes
Planning Permit for Construction Works	No
Business License	Yes

VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at August 31, 2010
10. A parcel of land on the west side of Xinhong Road, Hongshan New Town, New District, Wuxi, Jiangsu Province, the PRC 中國江蘇省無錫市新區鴻山新鎮新鴻路以西的一塊土地	The property comprises a parcel of land with a total site area of approximately 69,212.40 sq.m. As advised by the Group, a proposed residential development will be developed on the property with a total gross floor area of approximately 83,054.88 sq.m. The property is held with land use rights for terms of 40 years for commercial use, 70 years for residential use and 50 years for other uses.	As at the date of valuation, the property was a bare land.	RMB175,000,000 (90% interest attributable to the Group: RMB157,500,000)

Notes:

- (1) According to Contract for Grant of State-owned Land Use Rights No. (2008) 41 entered into between 無錫市國土資源局 (Land Resources Bureau of Wuxi Municipality) (the “Grantor”) and 無錫鴻山新城鎮開發有限公司 (Wuxi Hongshan New Town Development Co. Ltd.) (the “Grantee”) on May 6, 2008, the Grantor has granted the land use rights of a parcel of land to the Grantee with details as follows:

- | | | | |
|-------|---------------|---|---|
| (i) | Location | : | west side of Xinhong Road |
| (ii) | Site area | : | 69,212,40 sq m |
| (iii) | Use | : | residential |
| (iv) | Consideration | : | RMB125,000,000 |
| (v) | Land use term | : | 40 years for commercial use, 70 years for residential use and 50 years for other uses |
| (vi) | Plot ratio | : | 1.05 to 1.2 |

According to Supplemental Contract to the Contract for Grant of State-owned Land Use Rights No. (2008) 41 entered into between the Grantor, the Grantee and 無錫鴻慶房地產開發有限公司 (Wuxi Hongqing Real Estate Development Co. Ltd.) on June 7, 2010 (the “Supplemental Contract”), the grantee under the contract was changed from 無錫鴻山新城鎮開發有限公司 (Wuxi Hongshan New Town Development Co. Ltd.) to Wuxi Hongqing Real Estate Development Co. Ltd. The date of commencement of construction works has been extended to August 30, 2010 and the date of completion of construction of works has been extended to February 28, 2013.

- (2) As advised by the Group, 無錫鴻慶房地產開發有限公司 (Wuxi Hongqing Real Estate Development Co. Ltd.) has no legal impediment to obtain the State-owned Land Use Rights Certificate.
- (3) According to Business License No. 320213000131430 dated April 27, 2010, 無錫鴻慶房地產開發有限公司 (Wuxi Hongqing Real Estate Development Co. Ltd.) was established with a registered capital of RMB8,000,000. The scope of business comprises the real estate development and operation.
- (4) We have been provided with a Legal Opinion on the property prepared by the Group’s PRC legal advisor, which contains, inter alia, the following information:
- (i) The Contract for Grant of State-owned Land Use Rights of the property is legal, valid and protected under the PRC laws;

- (ii) all land premium stated in the Contract for Grant of State-owned Land Use Rights have been paid and settled; and
 - (iii) according to the Supplemental Contract, construction of the property is required to commence prior to August 30, 2010 but Wuxi Hongqing Real Estate Development Co. Ltd. has not yet obtained the relevant approval documents in respect of the construction of the property and construction of the property and has not yet commenced. Pursuant to the Contract for Grant of State-owned Land Use Rights No. (2008) 41, the Grantor may impose a fine on Wuxi Hongqing Real Estate Development Co. Ltd. of less than 20% of the land premium payable if construction failed to commence within one year of the construction commencement date prescribed under the Contract for Grant of State-owned Land Use Rights and may take back the land use rights if construction failed to commence within two years of the construction commencement date prescribed under the Contract for Grant of State-owned Land Use Rights.
- (5) The status of the title and grant of major approvals and licenses in accordance with the information provided to us are as follows:

State-owned Land Use Rights Certificate	No
Contract for Grant of State-owned Land Use Rights	Yes
Supplementary Contract for Grant of State-owned Land Use Rights	Yes
Business License	Yes

VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at August 31, 2010
11. A parcel of land on the north side of Xixian Road, Hongshan New Town, New District, Wuxi, Jiangsu Province, the PRC 中國江蘇省無錫市新區鴻山新鎮錫賢路北側的一塊土地	The property comprises a parcel of land with a total site area of approximately 74,762.9 sq.m. As advised by the Group, a proposed hotel and convention center development will be developed on the property with a total gross floor area of approximately 82,239.19 sq.m. The property is held with land use rights for a term due to expire on February 3, 2050 for commercial use.	As at the date of valuation, the property was a bare land.	RMB170,000,000 (90% interest attributable to the Group: RMB153,000,000)

Notes:

- (1) According to Contract for Grant of State-owned Land Use Rights No. (2008) 20 entered into between 無錫市國土資源局 (Land Resources Bureau of Wuxi Municipality) (the “Grantor”) and 無錫鴻山新鎮開發有限公司 (Wuxi Hongshan New Town Development Co. Ltd.) (the “Grantee”) on January 25, 2008, the Grantor has granted the land use rights of a parcel of land to the Grantee with details as follows:

- | | | | |
|-------|---------------|---|-----------------------------|
| (i) | Location | : | north side of Xixian Road |
| (ii) | Site area | : | 74,762.9 sq m |
| (iii) | Use | : | commercial |
| (iv) | Consideration | : | RMB121,900,000 |
| (v) | Land use term | : | 40 years for commercial use |
| (vi) | Plot ratio | : | 1.0 to 1.1 |

According to Supplemental Contract to the Contract for Grant of State-owned Land Use Rights No. (2008) 20 entered into between the Grantor and the Grantee on May 21, 2010, the date of commencement of construction works has been extended to May 30, 2010 and the date of completion of construction of works has been extended to May 30, 2012.

- (2) According to State-owned Land Use Rights Certificate No (2010) 014 dated July 12, 2010, the property has been vested in 無錫鴻山新鎮開發有限公司 (Wuxi Hongshan New Town Development Co., Ltd.) for a term due to expire on February 3, 2050 for commercial use.
- (3) According to Business License No. 320200400029334 dated November 11, 2009, 無錫鴻山新鎮開發有限公司 (Wuxi Hongshan New Town Development Co. Ltd.) was established with a registered capital of US\$24,900,000 for an operating period from March 6, 2007 to March 5, 2057. The scope of business comprises the real estate development, public facilities development and property management in Hongshan New Town.
- (4) We have been provided with a Legal Opinion on the property prepared by the Group’s PRC legal advisor, which contains, inter alia, the following information:
- (i) The state-owned Land Use Rights Certificate and Contract for Grant of State-owned Land Use Rights of the property are legal, valid and protected under the PRC laws;

- (ii) 無錫鴻山新城開發有限公司 Wuxi, Hongshan New Town Development Co., Ltd.) has the right to use, occupy, and mortgage the land use rights of the property; and
 - (iii) all land premium stated in the Contract for Grant of Stated-owned Land Use Rights have been paid and settled.
- (5) The status of the title and grant of major approvals and licenses in accordance with the information provided to us are as follows:

State-owned Land Use Rights Certificate	Yes
Contract for Grant of State-owned Land Use Rights	Yes
Supplementary Contract for Grant of State-owned Land Use Rights	Yes
Business License	Yes

VALUATION CERTIFICATE

Group VI – Properties leased and occupied by the Group in the PRC

Property	Description and tenure	Capital value in existing state as at August 31, 2010
<p>12. A portion of building at No. 4 Zhenxing Road, Hongshan Town, Wuxi, Jiangsu Province, the PRC</p> <p>中國江蘇省無錫市鴻山鎮振興路4號房屋部份</p>	<p>The property comprises a portion of building.</p> <p>The property has a total gross floor area of approximately 1,922.58 sq.m. and is occupied by the Group as office.</p> <p>The property is leased from an independent third party to 無錫鴻山新城鎮開發有限公司 (Wuxi Hongshan New Town Development Co., Ltd.) for a term from March 1, 2009 to March 2, 2011 at an annual rent of RMB250,000.</p> <p>According to the PRC legal opinion, the lessor has provided the Building Ownership Certificate of the property and is entitled to lease the property. The tenancy is valid, legally binding and enforceable.</p>	No commercial value
<p>13. A portion of building at No. 4-1 Zhenxing Road, Hongshan Town, Wuxi, Jiangsu Province, the PRC</p> <p>中國江蘇省無錫市鴻山鎮振興路4-1號房屋部份</p>	<p>The property comprises a portion of building.</p> <p>The property has a total gross floor area of approximately 1,922.58 sq.m. and is occupied by the Group as office.</p> <p>The property is leased from an independent third party to 無錫鴻山新城鎮綠化環保建設有限公司 (Wuxi Hongshan New Town Virescence Environmental Protection Construction Co., Ltd.) for a term from July 1, 2009 to June 30, 2011 at an annual rent of RMB250,000.</p> <p>According to the PRC legal opinion, the lessor has provided the Building Ownership Certificate of the property and is entitled to lease the property. The tenancy is valid, legally binding and enforceable.</p>	No commercial value

VALUATION CERTIFICATE

Property	Description and tenancy particulars	Capital value in existing state as at August 31, 2010
14. Golf courses in Luodian New Town, Baoshan District, Shanghai, the PRC 中國上海市寶山區羅店新鎮高爾夫球場	<p>The property comprises an existing 36-hole international golf course occupying a site area of approximately 1,146,081 sq.m. (1,719 mu), in Luodian New Town, Baoshan District.</p> <p>The 36-hole international golf course comprises two 18-hole golf courses named the South Lake Course and the North Forest Course. The 18-hole South Lake Course commenced operation in August 2004 and measures 7,248 yards in length and is par 72. The 18-hole North Forest Course, which commenced operation in September 2005 and measures 7,266 yards in length and is par 72.</p> <p>The property is currently under the operation of and managed by 上海美蘭湖高爾夫俱樂部有限公司 (Shanghai Lake Malaren Golf Club Co. Ltd.).</p> <p>The property is leased from Luodian Town Government to 上海金羅店開發有限公司 (Shanghai Golden Luodian Development Co. Ltd.) (“SGLD”) for a term of 40 years from October 23, 2003. During the lease term, SGLD is exempt from payment of rent but should bear the charge of maintenance of the course, and should pay the business tax related to the operation of the golf course to Luodian Town finance.</p> <p>According to the PRC legal opinion, the lease agreement is binding upon the lessor and lessee. Upon the inquiry of the Group, Luodian Town Government, as the lessor of golf course, failed to provide the land use right documents of the golf course. If SGLD could not use the golf course according to the lease agreement due to the land use right disputes of the golf course, SGLD is entitled to claim the compensation in accordance with the lease agreement.</p>	No commercial value

The discussion below provides information about certain provisions of our memorandum and articles of association. This description is only a summary and is qualified by reference to our memorandum and articles of association.

The Company was incorporated in the BVI as a limited liability company on January 4, 2006 under the BVI BC Act. The memorandum of association of the Company (the “Memorandum”) and the articles of association of the Company (the “Articles”) comprise its constitution.

1. MEMORANDUM OF ASSOCIATION

The BVI company number with which the Company was incorporated is 1003373.

The Memorandum sets out, inter alia, the Company’s name, the location of its registered office and limits the liability of the members.

2. ARTICLES OF ASSOCIATION

The provisions in the Articles relating to:

(a) a Director’s power to vote on a proposal, arrangement or contract in which he is materially interested

Article 102

(1) A Director shall not vote on any resolution of the Board in respect of any contract, arrangement or transaction or proposed contract, arrangement or transaction in which he or any of his associates has directly or indirectly a material interest nor shall he be counted in the quorum present at the meeting of the Board, but this prohibition shall not apply to any of the following matters, namely:

- (a) any contract, arrangement or transaction for the giving to such Director any security or indemnity in respect of money lent by him or obligations incurred or undertaken by him at the request of or for the benefit of the Company or any of its subsidiaries;
- (b) any contract, arrangement or transaction for the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director has himself assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;

- (c) any contract, arrangement or transaction in which he is interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of his interest in shares or debentures or other securities of the Company;
 - (d) any contract, arrangement or transaction concerning any other company in which he is interested only, whether directly or indirectly, as an officer or executive or a shareholder other than a company in which the Director together with any of his associates (as defined by the rules or regulations, where applicable, of the designated stock exchange) is beneficially interested in (other than through his interest (if any) in the Company) five (5) per cent or more of the issued shares or of the voting rights of any class of shares of such company (or any third company through which his interest is derived); or
 - (e) any proposal 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 and employees of the Company or of any of its subsidiaries and does not provide in respect of any Director as such any privilege or advantage not accorded to the employees to which such scheme or fund relates.
- (2) A company shall be deemed to be a company in which a Director owns five per cent. (5%) or more if and so long as (but only if and so long as) he and his associates (as defined by the rules or regulations, where applicable, of the designated stock exchange), (either directly or indirectly) are the holders of or beneficially interested in (other than through his interest (if any) in the Company) five per cent. (5%) or more of any class of the shares of such company or of the voting rights available to members of such company (or of any third company through which his interest is derived). For the purpose of this paragraph there shall be disregarded any shares held by a Director as bare or custodian trustee and in which he has no beneficial interest, any shares comprised in a trust in which the Director's interest is in reversion or remainder if and so long as some other person is entitled to receive the income thereof, and any shares comprised in an authorized unit trust scheme in which the Director is interested only as a unit holder and any shares which carry no voting right at general meetings.
- (3) Where a company in which a Director together with his associates (as defined by the rules or regulations, where applicable, of the designated stock exchange) holds five per cent. (5%) or more is materially interested in a contract or arrangement, then that Director shall also be deemed materially interested in such contract or arrangement.

(4) If any question shall arise at any meeting of the Board as to the materiality of the interest of a Director (other than the chairman of the meeting) or as to the entitlement of any Director (other than such chairman) to vote and such question is not resolved by his voluntarily agreeing to abstain from voting, such question shall be referred to the chairman of the meeting and his ruling in relation to such other Director shall be final and conclusive except in a case where the nature or extent of the interest of the Director concerned as known to such Director has not been fairly disclosed to the Board. If any question as aforesaid shall arise in respect of the chairman of the meeting such question shall be decided by a resolution of the Board (for which purpose such chairman shall not vote thereon) and such resolution shall be final and conclusive except in a case where the nature or extent of the interest of such chairman as known to such chairman has not been fairly disclosed to the Board.

(b) the Director's power to vote remuneration (including pension or other benefits) to themselves or any members of their body and any other provision as to the remuneration of the Directors

Article 90

Notwithstanding Articles 95, 96, 97 and 98, an executive director appointed to an office under Article 89 hereof shall receive such remuneration (whether by way of salary, commission, 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 determine, and either in addition to or in lieu of his remuneration as a Director, but he shall not in any circumstances be remunerated by a commission on or a percentage of turnover.

Article 95

The ordinary remuneration of the Directors shall from time to time be determined by the Company in general meeting, shall not be increased except pursuant to an ordinary resolution passed at a general meeting where notice of the proposed increase shall have been given in the notice convening the general meeting, and shall (unless otherwise directed by the resolution by which it is voted) be divided amongst the Board in such proportions and in such manner as the Board may agree or, failing agreement, equally, except that any Director who shall hold office for part only of the period in respect of which such remuneration is payable shall be entitled only to rank in such division for a proportion of remuneration related to the period during which he has held office. Such remuneration shall be deemed to accrue from day to day.

Article 96

Each Director shall be entitled to be repaid or prepaid all travelling, hotel and incidental expenses reasonably incurred or expected to be incurred by him in attending meetings of the Board or committees of the Board or general meetings or separate meetings of any class of shares or of debentures of the Company or otherwise in connection with the discharge of his duties as a Director.

Article 97

- (1) Any Director who, by request, goes or resides abroad for any purpose of the Company or who performs services which in the opinion of the Board go beyond the ordinary duties of a Director may be paid such extra remuneration (whether by way of salary, commission, participation in profits or otherwise) as the Board may determine and such extra remuneration shall be in addition to or in substitution for any ordinary remuneration provided for by or pursuant to any other Article.
- (2) The remuneration (including any remuneration under Article 97(1) above) in the case of a Director other than an executive Director shall be payable by a fixed sum and shall not at any time be by commission on or percentage of the profits or turnover, and no director whether an executive Director or otherwise shall be remunerated by a commission on or percentage of turnover.

Article 98

The Board shall obtain the approval of the Company in general meeting before making any payment to any Director or past Director by way of compensation for loss of office, or as consideration for or in connection with his retirement from office (not being payment to which the Director is contractually entitled).

(c) the borrowing powers exercisable by the Directors and how such borrowing powers can be varied

Article 109

The Board may exercise all the powers of the Company to raise or borrow money and to mortgage or charge all or any part of the undertaking, property and assets (present and future) and uncalled share of the Company and, subject to the BVI BC Act, to issue debentures, bonds and other securities, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

Article 110

Debentures, bonds and other securities may be made assignable free from any equities between the Company and the person to whom the same may be issued.

Article 111

Any debentures, bonds or other securities may be issued at a discount (other than shares), premium or otherwise and with any special privileges as to redemption, surrender, drawings, allotment of shares, attending and voting at general meetings of the Company, appointment of Directors and otherwise.

Article 112

- (1) Where any uncalled share of the Company is charged, all persons taking any subsequent charge thereon shall take the same subject to such prior charge, and shall not be entitled, by notice to the Shareholders or otherwise, to obtain priority over such prior charge.
- (2) The Board shall cause a proper register to be kept, in accordance with the provisions of the BVI BC Act, of all charges specifically affecting the property of the Company and of any series of debentures issued by the Company and shall duly comply with the requirements of the BVI BC Act in regard to the registration of charges and debentures therein specified and otherwise.

(d) retirement or non-retirement of directors under an age limit

Article 85(7)

- (7) Any Director appointed by the Shareholders or the Board, as the case may be, either to fill a vacancy or as an additional director, shall retire at the next annual general meeting of the Company and shall then be eligible for re-election at that meeting.

Article 86

- (1) Each Director shall retire at least once every three (3) years and for this purpose, at each annual general meeting, one-third of the Directors for the time being (or, if their number is not a multiple of three, the number nearest to but not less than one-third) shall retire from office by rotation provided that any Director appointed by the Shareholders or the Board either to fill a vacancy or as additional director shall not be taken into account in determining the number of Directors who are to retire by rotation.
- (2) The Directors to retire by rotation shall include (so far as necessary to ascertain the number of Directors to retire by rotation) any Director who wishes to retire and not to offer himself for re-election. Any further Directors so to retire shall be those of the other Directors subject to retirement by rotation who have been longest in office since their last re-election or appointment and so that as between persons who became or were last re-elected Directors on the same day those to retire shall (unless they otherwise agree among themselves) be determined by lot. A retiring Director shall be eligible for re-election.

- (3) The Company at the meeting at which a Director retires under any provision of these Articles may by ordinary resolution fill the office being vacated by electing thereto the retiring Director or some other person eligible for appointment. In default the retiring Director shall be deemed to have been re-elected except in any of the following cases:—
- (a) where at such meeting it is expressly resolved not to fill such office or a resolution for the re-election of such Director is put to the meeting and lost; or
 - (b) where such Director has given notice in writing to the Company that he is unwilling to be re-elected.

The retirement shall not have effect until the conclusion of the meeting except where a resolution is passed to elect some other person in the place of the retiring Director or a resolution for his re-election is put to the meeting and lost and accordingly a retiring Director who is re-elected or deemed to have been re-elected will continue in office without a break.

Article 87

A person who is not a retiring Director shall be eligible for election to office of Director at any general meeting if a Member intending to propose him has, at least eleven (11) clear days before the meeting, left at the registered office or the registration office a notice duly signed by the nominee, giving his consent to the nomination and signifying his candidature for the office, or the intention of such Shareholder to propose him. In the case of a person recommended by the Directors for election, nine (9) clear days' notice only shall be necessary. Notice of each and every candidature for election to the Board shall be served on the Shareholders at least seven (7) days prior to the meeting at which the election is to take place. The period for lodgment of the notices referred to in this article shall commence no earlier than the day after the despatch of the notice of the general meeting appointed for such election and end no later than seven (7) days prior to the date of such general meeting.

(e) **directors' qualification shares**

Article 85(3)

- (3) Neither a Director nor an alternate Director shall be required to hold any shares of the Company by way of qualification and a Director or alternate Director (as the case may be) who is not a Shareholder shall be entitled to receive notice of and to attend and speak at any general meeting of the Company and of all classes of shares of the Company.

(f) changes in capital

Article 4

The Company may from time to time by ordinary resolution of Shareholders and in accordance with the BVI BC Act amend its Memorandum:

- (a) to change the maximum number of shares that the Company is authorized to issue, or to authorize the Company to issue an unlimited number of shares;
- (b) to increase the classes of shares which the Company is authorized to issue and, without prejudice to any special rights previously conferred on the holders of existing class of shares, attach thereto respectively any preferential, deferred, qualified or special rights, privileges, conditions or such restrictions which in the absence of any such determination by the Company in general meeting, as the Directors may determine provided always that where the Company issues shares which do not carry voting rights, the words “non-voting” shall appear in the designation of such shares and where shares with different voting rights, the designation of each class of shares, other than those with the most favorable voting rights, must include the words “restricted voting” or “limited voting”;
- (c) divide its shares, including issued shares, into a larger number of shares or combine its shares, including issued shares, into a smaller number of shares;
- (d) make provision for the issue and allotment of shares which do not carry any voting rights; and
- (e) cancel any shares which, at the date of the passing of the resolution, have not been taken, or agreed to be taken, by any person.

Article 5

Where shares are divided or combined under paragraph (c) of Article 4, the aggregate par value (if any) of the new shares must be equal to the aggregate par value (if any) of the original shares. A division or combination of shares, including issued shares, of a class or series shall be for a larger or smaller number, as the case may be, of shares in the same class or series. The Company shall not divide its shares if it would cause the maximum number of shares that the Company is authorized to issue to be exceeded.

Article 6

- (1) The Board may settle as it considers expedient any difficulty which arises in relation to any division or combination of shares under the last preceding Article and in particular but without prejudice to the generality of the foregoing may issue certificates in respect of fractions of shares or arrange for the sale of the shares representing fractions and the distribution of the net proceeds of sale (after deduction of the expenses of such sale) in due proportion amongst the Shareholders who would have been entitled to the fractions, and for this purpose the Board may authorize some person to transfer the shares representing fractions to their purchaser or resolve that such net proceeds be paid to the Company for the Company's benefit. Such purchaser will not be bound to see to the application of the purchase money nor will his title to the shares be affected by any irregularity or invalidity in the proceedings relating to the sale.
- (2) The Company may issue fractional shares and fractional shares shall have the corresponding fractional rights, obligations and liabilities of a whole share of the same class or series of shares.

Article 7

Except so far as otherwise provided by the conditions of issue, or by these Articles, any shares issued by the Company shall be subject to the provisions contained in these Articles with reference to the payment of calls and installments, transfer and transmission, forfeiture, lien, cancellation, surrender, voting and otherwise.

Article 3A

- (1) The Company may purchase, redeem or otherwise acquire and hold its own shares.
- (2) Any power of the Company to purchase, redeem or otherwise acquire its own shares shall be exercisable by the Board upon such terms and subject to such conditions as it thinks fit and shall also be subject to the BVI BC Act and the Memorandum and, for so long as the shares of the Company are listed on the designated stock exchange, any such purchase, redemption or acquisition shall also be subject to the rules and regulations of the designated stock exchange and, for so long as the shares of the Company are listed on The Stock Exchange of Hong Kong Limited, any such purchase, redemption or acquisition not made through the market or by tender shall be limited to a maximum price as may from time to time be determined by the Company in general meeting, either generally or with regard to specific purchases, and if purchases are by tender, tenders shall be available to all Shareholders alike.

- (3) The Company may not purchase, redeem or otherwise acquire its own shares without the consent of Shareholders whose shares are to be purchased, redeemed or otherwise acquired unless the Company is permitted by the BVI BC Act or any provision of the Memorandum or these Articles to purchase, redeem or otherwise acquire the shares without their consent.
- (4) No purchase, redemption or acquisition of shares shall be made unless the Directors are satisfied, on reasonable grounds, that immediately after the purchase, redemption or acquisition, the value of the Company's assets exceeds its liabilities and the Company is able to pay its debts as they fall due.
- (5) Shares that the Company purchases, redeems or otherwise acquires shall be cancelled and the share certificate(s) (if any) relating to such shares shall be cancelled and destroyed as soon as reasonably practicable following settlement of such purchase, redemption or acquisition.
- (6) The provisions of sections 60, 61 and 62 of the BVI BC Act shall not apply to any purchase, redemption or acquisition by the Company of its own shares.

(g) dividends and distribution

Article 136

The Board may, subject to approval by special resolution of the Shareholders, these Articles and in accordance with the BVI BC Act, authorize a distribution by the Company at such time and of such amount as they think fit. The Company in general meeting may by special resolution also, subject to these Articles and in accordance with the BVI BC Act, authorize a distribution to be made to the Members but no distribution shall be authorized by the Company in general meeting in excess of the amount recommended by the Board.

Article 137

No distribution shall be authorized or made unless the Board is satisfied, on reasonable grounds, that immediately after the distribution is made, the value of the Company's assets exceeds its liabilities and the Company is able to pay its debts as they fall due. A resolution of the Board authorizing a distribution shall include a statement to that effect.

Article 138

Subject to these Articles, distributions may be made in money, shares or other property or a combination thereof.

Article 139

Except in so far as the rights attaching to, or the terms of issue of, any share otherwise provide:–

- (a) all distributions shall be made according to the amounts paid up on the shares in respect of which the distribution is made, but no amount paid up on a share in advance of calls shall be treated for the purposes of this Article as paid up on the share; and
- (b) all distributions shall be apportioned and paid pro rata according to the amounts paid up on the shares during any portion or portions of the period in respect of which the distribution is made.

Article 140

The Board may deduct from any distribution or other moneys payable to a Shareholder by the Company on or in respect of any shares all sums of money (if any) presently payable by him to the Company on account of calls or otherwise.

Article 141

No unpaid distribution or other moneys payable by the Company shall bear interest as against the Company.

Article 142

Any distribution, interest or other sum payable in cash to the holder of shares may be paid by check or warrant sent through the post addressed to the holder at his registered address or, in the case of joint holders, addressed to the holder whose name stands first in the register of members in respect of the shares at his address as appearing in the register of members or addressed to such person and at such address as the holder or joint holders may in writing direct. Every such check or warrant shall, unless the holder or joint holders otherwise direct, be made payable to the order of the holder or, in the case of joint holders, to the order of the holder whose name stands first on the register of members in respect of such shares, and shall be sent at his or their risk and payment of the check or warrant by the bank on which it is drawn shall constitute a good discharge to the Company notwithstanding that it may subsequently appear that the same has been stolen or that any endorsement thereon has been forged. Any one of two or more joint holders may give effectual receipts for any distributions or other moneys payable or property distributable in respect of the shares held by such joint holders.

Article 143

All distributions or bonuses unclaimed for one (1) year after having been authorized may be invested or otherwise made use of by the Board for the benefit of the Company until claimed. Any distribution or bonuses unclaimed after a period of six (6) years from the date of authorisation shall be forfeited and shall revert to the Company. The payment by the Board of any unclaimed distribution or other sums payable on or in respect of a share into a separate account shall not constitute the Company a trustee in respect thereof.

Article 144

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 and in particular of paid up shares, debentures or warrants to subscribe securities of the Company or any other company, or in any one or more of such ways, and where any difficulty arises in regard to the distribution the Board may settle the same as it thinks expedient, and in particular may issue certificates in respect of fractions of shares, disregard fractional entitlements or round the same up or down, and may fix the value for distribution of such specific assets, or any part thereof, and may determine that cash payments shall be made to any Shareholders upon the footing of the value so fixed in order to adjust the rights of all parties, and may vest any such specific assets in trustees as may seem expedient to the Board and may appoint any person to sign any requisite instruments of transfer and other documents on behalf of the persons entitled to the dividend, and such appointment shall be effective and binding on the Shareholders. The Board may resolve that no such assets shall be made available to Shareholders with registered addresses in any particular territory or territories where, in the absence of a registration statement or other special formalities, such distribution of assets would or might, in the opinion of the Board, be unlawful or impracticable and in such event the only entitlement of the Shareholders aforesaid shall be to receive cash payments as aforesaid. Shareholders affected as a result of the foregoing sentence shall not be or be deemed to be a separate class of Shareholders for any purpose whatsoever.

Article 145

- (1) For so long as the shares of the Company are listed on the designated stock exchange, any scheme which enables the Shareholders to elect to receive securities in lieu of cash amount of any dividend must be approved by the Shareholders in general meeting in accordance with applicable rules or regulations of the designated stock exchange.
- (2) The Board shall have full power to make such provisions as it thinks fit for the implementation of a scheme approved pursuant to the provisions of paragraph (1) of this Article, and the Board may do all acts and things considered necessary or expedient to give effect to such a scheme.

- (3) The Company may upon the recommendation of the Board by ordinary resolution resolve in respect of any one particular dividend of the Company that notwithstanding the provisions of paragraph (1) of this Article a dividend may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to shareholders to elect to receive such distribution in cash in lieu of such allotment.
- (4) The Board may on any occasion determine that rights of election and the allotment of shares by way of a distribution shall not be made available or made to any Shareholders with registered addresses in any territory where, in the absence of a registration statement or other special formalities, the circulation of an offer of such rights of election or the allotment of shares would or might, in the opinion of the Board, be unlawful or impracticable, and in such event the provisions aforesaid shall be read and construed subject to such determination. Shareholders affected as a result of the foregoing sentence shall not be or be deemed to be a separate class of Shareholders for any purpose whatsoever.
- (5) Any resolution declaring a distribution on shares of any class, whether a resolution of the Company in general meeting or a resolution of the Board, may specify that the same shall be payable or distributable to the persons registered as the holders of such shares at the close of business on a particular date, notwithstanding that it may be a date prior to that on which the resolution is passed, and thereupon the distribution shall be payable or distributable to them in accordance with their respective holdings so registered, but without prejudice to the rights inter se in respect of such distribution of transferors and transferees of any such shares. The provisions of this Article shall *mutatis mutandis* apply to bonuses, distributions of realized capital profits or offers or grants made by the Company to the Shareholders.

Article 29

No Shareholder shall be entitled to receive any distribution or bonus or to be present and vote (save as proxy for another Shareholder at any general meeting either personally or by proxy, or be reckoned in a quorum, or exercise any other privilege as a Shareholder until all calls or installments due by him to the Company, whether alone or jointly with any other person, together with interest and expenses (if any) shall have been paid.

Article 54

A person becoming entitled by operation of law to a share by reason of the death or bankruptcy or winding up of a Shareholder shall be entitled to the same distributions and other advantages to which he would be entitled if he were the registered holder of the share. However, the Board may, if it thinks fit, withhold the payment of any distribution payable or other advantages in respect of such share until such person shall become the registered holder of the share or shall have effectually transferred such share, but, subject to the requirements of Article 74(2) being met, such a person may vote at meetings.

(h) arrangements for transfer of the securities and (where permitted) any restrictions on their free transferability

Article 46

Subject to these Articles, any Shareholder may transfer all or any of his shares by an instrument of transfer in the form acceptable to the Board provided always that the Company shall accept for registration an instrument of transfer in a form approved by the designated stock exchange. The instrument of transfer shall be sent to the Company for registration.

Article 47

- (1) The instrument of transfer of any share shall be executed by or on behalf of both the transferor and the transferee and be witnessed, provided that where the transferee is Central Depository (Pte) Limited, a company incorporated in the Republic of Singapore and a wholly-owned subsidiary of the Singapore Exchange Securities Trading Limited (the "Depository") such instrument of transfer shall, subject to Article 47(2) below, be effective although not signed or witnessed by or on behalf of the Depository and provided further that when a corporation executes an instrument of transfer under seal, the affixation and attestation of the corporation's seal may be accepted as compliance with the requirements of this Article. If the transferor or transferee is a clearing house or its nominee(s), transfers executed by hand or by machine imprinted signature will be accepted. The Board may also resolve, either generally or in any particular case, upon request by either the transferor or transferee, to accept mechanically executed transfers. The transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members in respect thereof. The Company shall not be required to treat a transferee of a share as a Shareholder until the transferee's name has been entered in the register of members. Nothing in these Articles shall preclude the Board from recognizing a renunciation of the allotment or provisional allotment of any share by the allottee in favor of some other person.
- (2) The instrument of transfer must be signed by a transferee (including where the transferee is the Depository) if registration as a holder of the share imposes a liability to the Company on the transferee.

Article 48

- (1) The Board may, in its absolute discretion and without giving any reason therefor, pass a resolution refusing or delaying to register a transfer of any share (not being a fully paid up share) to a person of whom it does not approve, or any share issued under any share incentive scheme for employees upon which a restriction on transfer imposed thereby still subsists, and it may also, without prejudice to the foregoing generality, refuse to register a transfer of any share (not being a fully paid up share) on which the Company has a lien or, except in the case of a transfer to executors, administrators or trustees of the estate of a deceased Shareholder, a transfer of any share to more than four (4) joint holders.
- (2) No transfer shall be made to an infant or to a person of unsound mind or under other legal disability.
- (3) The Board in so far as permitted by any applicable law may, in its absolute discretion, at any time and from time to time transfer any share upon the register of members to any branch register or any share on any branch register to the register of members or any other branch register. In the event of any such transfer, the shareholder requesting such transfer shall bear the cost of effecting the transfer unless the Board otherwise determines.
- (4) Unless the Board otherwise agrees (which agreement may be on such terms and subject to such conditions as the Board in its absolute discretion may from time to time determine, and which agreement the Board shall, without giving any reason therefor, be entitled in its absolute discretion to give or withhold), no shares upon the register of members shall be transferred to any branch register nor shall shares on any branch register be transferred to the register of members or any other branch register and all transfers and other documents of title shall be lodged for registration, and registered, in the case of any shares on a branch register, at the relevant registration office, and, in the case of any shares on the register of members, at the registered office or the office of the Company's registered agent.
- (5) Save as provided in these Articles, there shall be no restriction on the transfer of fully paid up shares (except where required by law, or the rules or regulations of the designated stock exchange).

Article 49

Without limiting the generality of the last preceding Article, the Board may decline to recognize any instrument of transfer unless:-

- (a) a fee of such sum (not exceeding two Singapore dollars (\$2.00) or such other maximum sum as the designated stock exchange may determine to be payable) as the Board may from time to time require is paid to the Company in respect thereof;

- (b) the instrument of transfer is in respect of only one class of share;
- (c) the instrument of transfer is lodged at the registered office or the office of the Company's registered agent or the registration office (as the case may be) 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); and
- (d) if applicable, the instrument of transfer is duly and properly stamped.

Article 50

If the Board resolves to refuse or delay the registration of a transfer of any share, it shall, as soon as practicable send to each of the transferor and transferee notice of the refusal or delay.

Article 51

The registration of transfers of shares or of any class of shares may, after notice has been given in accordance with applicable requirements of the designated stock exchange be suspended at such times and for such periods as the Board may determine.

Article 54A

- (1) Without prejudice to the rights of the Company under paragraph (2) of this Article, the Company may cease sending checks for dividend entitlements or dividend warrants by post if such checks or warrants have been left uncashed on two consecutive occasions. However, the Company may exercise the power to cease sending checks for dividend entitlements or dividend warrants after the first occasion on which such a check or warrant is returned undelivered.
- (2) The Company shall have the power to sell, in such manner as the Board thinks fit, any shares of a Shareholder who is untraceable, but no such sale shall be made unless:
 - (a) all checks or warrants in respect of dividends of the shares in question, being not less than three in total number, for any sum payable in cash to the holder of such shares in respect of them sent during the relevant period in the manner authorized by the Articles of the Company have remained unclaimed; and

- (b) the Company, if so required by the rules governing the listing of shares on the designated stock exchange, has given notice to, and caused advertisement in newspapers in accordance with the requirements of, the designated stock exchange to be made of its intention to sell such shares in the manner required by the designated stock exchange, and a period of three (3) months or such shorter period as may be allowed by the designated stock exchange has elapsed since the date of such advertisement.

For the purpose of the foregoing, the “relevant period” means the period commencing twelve years before the date of publication of the advertisement referred to in paragraph (b) of this Article and ending at the expiry of the period referred to in that paragraph.

- (3) To give effect to any such sale the Board may authorize some person to transfer the said shares and an instrument of transfer signed or otherwise executed by or on behalf of such person shall be as effective as if it had been executed by the registered holder or the person entitled by transmission to such shares, and the purchaser shall not be bound to see to the application of the purchase money nor shall his title to the shares be affected by any irregularity or invalidity in the proceedings relating to the sale. The net proceeds of the sale will belong to the Company and upon receipt by the Company of such net proceeds it shall become indebted to the former Shareholder for an amount equal to such net proceeds. No trust shall be created in respect of such debt and no interest shall be payable in respect of it and the Company shall not be required to account for any money earned from the net proceeds which may be employed in the business of the Company or as it thinks fit. Any sale under this Article shall be valid and effective notwithstanding that the Shareholder holding the shares sold is dead, bankrupt or otherwise under any legal disability or incapacity.

(i) restriction on ownership of securities of the Company

Article 12

- (1) Subject to the Act and to the rules or regulations of the designated stock exchange (if applicable), no shares may be issued by the Board without the prior approval of the Company in general meeting but subject thereto and to these Articles and without prejudice to any special rights or restrictions for the time being attached to any shares or any class or series of shares, the unissued shares of 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 and for such consideration and upon such terms and conditions as the Board may in its absolute discretion determine but so that no shares with a par value shall be issued at a discount, provided always that:–

- (a) no shares shall be issued to transfer a controlling interest in the Company without the prior approval of the Shareholders in general meeting;
- (b) (subject to any direction to the contrary that may be given by the Company in general meeting) any issue of shares for cash to Shareholders holding shares of any class shall be offered to such Shareholders in proportion as nearly as may be to the number of shares of such class then held by them and the provisions of the second sentence of Article 12(2) with such adaptations as are necessary shall apply; and
- (c) any other issue of shares, the aggregate of which would exceed the limits referred to in Article 12(3), shall be subject to the approval of the Company in general meeting.

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 Shareholders or others with registered addresses in any particular territory or territories being a territory or territories where, in the absence of a registration statement or other special formalities, this would or might, in the opinion of the Board, be unlawful or impracticable. Shareholders affected as a result of the foregoing sentence shall not be, or be deemed to be, a separate class of members for any purpose whatsoever.

- (2) Except as permitted under the rules or regulations of the designated stock exchange or any direction given by the Company in general meeting, all new shares shall, before issue, be offered to such persons who as at the date of the offer are entitled to receive notices from the Company of general meetings in proportion, as far as the circumstances admit, to the amount of the existing shares to which they are entitled. The offer shall be made by notice specifying the number of shares offered, and limiting a time within which the offer, if not accepted, will be deemed to be declined. After the expiration of that time, or on the receipt of an intimation from the person to whom the offer is made that he declines to accept the shares offered, the Board may dispose of those shares in such manner as they think most beneficial to the Company. The Board may likewise so dispose of any new shares which (by reason of the ratio which the new shares bear to shares held by persons entitled to an offer of new shares) cannot, in the opinion of the Board, be conveniently offered under this Article 12(2).

- (3) Notwithstanding Article 12(2) above but subject to the statutes and in accordance with any applicable listing rules of the designated stock exchange, the Company in general meeting may by ordinary resolution grant to the Directors a general authority, either unconditionally or subject to such conditions as may be specified in the said ordinary resolution, to:–
- (a) (i) issue Shares whether by way of rights, bonus or otherwise; and/or
 - (ii) make or grant offers, agreements or options (collectively, “Instruments”) that might or would require Shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) warrants, debentures or other instruments convertible into Shares; and
 - (b) (notwithstanding the authority conferred by the said ordinary resolution may have ceased to be in force) issue Shares in pursuance of any Instrument made or granted by the Directors while the said ordinary resolution was in force, provided that:
 - (aa) the aggregate number of Shares to be issued pursuant to the said ordinary resolution (including Shares to be issued in pursuance of Instruments made or granted pursuant to the said ordinary resolution) shall be subject to such limits and manner of calculation as may be prescribed by the designated stock exchange;
 - (bb) in exercising the authority conferred by the said ordinary resolution, the Company shall comply with the listing rules of the designated stock exchange for the time being in force (unless such compliance is waived by the designated stock exchange) and these presents; and
 - (cc) (unless revoked or varied by the Company in general meeting) the authority conferred by the said ordinary resolution shall not continue in force beyond the conclusion of the annual general meeting of the Company next following the passing of the said ordinary resolution, or the date by which such annual general meeting of the Company is required by law to be held, or the expiration of such other period as may be prescribed by the statutes (whichever is the earliest).
- (4) The Board may issue warrants conferring the right upon the holders thereof to subscribe for any class of shares or securities of the Company on such terms as it may from time to time determine, Provided that such issue must be specifically approved by the Company in general meeting if required by the rules or regulations of the designated stock exchange.

Article 13

The Company may in connection with the issue of any shares exercise all powers of paying commission and brokerage conferred or permitted by the BVI BC Act. Subject to the BVI BC Act, the commission may be satisfied by the payment of cash or by the allotment of fully or partly paid shares or partly in one and partly in the other.

Article 14

Except as required by law, no person shall be recognized by the Company as holding any share upon any trust and the Company shall not be bound by or required in any way to recognize (even when having notice thereof) any equitable, contingent, future or partial interest in any share or any fractional part of a share or (except only as otherwise provided by these Articles or by law) any other rights in respect of any share except an absolute right to the entirety thereof in the registered holder.

Article 15

- (1) Subject to the terms and conditions of any application for shares, the Board shall allot shares applied for within ten (10) market days of the closing date of any such application (or such other period as may be approved by the designated stock exchange).
- (2) Subject to the BVI BC Act and these Articles, the Board may at any time after the allotment of shares but before any person has been entered in the register of members as the holder, recognize a renunciation thereof by the allottee in favor of some other person and may accord to any allottee of a share a right to effect such renunciation upon and subject to such terms and conditions as the Board considers fit to impose.

Article 48

- (1) The Board may, in its absolute discretion and without giving any reason therefor, pass a resolution refusing or delaying to register a transfer of any share (not being a fully paid up share) to a person of whom it does not approve, or any share issued under any share incentive scheme for employees upon which a restriction on transfer imposed thereby still subsists, and it may also, without prejudice to the foregoing generality, refuse to register a transfer of any share (not being a fully paid up share) on which the Company has a lien or, except in the case of a transfer to executors, administrators or trustees of the estate of a deceased Shareholder, a transfer of any share to more than four (4) joint holders.
- (2) No transfer shall be made to an infant or to a person of unsound mind or under other legal disability.

- (3) The Board in so far as permitted by any applicable law may, in its absolute discretion, at any time and from time to time transfer any share upon the register of members to any branch register or any share on any branch register to the register of members or any other branch register. In the event of any such transfer, the shareholder requesting such transfer shall bear the cost of effecting the transfer unless the Board otherwise determines.
- (4) Unless the Board otherwise agrees (which agreement may be on such terms and subject to such conditions as the Board in its absolute discretion may from time to time determine, and which agreement the Board shall, without giving any reason therefor, be entitled in its absolute discretion to give or withhold), no shares upon the register of members shall be transferred to any branch register nor shall shares on any branch register be transferred to the register of members or any other branch register and all transfers and other documents of title shall be lodged for registration, and registered, in the case of any shares on a branch register, at the relevant registration office, and, in the case of any shares on the register of members, at the registered office or the office of the Company's registered agent.
- (5) Save as provided in these Articles, there shall be no restriction on the transfer of fully paid up shares (except where required by law, or the rules or regulations of the designated stock exchange).

Article 49

Without limiting the generality of the last preceding Article, the Board may decline to recognize any instrument of transfer unless:-

- (a) a fee of such sum (not exceeding two Singapore dollars (S\$2.00) or such other maximum sum as the designated stock exchange may determine to be payable) as the Board may from time to time require is paid to the Company in respect thereof;
- (b) the instrument of transfer is in respect of only one class of share;
- (c) the instrument of transfer is lodged at the registered office or the office of the Company's registered agent or the registration office (as the case may be) 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); and
- (d) if applicable, the instrument of transfer is duly and properly stamped.

Article 50

If the Board resolves to refuse or delay the registration of a transfer of any share, it shall, as soon as practicable send to each of the transferor and transferee notice of the refusal or delay.

Article 51

The registration of transfers of shares or of any class of shares may, after notice has been given in accordance with applicable requirements of the designated stock exchange be suspended at such times and for such periods as the Board may determine.

(j) voting rights of shareholders

Article 65

Subject to any special rights or restrictions as to voting for the time being attached to any shares by or in accordance with these Articles, at any general meeting (i) on a show of hands every Shareholder present in person (or being a corporation, is present by a representative duly authorized under Article 83) or by proxy shall have one vote and the chairman of the meeting shall determine which proxy shall be entitled to vote where a Shareholder (other than the Depository) is represented by two proxies, and (ii) on a poll every Shareholder present in person or by proxy or, in the case of a Shareholder being a corporation, by its duly authorized representative shall have one vote for every fully paid share of which he is the holder or which he represents and in respect of which all calls due to the Company have been paid, but so that no amount paid up or credited as paid up on a share in advance of calls or installments is treated for the foregoing purposes as paid up on the share. A resolution put to the vote of a meeting shall be decided on a show of hands unless it is required by the designated stock exchange or (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:—

- (a) by the chairman of such meeting; or
- (b) by at least three Shareholders present in person (or in the case of a Shareholder being a corporation by its duly authorized representative) or by proxy for the time being entitled to vote at the meeting; or
- (c) by a Shareholder or Shareholders present in person (or in the case of a Shareholder being a corporation by its duly authorized representative) or by proxy and representing not less than one-tenth of the total voting rights of all Shareholders having the right to vote at the meeting; or

- (d) by a Shareholder or Shareholders present in person (or in the case of a Shareholder being a corporation by its duly authorized 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 up equal to not less than one tenth of the total sum paid up on all shares conferring that right; or
- (e) where the Depository is a Shareholder, by at least three proxies representing the Depository.

A demand by a person as proxy for a Shareholder or in the case of a Shareholder being a corporation by its duly authorized representative shall be deemed to be the same as a demand by a Shareholder.

Article 66

Unless a poll is duly demanded and the demand is not withdrawn, a declaration by the chairman that a resolution has been carried, or carried unanimously, or by a particular majority, or not carried by a particular majority, or lost, and an entry to that effect made in the minute book of the Company, shall be conclusive evidence of the fact without proof of the number or proportion of the votes recorded for or against the resolution.

Article 67

If a poll is duly demanded the result of the poll shall be deemed to be the resolution of the meeting at which the poll was demanded.

Article 68

A poll demanded on the election of a chairman, or on a question of adjournment, shall be taken forthwith. A poll demanded on any other question shall be taken in such manner (including the use of ballot or voting papers or tickets) and either forthwith or at such time (being not later than thirty (30) days after the date of the demand) and place as the chairman directs. It shall not be necessary (unless the chairman otherwise directs) for notice to be given of a poll not taken immediately.

Article 69

The demand for a poll shall not prevent the continuance of a meeting or the transaction of any business other than the question on which the poll has been demanded, and, with the consent of the chairman, it may be withdrawn at any time before the close of the meeting or the taking of the poll, whichever is the earlier.

Article 70

On a poll votes may be given either personally or by proxy.

Article 71

A person entitled to more than one vote on a poll need not use all his votes or cast all the votes he uses in the same way.

Article 72

In the case of an equality of votes, whether on a show of hands or on a poll, the chairman of such meeting shall be entitled to a second or casting vote in addition to any other vote he may have.

Article 73

Where there are joint holders of any share, each of them may be present in person or by proxy at a general meeting and may speak as a member. If only one of the joint holders is present in person or by proxy, he may vote in respect of such share as if he were solely entitled thereto, but if more than one of such joint holders be present at any meeting the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders, and for this purpose seniority shall be determined by the order in which the names stand in the register of members in respect of the joint holding. Several executors or administrators of a deceased Shareholder in whose name any share stands shall for the purposes of this Article be deemed joint holders thereof.

Article 74

- (1) A Shareholder who is a patient for any purpose relating to mental health or in respect of whom an order has been made by any court having jurisdiction for the protection or management of the affairs of persons incapable of managing their own affairs may vote, whether on a show of hands or on a poll, by his receiver, committee, curator bonis or other person in the nature of a receiver, committee or curator bonis appointed by such court, and such receiver, committee, curator bonis or other person may vote on a poll by proxy, and may otherwise act and be treated as if he were the registered holder of such shares for the purposes of general meetings, provided that such evidence as the Board may require of the authority of the person claiming to vote shall have been deposited at the registered office, head office or registration office, as appropriate, not less than forty-eight (48) hours before the time appointed for holding the meeting, or adjourned meeting or poll, as the case may be.

- (2) Any person entitled under Article 53 to be registered as the holder of any shares may vote at any general meeting in respect thereof in the same manner as if he were the registered holder of such shares, provided that forty-eight (48) hours at least before the time of the holding of the meeting or adjourned meeting, as the case may be, at which he proposes to vote, he shall satisfy the Board of his entitlement to such shares, or the Board shall have previously admitted his right to vote at such meeting in respect thereof.

Article 75

No Shareholder shall, unless the Board otherwise determines, be entitled to attend and vote and to be reckoned in a quorum at any general meeting unless he is duly registered and all calls or other sums presently payable by him in respect of shares in the Company have been paid.

Article 75A

Where the Company has knowledge that any Shareholder is, under the rules of the designated stock exchange, required to abstain from voting on any particular resolution of the Company or restricted to voting only for or only against any particular resolution of the Company, any votes cast by or on behalf of such Shareholder in contravention of such requirement or restriction shall not be counted.

Article 76

If:

- (a) any objection shall be raised to the qualification of any voter; or
- (b) any votes have been counted which ought not to have been counted or which might have been rejected; or
- (c) any votes are not counted which ought to have been counted;

the objection or error shall not vitiate the decision of the meeting or adjourned meeting on any resolution unless the same is raised or pointed out at the meeting or, as the case may be, the adjourned meeting at which the vote objected to is given or tendered or at which the error occurs. Any objection or error shall be referred to the chairman of the meeting and shall only vitiate the decision of the meeting on any resolution if the chairman decides that the same may have affected the decision of the meeting. The decision of the chairman on such matters shall be final and conclusive.

(k) variation of rights of shareholders

Article 10

Whenever the shares of the Company are divided into different classes of shares, subject to the provisions of the statutes, preference shares other than redeemable preference shares may be repaid and the special rights attached to any class may be varied or abrogated either with the consent in writing of the holders of three-quarters of the total issued shares of the class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of the class (but not otherwise) and may be so repaid, varied or abrogated either whilst the Company is a going concern or during or in contemplation of a winding-up. To every such separate general meeting and all adjournments thereof all the provisions of these Articles relating to general meetings of the Company and to the proceedings thereat shall *mutatis mutandis* apply, except that the necessary quorum (other than at an adjourned meeting) shall be two persons at least holding or representing by proxy at least one-third of the total issued shares of the class and at any adjourned meeting of such holders, two holders present in person or by proxy (whatever the number of shares held by them) shall be a quorum and that any holder of shares of the class present in person or by proxy may demand a poll and that every such holder shall on a poll have one vote for every share of the class held by him, provided always that where the necessary majority for such a special resolution is not obtained at such general meeting, consent in writing if obtained from the holders of three-quarters of the total issued shares of the class concerned within two months of such general meeting shall be as valid and effectual as a special resolution carried at such general meeting.

Article 11

Rights conferred upon the holders of any class of shares with preferred or other rights shall not, unless otherwise expressly provided in the rights attaching to or the terms of issue of such shares, be deemed to be varied, modified or abrogated by the creation or issue of further shares ranking *pari passu* therewith.

SUMMARY OF BVI COMPANY LAW

Our Company is incorporated in the BVI as a business company limited by shares under the BVI BC Act and is subject to BVI law. Set out below is a summary of certain provisions of company law in the BVI. This does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of BVI company law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar.

(a) Shares

There is no concept of authorized share capital, or indeed of share capital, under the BVI BC Act. Rather, the memorandum of association of a company limited by shares must set out:

- (i) either the maximum number of shares the company is authorized to issue or state that the company is authorized to issue an unlimited number of shares; and
- (ii) the classes of shares that the company is authorized to issue, and, if the company is authorized to issue two or more classes, the rights, privileges, restrictions and conditions attaching to each class of shares.

The BVI BC Act provides that, subject to the memorandum and articles of association of a company, a share may be issued with or without a par value. Where a company issues shares with par value, the consideration for a share shall not be less than the par value of the share. A share may be issued for consideration in any form, including money, a promissory note, or other written obligation to contribute money or property, real property, personal property (including goodwill and know-how), services rendered or a contract for future services.

Subject to the memorandum and articles of association of a company, its directors have the power to issue shares of the company from time to time.

Subject to the BVI BC Act and to the company's memorandum of association or the articles, shares may be issued, and options to acquire shares in a company granted, at such times, to such persons, for such consideration and on such terms as the directors may determine.

The issue by a company of a share that (i) increases a liability of a person, or (ii) imposes a new liability on a person to the company, is void if that person, or an authorized agent of that person, does not agree in writing to becoming the holder of that share. A share is deemed issued when the name of the shareholder is entered in the company's register of members.

A company may, subject to its memorandum and articles of association, (a) divide its shares, including issued shares, into a larger number of shares; or (b) combine its shares, including issued shares, into a smaller number of shares. A division or combination of shares,

including issued shares, of a class or series shall be for a larger or smaller number, as the case may be, of shares in the same class or series. Where shares are divided or combined, the aggregate par value of the new shares must be equal to the aggregate par value of the original shares. A company shall not divide its shares if it would cause the maximum number of shares that the company is authorized to issue by its memorandum to be exceeded.

(b) Membership

Under the BVI BC Act, the entry of the name of a person in the register of members as a holder of a share in a company is prima facie evidence that legal title in the share vests in that person. A company may treat the holder of a registered share as the only person entitled to (a) exercise any voting rights attaching to the share; (b) receive notices; (c) receive a distribution in respect of the share; and (d) exercise other rights and powers attaching to the share.

(c) Purchase of Shares and Warrants by a Company and Its Subsidiaries

A BVI business company may purchase, redeem or otherwise acquire its own shares in accordance with either the provisions of the BVI BC Act or its memorandum or articles of association.

A company may not purchase, redeem or otherwise acquire its own shares without the consent of the member whose shares are to be purchased, redeemed or otherwise acquired, unless the company is permitted by the BVI BC Act or any provision of its memorandum or articles of association to purchase, redeem or otherwise acquire the shares without that consent.

No purchase, redemption or other acquisition of a company's own shares may be made unless the directors are satisfied on reasonable grounds that the company will, immediately after the purchase, redemption or acquisition, satisfy the solvency test. A company satisfies the solvency test if (i) the value of our assets exceeds its liabilities; and (ii) the company is able to pay its debts as they fall due. The BVI BC Act provides for certain situations where this solvency test is not mandatory prior to repurchase, redemption or acquisition being permitted. These are where: (a) the company redeems the shares under and in accordance with section 62 of the BVI BC Act; (b) the company redeems the shares pursuant to a right of a shareholder to have his shares redeemed or to have his shares exchanged for money or other property of the company; or (c) the company purchases, redeems or otherwise acquires the share or shares by virtue of the provisions of section 179 of the BVI BC Act.

The directors of a company may make an offer to purchase, redeem or otherwise acquire shares issued by the company, if the offer is:

- (a) an offer to all shareholders to purchase, redeem or otherwise acquire shares issued by the company that:
 - (i) would, if accepted, leave the relative voting and distribution rights of the shareholders unaffected; and

- (ii) affords each shareholder a reasonable opportunity to accept the offer; or
- (b) an offer to one or more shareholders to purchase, redeem or otherwise acquire shares:
 - (i) to which all shareholders have consented in writing; or
 - (ii) that is permitted by the memorandum or articles and is made in accordance with section 61 of the BVI BC Act.

Shares that are purchased, redeemed or otherwise acquired may be cancelled or held as treasury shares. A company may hold shares that have been purchased, redeemed or otherwise acquired as treasury shares if (i) the memorandum or articles of the company do not prohibit it from holding treasury shares; (ii) the directors resolve that shares to be purchased, redeemed or otherwise acquired shall be held as treasury shares; and (iii) the number of shares purchased, redeemed or otherwise acquired, when aggregated with shares of the same class already held by the company as treasury shares, does not exceed 50% of the shares of that class previously issued by the company, excluding shares that have been cancelled. All the rights and obligations attaching to a treasury share are suspended and shall not be exercised by or against the company while it holds the share as a treasury share.

(d) Dividends and Distributions

Subject to the BVI BC Act and its memorandum and articles of association, the directors of the company may by resolution, authorize a distribution or dividend by the company to its members if the directors are satisfied, on reasonable grounds, that immediately after the distribution or dividend satisfy the solvency test, that is: (a) the company will be able to pay its debts as they fall due; and (b) the value of our assets exceeds its liabilities.

A distribution or dividend made to a member at a time when the company did not, immediately after the distribution, satisfy the aforesaid solvency test may be recovered by the company from the member unless (a) the member received the distribution in good faith and without knowledge of our failure to satisfy the solvency test; (b) the member has altered his position in reliance on the validity of the distribution; and (c) it would be unfair to require repayment in full or at all.

If, after a distribution or dividend is authorized and before it is made, the directors cease to be satisfied on reasonable grounds that the company will, immediately after the distribution is made, satisfy the solvency test, any distribution or dividend made by the company is deemed not to have been authorized. A director is personally liable to the company to repay to the company so much of the distribution as is not able to be recovered from members if the director (a) ceased, after authorization but before the making of the distribution, to be satisfied on reasonable grounds for believing that the company would satisfy the solvency test immediately after the distribution is made; and (b) failed to take reasonable steps to prevent the distribution being made.

(e) Protection of Minorities

The BVI BC Act provides that if a company or a director of a company engages in, or proposes to engage in, conduct that contravenes the BVI BC Act or the memorandum or articles of association of the company, the BVI High Court may, on the application of a member or a director of the company, make an order directing the company or director to comply with, or restraining the company or director from engaging in conduct that contravenes, the BVI BC Act or the memorandum or articles of association.

The BVI BC Act also contains provisions allowing the court, on the application of a member of a company, to grant leave to the member to (a) bring proceedings in the name and on behalf of that company; or (b) intervene in proceedings to which the company is a party for the purpose of continuing, defending or discontinuing the proceedings on behalf of the company. No proceedings brought by a member or in which a member intervenes with the leave of the court may be settled or compromised or discontinued without the approval of the court.

Under the BVI BC Act, a member of a company may bring an action against the company for breach of a duty owed by the company to him as a member.

In the case where a member of a company brings proceedings against the company and other members that have the same or substantially the same interest in relation to the proceedings, the BVI High Court may appoint that member to represent all or some of the members having the same interest and may, for that purpose, make such order as it thinks fit, including an order (a) as to the control and conduct of the proceedings; (b) as to the costs of the proceedings; and (c) directing the distribution of any amount ordered to be paid by a defendant in the proceedings among the members represented.

The BVI BC Act provides that a member of a company who considers that the affairs of the company have been, are being or are likely to be, conducted in a manner that is, or any act or acts of the company have been, or are, likely to be oppressive, unfairly discriminatory, or unfairly prejudicial to him in that capacity, may make an application to the BVI High Court. If the court considers that it is just and equitable to do so, it may make such order as it thinks fit, including, without limiting the generality of this subsection, one or more of the following orders: (a) in the case of a shareholder, requiring the company or any other person to acquire the shareholder's shares; (b) requiring the company or any other person to pay compensation to the member; (c) regulating the future conduct of our affairs; (d) amending the memorandum or articles of the company; (e) appointing a receiver of the company; (f) appointing a liquidator of the company under section 159(1) of the BVI Insolvency Act on the grounds specified in section 162(1)(b) of that Act; (g) directing the rectification of the records of the company; or (h) setting aside any decision made or action taken by the company or its directors in breach of the BVI BC Act or the memorandum or articles of the company. None of the foregoing orders may be made against the company or any other person unless the company or that person is a party to the proceedings in which the application is made.

A member or the Registrar of Corporate Affairs may apply to the BVI High Court ex parte or upon such notice as the court may require, for an order directing that an investigation be made of the company and any of its affiliated companies. If, upon such an application, it appears to the court that (a) the business of the company or any of its affiliates is or has been carried on with intent to defraud any person; (b) the company or any of its affiliates was formed for a fraudulent or unlawful purpose or is to be dissolved for a fraudulent or unlawful purpose; or (c) persons concerned with the incorporation, business or affairs of the company or any of its affiliates have in connection therewith acted fraudulently or dishonestly, the court may make any order it thinks fit with respect to an investigation of the company and any of its affiliated companies by an inspector, who may be the Registrar of Corporate Affairs.

The BVI BC Act provides that a member of a company is entitled to payment of the fair value of his shares upon dissenting from any of the following:

- (1) a merger, if the company is a constituent company, unless the company is the surviving company and the member continues to hold the same or similar shares;
- (2) a consolidation, if the company is a constituent company;
- (3) any sale, transfer, lease, exchange or other disposition of more than 50% in value of the assets or business of the company, if not made in the usual or regular course of the business carried on by the company, but not including
 - (i) a disposition pursuant to an order of the Court having jurisdiction in the matter,
 - (ii) a disposition for money on terms requiring all or substantially all net proceeds to be distributed to the members in accordance with their respective interests within one year after the date of disposition, or
 - (iii) a transfer pursuant to the power described in section 28(2) of the BVI BC Act;
- (4) a redemption of his shares by the company pursuant to section 176 of the BVI BC Act; and
- (5) an arrangement, if permitted by the BVI High Court.

(f) Management

The BVI BC Act provides that, subject to the memorandum or articles of association of a company, any sale, transfer, lease, exchange or other disposition, other than a mortgage, charge or other encumbrance of the enforcement thereof, of more than 50% in value of the assets of the company (other than a transfer pursuant to a power described in section 28(3) of the BVI BC Act), if not made in the usual or regular course of business carried on by the company, must be approved by a resolution of members and in the manner provided in section 175 of the BVI BC Act.

A director of a company, in exercising his powers or performing his duties, shall act honestly and in good faith and in what the director believes to be in the best interests of the company. A director shall exercise his powers as a director for a proper purpose and shall not act, or agree to the company acting, in a manner that contravenes the BVI BC Act or the memorandum or articles of association of the company. A director of a company, when exercising powers or performing duties as a director, shall exercise the care, diligence and skill that a reasonable director would exercise in the same circumstances taking into account, but without limitation, (a) the nature of the company; (b) the nature of the decision; and (c) the position of the director and the nature of the responsibilities undertaken by him.

(g) Accounting and Auditing Requirements

A BVI business company is required by the BVI BC Act to keep records that (a) are sufficient to show and explain our transactions; and (b) will, at any time, enable the financial position of the company to be determined with reasonable accuracy.

(h) Taxation in the BVI

A BVI business company is exempt from all provisions of the Income Tax Ordinance of the BVI (including with respect to all dividends, interests, rents, royalties, compensations and other amounts payable by the company to persons who are not resident in the BVI). Capital gains realized with respect to any shares, debt obligations or other securities of the company by persons who are not resident in the BVI are also exempt from all provisions of the Income Tax Ordinance of the BVI.

No estate, inheritance, succession or gift tax is payable by persons who are not resident in the BVI with respect to any shares, debt obligations or other securities of the company, save for interest payable to or for the benefit of an individual resident in the European Union.

(i) Stamp Duty on Transfer

No stamp duty is payable in the BVI on a transfer of shares, debt obligations or other securities in a BVI business company which is not a land owning company. A company is a land owning company if it, or any of its subsidiaries, has an interest in any land in the BVI.

(j) Inspection of Corporate Records

A member of a company is entitled, on giving written notice to the company, to inspect the memorandum and articles, the register of members, the register of directors, and minutes of meetings and resolutions of members and of those classes of members of which he is a member, and to make copies of or take extracts from the documents and records maintained at the office of the registered agent of the company. Subject to the memorandum and articles of association of the company, its directors may, if they are satisfied that it would be contrary to the company's interests to allow the member to inspect the register of members, register of

directors or minutes/resolutions of members or part of any such documents, refuse to permit the member to inspect the document or limit the inspection of the document, including limiting the making of copies or the taking of extracts from the records. The directors are required, as soon as reasonably practicable, to notify the member concerned. Where a company fails or refuses to permit a member to inspect a document or permits a member to inspect a document subject to limitations, that member may apply to the BVI High Court for an order that he should be permitted to inspect the document or to inspect the document without limitation.

The BVI BC Act requires a business company to keep minutes of all meetings of directors, members, committees of directors and committees of members and copies of all resolutions consented to by directors, members, committees of directors, committees of officers and committees of members. The minutes of meetings and resolutions of members and of classes of members, and the minutes of meeting of directors and committees of directors are required by the BVI BC Act to be kept at the office of the company's registered agent or at such other places, within or outside the BVI, as the directors may determine. A company shall keep at the office of its registered agent the memorandum and articles of association of the company, the register of members (or a copy thereof), the register of directors (or a copy thereof) and copies of all notices and other documents filed by the company in the previous ten years. The BVI BC Act requires a company to have a common seal and an imprint of the seal shall be kept at the office of its registered agent.

A business company is required to keep a register of members containing the names and addresses of the persons who hold registered shares in the company, the number of each class and series of registered shares held by each shareholder, the date on which the name of each member was entered in the register of members and the date on which any person ceased to be a member. The register of members may be in such form as the directors may approve but if it is in magnetic, electronic or other data storage form, the company must be able to produce legible evidence of its contents. The entry of the name of a person in the register of members as a holder of a share in a company is prima facie evidence that legal title in the share vests in that person.

The BVI BC Act requires a business company to keep a register known as a register of directors containing, inter alia, the names and addresses of the persons who are directors of the company or who have been nominated as reserve directors of the company, the date on which each person whose name is entered in the register was appointed as a director or nominated as a reserve director of the company, the date on which each person named as a director ceased to be a director of the company and the date on which the nomination of any person nominated as a reserve director ceased to have effect. The register of directors may be in such form as the directors approve, but if it is in magnetic, electronic or other data storage form, the company must be able to produce legible evidence of its contents. The register of directors is prima facie evidence of any matters directed or authorized by the BVI BC Act to be contained therein.

(k) Liquidation*(i) Where the business company is solvent*

Where it is proposed to liquidate a solvent business company (that is to say, the company either has no liabilities or that it is able to pay its debts as they fall due), the directors of the company shall (a) make a declaration of solvency in the approved form stating that, in their opinion, the company is and will continue to be able to discharge, pay or provide for its debts as they fall due, and (b) approve a liquidation plan specifying: (i) the reasons for the liquidation of the company, (ii) their estimate of the time required to liquidate the company, (iii) whether the liquidator is authorized to carry on the business of the company if he determines that to do so would be necessary or in the best interests of the creditors or members of the company, (iv) the name and address of each individual to be appointed as liquidator and the remuneration proposed to be paid to each liquidator, and (v) whether the liquidator is required to send to all members a statement of account prepared or caused to be prepared by the liquidator in respect of his actions or transactions. In accordance with the memorandum and articles of association of the company, the directors and/or the members of the company will pass a resolution to appoint a voluntary liquidator and will give notice to the selected liquidator of his appointment. The liquidation of a company commences at the time of appointment of a voluntary liquidator.

Within 14 days of the commencement of the liquidation, the voluntary liquidator is required to file a notice of his appointment in an approved form, a copy of the declaration of solvency made by the directors and a copy of the liquidation plan, with the Registrar. He is also required, within 30 days of the commencement of the liquidation, to advertise notice of his appointment in the manner prescribed.

With effect from the commencement of the voluntary liquidation of a company, the voluntary liquidator has custody and control of the assets of the company.

However, the right of a secured creditor to take possession of and realize or otherwise deal with assets of the company over which the creditor has a security interest will not be affected.

The directors of the company remain in office but they cease to have any powers, functions or duties other than those required or permitted under Part XII of the BVI BC Act.

The directors, after the commencement of the voluntary liquidation, may authorize the liquidator to carry on the business of the company if the liquidator determines that to do so would be necessary or in the best interests of the creditors or members of the company where the liquidation plan does not give the liquidator such authorization, and exercise such powers as the liquidator, by written notice, may authorize them to exercise.

The BVI High Court may, at any time after the appointment of a voluntary liquidator, on application by a director, member or creditor of the company, make an order terminating the liquidation if it is satisfied that it would be just and equitable to do so. Where such an order is made, the company ceases to be in voluntary liquidation and the voluntary liquidator ceases to hold office with effect from the date of the order or such later date as may be specified in the order.

A voluntary liquidator shall, upon completion of a voluntary liquidation, file a statement that the liquidation has been completed and upon receiving the statement, the Registrar of Corporate Affairs shall strike the company off the Register of Companies and issue a certificate of dissolution in the approved form certifying that the company has been dissolved. The dissolution of the company is effective from the date of the issue of the certificate.

Immediately following the issue by the Registrar of Corporate Affairs of a certificate of dissolution, the person who, immediately prior to the dissolution, was the voluntary liquidator of the company shall cause to be published in the Gazette, a notice that the company has been struck off the Register of Companies and dissolved.

(ii) Where the business company is insolvent

If at any time the voluntary liquidator of a company in voluntary liquidation is of the opinion that the company is insolvent (that is to say, either the value of the Company's liabilities exceeds, or will exceed, its assets or, the company is, or will be, unable to pay its debts as they fall due), he shall forthwith send a written notice to the Official Receiver in the approved form.

The voluntary liquidator shall then call a meeting of creditors of the company to be held within twenty one days of the date of the aforesaid notice to the Official Receiver. The said creditors meeting shall be treated as if it were the first meeting of the creditors of a company called under section 179 of the BVI Insolvency Act by a liquidator appointed by the members of a company and, sections 179 and 180 of the BVI Insolvency Act shall apply to the calling and holding of such a meeting.

Where a voluntary liquidator is not an eligible licensed insolvency practitioner with respect to the company, the Official Receiver may apply to the BVI High Court ex parte for the appointment of himself or an eligible licensed insolvency practitioner as the liquidator of the company and the court may make the appointment subject to such conditions as it considers appropriate.

From the time that an appointed liquidator first becomes aware that the company is not, or will not be, able to pay its debts he shall conduct the liquidation as if he had been appointed liquidator under the BVI Insolvency Act.

The BVI Insolvency Act will apply to the liquidation of the company subject to such modifications as are appropriate and the liquidation of the company shall be deemed to have commenced on the date of the appointment of the voluntary liquidator.

(l) Reconstruction

There are statutory provisions which facilitate arrangements which involve a plan of arrangement being approved by a resolution of directors of the company and application being made to the BVI High Court for approval of the proposed arrangement. Upon approval by the court, the directors of the company, if they are still desirous of executing the plan, shall confirm the plan of arrangement as approved by the court whether or not the court has directed any amendments to be made thereto and give notice to the persons whom the order of court requires notice to be given and submit the plan of arrangement to those persons for such approval, if any, as the court order requires.

After the plan of arrangement has been so approved, articles of arrangement shall be executed by the company. The articles of arrangement shall contain the plan of arrangement, the order of the court approving the plan of arrangement and the manner in which the plan of arrangement was approved (if approval was required by the order of the court). The articles of arrangement shall be filed with the Registrar of Corporate Affairs who shall register them. Upon registration of the articles of arrangement, the Registrar shall issue a certificate in the approved form certifying that the articles of arrangement have been registered.

An arrangement is effective on the date the articles of arrangement are registered by the Registrar of Corporate Affairs or on such date subsequent thereto, not exceeding 30 days, as is stated in the articles of arrangement.

(m) Compulsory Acquisition

Subject to the memorandum or articles of association of a company, members of the company holding 90% of the votes of the outstanding shares entitled to vote on a merger or consolidation, and members of the company holding 90% of the votes of the outstanding shares of each class of shares entitled to vote as a class, may give a written instruction to the company directing the company to redeem the shares held by the remaining members. Upon receipt of the written instruction, the company shall redeem the shares specified in the written instruction irrespective of whether or not the shares are by their terms redeemable. The company shall give written notice to each member whose shares are to be redeemed stating the redemption price and the manner in which the redemption is to be effected.

(n) Indemnification

Section 132 of the BVI BC Act provides that subject to the memorandum or articles of association of a company, the company may indemnify against all expenses, including legal fees, and against all judgments, fines and amounts paid in settlement and reasonably incurred in connection with legal, administrative or investigative proceedings any person who (a) is or was a party or is threatened to be made a party to any threatened, pending or completed proceedings, whether civil, criminal, administrative or investigative, by reason of the fact that the person is or was a director of the company, or (b) is or was, at the request of the company, serving as a director of, or in any other capacity is or was acting for, another body corporate or a partnership, joint venture, trust or other enterprise, provided that the said person had acted honestly and in good faith and in what he believed to be in the best interests of the company and, in the case of criminal proceedings, the person had no reasonable cause to believe that his conduct was unlawful. Any indemnity given in breach of the foregoing proviso is void and of no effect.

Expenses, including legal fees, incurred by a director or a former director in defending any legal, administrative or investigative proceedings may be paid by the company in advance of the final disposition of such proceedings upon receipt of an undertaking by or on behalf of the director or the former director, as the case may be, to repay the amount if it shall ultimately be determined that the director is not entitled to be indemnified by the company. In the case of a former director, the undertaking to be furnished by such former director may also include such other terms and conditions as the company deems appropriate.

A company may purchase and maintain insurance in relation to any person who is or was a director of the company, or who at the request of the company is or was serving as a director of, or in any other capacity is or was acting for, another body corporate or a partnership, joint venture, trust or other enterprise, against any liability asserted against the person and incurred by the person in that capacity, whether or not the company has or would have had the power to indemnify the person against the liability under section 132 of the BVI BC Act.

SUMMARY OF SALIENT PROVISIONS OF THE LAWS OF SINGAPORE

The following summarizes the salient provisions of the laws of Singapore applicable to our Shareholders as the date of this document. The relevant summaries are for general guidance only and do not constitute legal advice, nor must they be used as a substitute for, or specific legal advice, on the corporate laws of Singapore. The relevant summaries are not meant to be a comprehensive or exhaustive description of all the obligations, rights and privileges of Shareholders imposed on or conferred by the corporate laws of Singapore. In addition, prospective investors and/or Shareholders should also note that the laws applicable to Shareholders may change, whether as a result of proposed legislative reforms to the Singapore laws or otherwise.

1. REPORTING OBLIGATIONS OF SHAREHOLDERS**Obligation to notify Company of substantial shareholding and change in substantial shareholding under Section 81 of the Singapore Companies Act.**

A person has a substantial shareholding in a company if he has an interest or interests in one or more voting shares in the company, and the total votes attached to that share, or those shares, is not less than 5 per cent of the total votes attached to all the voting shares in the company.

Section 82 of the Singapore Companies Act

A substantial shareholder of a company is required to notify the company of his interests in the voting shares in the company within two business days after becoming a substantial shareholder.

Sections 83 and 84 of the Singapore Companies Act

A substantial shareholder is required to notify the company of changes in the percentage level of his shareholding or his ceasing to be a substantial shareholder, again within two business days after he is aware of such changes. The reference to changes in “percentage level” means any changes in a substantial shareholder’s interest in the company which results in his interest, following such change, increasing or decreasing to the next discrete 1% threshold. For example, an increase in interests in the company from 5.1% to 5.9% need not be notified, but an increase from 5.9% to 6.1% will have to be notified.

Consequences of non-compliance***Section 89 of the Singapore Companies Act***

Section 89 of the Singapore Companies Act provides for the consequences of non-compliance with sections 82, 83 and 84. Under section 89, a person who fails to comply shall be guilty of an offense and shall be liable on conviction to a fine not exceeding S\$5,000 and in the case of a continuing offense to a further fine of S\$500 for every day during which the offense continues after conviction.

Section 90 of the Singapore Companies Act

Section 90 of the Singapore Companies Act provides for a defense to a prosecution for failing to comply with sections 82, 83 or 84. It is a defense if the defendant proves that his failure was due to his not being aware of a fact or occurrence the existence of which was necessary to constitute the offense and that he was not so aware on the date of the summons; or he became so aware less than 7 days before the date of the summons. However, a person will conclusively be presumed to have been aware of a fact or occurrence at a particular time (a) of which he would, if he had acted with reasonable diligence in the conduct of his affairs, have been aware at that time; or (b) of which an employee or agent of the person, being an employee or agent having duties or acting in relation to his master's or principal's interest or interests in a share or shares in the company concerned, was aware or would, if he had acted with reasonable diligence in the conduct of his master's or principal's affairs, have been aware at that time.

Powers of the court with respect to defaulting substantial shareholders***Section 91 of the Singapore Companies Act***

Section 91 of the Singapore Companies Act provides that where a substantial shareholder fails to comply with sections 82, 83 or 84, the Court may, on the application of the Minister, whether or not the failure still continues, make one of the following orders:

- (a) an order restraining the substantial shareholder from disposing of any interest in shares in the company in which he is or has been a substantial shareholder;
- (b) an order restraining a person who is, or is entitled to be registered as, the holder of shares referred to in paragraph (a) from disposing of any interest in those shares;
- (c) an order restraining the exercise of any voting or other rights attached to any share in the company in which the substantial shareholder has or has had an interest;

- (d) an order directing the company not to make payment, or to defer making payment, of any sum due from the company in respect of any share in which the substantial shareholder has or has had an interest;
- (e) an order directing the sale of all or any of the shares in the company in which the substantial shareholder has or has had an interest;
- (f) an order directing the company not to register the transfer or transmission of specified shares;
- (g) an order that any exercise of the voting or other rights attached to specified shares in the company in which the substantial shareholder has or has had an interest be disregarded; or
- (h) for the purposes of securing compliance with any other order made under this section, an order directing the company or any other person to do or refrain from doing a specified act.

Any order made under this section may include such ancillary or consequential provisions as the Court thinks just. The Court shall not make an order other than an order restraining the exercise of voting rights, if it is satisfied (a) that the failure of the substantial shareholder to comply was due to his inadvertence or mistake or to his not being aware of a relevant fact or occurrence; and (b) that in all the circumstances, the failure ought to be excused. Any person who contravenes or fails to comply with an order made under this section that is applicable to him shall be guilty of an offense and shall be liable on conviction to a fine not exceeding S\$5,000 and, in the case of a continuing offense, to a further fine of S\$500 for every day during which the offense continues after conviction.

Obligation to notify the SGX-ST of substantial shareholding and change in substantial Shareholding

Section 137(1) of the SFA

A substantial shareholder is also required under section 137(1) of the SFA to give the above notifications to the SGX-ST at the same time. Any person who fails to comply with section 137(1) is guilty of an offense and shall be liable on conviction to a fine not exceeding S\$25,000 and, in the case of a continuing offense, to a further fine of S\$2,500 for every day or part thereof during which the offense continues after conviction.

Duty not to furnish false statements to securities exchange, futures exchange, designated clearing house and Securities Industry Council of Singapore*Section 330 of the SFA*

Section 330 of the SFA provides that any person who, with intent to deceive, makes or furnishes, or knowingly and willfully authorizes or permits the making or furnishing of, any false or misleading statement or report to a securities exchange, futures exchange, designated clearing house or any officers thereof relating to dealing in securities shall be guilty of an offense and shall be liable on conviction to a fine not exceeding S\$50,000 or to imprisonment for a term not exceeding 2 years or to both. Section 330 further provides that any person who, with intent to deceive, makes or furnishes or knowingly and willfully authorizes or permits the making or furnishing of, any false or misleading statement or report to the Securities Industry Council or any of its officers, relating to any matter or thing required by the Securities Industry Council in the exercise of its functions under the SFA shall be guilty of an offense and shall be liable on conviction to a fine not exceeding S\$50,000 or to imprisonment for a term not exceeding 2 years or to both.

Obligation to disclose beneficial interest in the voting shares of the company*Section 92 of the Singapore Companies Act*

Section 92 of the Singapore Companies Act provides that a company which has all of its shares listed on a stock exchange in Singapore may require any member to inform it whether the member holds the voting shares in the company as beneficial owner or trustee, and in the latter, who the beneficiaries are. If the member discloses that he is holding the shares on trust for another party, the company may additionally require the other party to inform it whether the other party holds the interests as beneficial owner or as trustee and if the latter, for whom. A listed company also has the right to require the member to inform it of any voting agreement that he may have in relation to the shares held by him.

Consequences of non-compliance*Section 92 of the Singapore Companies Act*

Sections 92(6) and 92(7) of the Singapore Companies Act provide that the failure to comply with a notice requiring disclosure of information is an offense, unless it can be shown that the information was already in the possession of the company or that the requirement to give it was frivolous or vexatious. A person who deliberately or recklessly makes a statement that is false in a material particular in compliance to a request for information under section 92 is also guilty of an offense, and is likewise liable on conviction to a fine not exceeding S\$10,000 or to imprisonment for a term not exceeding 2 years.

2. PROHIBITED CONDUCT IN RELATION TO TRADING IN THE SECURITIES OF THE COMPANY**Prohibitions against false trading and market manipulation***Section 197 of the SFA*

Section 197 of the SFA prohibits (i) the creation of a false or misleading appearance of active trading in any securities on a securities exchange; (ii) the creation of a false or misleading appearance with respect to the market for, or price of, any securities on a securities exchange; (iii) affecting the price of securities by way of purchases or sales which do not involve a change in the beneficial ownership of those securities; and (iv) affecting the price of securities by means of any fictitious transactions or devices.

Section 197(3) of SFA provides that a person is deemed to have created a false or misleading appearance of active trading in securities on a securities market if he does any of the following acts:

- (i) if he effects, takes part in, is concerned in or carries out, directly or indirectly, any transaction of purchase or sale of any securities, which does not involve any change in the beneficial ownership of the securities;
- (ii) if he makes or causes to be made an offer to sell any securities at a specified price where he has made or caused to be made or proposes to make or to cause to be made, or knows that a person associated with him has made or caused to be made or proposes to make or to cause to be made, an offer to purchase the same number, or substantially the same number, of securities at a price that is substantially the same as the first-mentioned price; or
- (iii) if he makes or causes to be made an offer to purchase any securities at a specified price where he has made or caused to be made or proposes to make or to cause to be made, or knows that a person associated with him has made or caused to be made or proposes to make or to cause to be made, an offer to sell the same number, or substantially the same number, of securities at a price that is substantially the same as the first-mentioned price, unless he establishes that the purpose or purposes for which he did the act was not, or did not include, the purpose of creating a false or misleading appearance of active trading in securities on a securities market.

Section 197(5) of the SFA provides that a purchase or sale of securities does not involve a change in the beneficial ownership if a person who had an interest in the securities before the purchase or sale, or a person associated with the first-mentioned person in relation to those securities, has an interest in the securities after the purchase or sale.

Section 197(6) of the SFA provides a defense to proceedings against a person in relation to a purchase or sale of securities that did not involve a change in the beneficial ownership of those securities. It is a defense if the defendant establishes that the purpose or purposes for which he purchased or sold the securities was not, or did not include, the purpose of creating a false or misleading appearance with respect to the market for, or the price of, securities.

Prohibition against securities market manipulation

Section 198 of the SFA

Section 198(1) of the SFA provides that no person shall carry out directly or indirectly, 2 or more transactions in securities of a corporation, being transactions that have, or likely to have, the effect of raising, lowering, maintaining or stabilizing the price of the securities with intent to induce other persons to purchase them. Section 198(2) of the SFA provides that transactions in securities of a corporation includes (i) the making of an offer to purchase or sell such securities of the corporation; and (ii) the making of an invitation, however expressed, that directly or indirectly invites a person to offer to purchase or sell such securities of the corporation.

Prohibition against the manipulation of the market price of securities by the dissemination of misleading information

Sections 199 and 202 of the SFA

Section 199 of the SFA prohibits the making of false or misleading statements. Under this provision, a person shall not make a statement, or disseminate information, that is false or misleading in a material particular and is likely (a) to induce other persons to subscribe for securities; (b) to induce the sale or purchase of securities by other persons; or (c) to have the effect of raising, lowering, maintaining or stabilizing the market price of securities, if, when he makes the statement or disseminates the information, he either does not care whether the statement or information is true or false, or knows or ought reasonably to have known that the statement or information is false or misleading in a material particular.

Section 202 of the SFA prohibits the dissemination of information about illegal transactions. This provision prohibits the circulation or dissemination of any statement or information to the effect that the price of any securities of a corporation will rise, fall or be maintained by reason of transactions entered into in contravention of sections 197 to 201 of the SFA. This prohibition applies where the person who is circulating or disseminating the information or statements (i) is the person who entered into the illegal transaction; or (ii) is associated with the person who entered into the illegal transaction; or (iii) is the person, or associated with the person, who has received or expects to receive (whether directly or indirectly) any consideration or benefit of circulating or disseminating the information or statements.

Prohibition against fraudulently inducing persons to deal in securities*Section 200 of the SFA*

Section 200 of the SFA prohibits a person from inducing or attempting to induce another person to deal in securities, (a) by making or publishing any statement, promise or forecast that he knows or ought reasonably to have known to be misleading, false or deceptive; (b) by any dishonest concealment of material facts; (c) by the reckless making or publishing of any statement, promise or forecast that is misleading, false or deceptive; or (d) by recording or storing in, or by means of, any mechanical, electronic or other device information that he knows to be false or misleading in a material particular, unless it is established that, at the time when the defendant so recorded or stored the information, he had no reasonable grounds for expecting that the information would be available to any other person.

Prohibition against employment of manipulative and deceptive devices*Section 201 of the SFA*

Section 201 of the SFA prohibits (i) the employment of any device, scheme or artifice to defraud; (ii) engaging in any act, practice or course of business which operates as a fraud or deception, or is likely to operate as a fraud or deception, upon any person; and (iii) making any statement he knows to be false in a material particular or (iv) omitting to state a material fact necessary to make statements made not misleading, in connection with the subscription, purchase or sale of any securities.

Prohibition against the dissemination of information about illegal transactions*Section 202 of the SFA*

Section 202 of the SFA prohibits the circulation or dissemination of any statement or information to the effect that the price of any securities of a corporation will rise, fall or be maintained by reason of any transaction entered into or to be entered into in contravention of sections 197 to 201 of the SFA. This prohibition applies where the person who is circulating or disseminating the information or statements (i) is the person who entered into the illegal transaction; or (ii) is associated with the person who entered into the illegal transaction; or (iii) is the person, or associated with the person, who has received or expects to receive (whether directly or indirectly) any consideration or benefit of circulating or disseminating the information or statements.

Prohibition against insider trading*Sections 218 and 219 of the SFA*

Sections 218 and 219 of the SFA prohibit persons from dealing in securities of a corporation if the person knows or reasonably ought to know that he is in possession of information that is not generally available, which is expected to have a material effect on the price or value of securities of that corporation. Such persons include substantial shareholders of a corporation or a related corporation, and persons who occupy a position reasonably expected to give him access to inside information by virtue of professional or business relationship by being an officer or a substantial shareholder of the corporation or a related corporation, or any other person in possession of inside information. For an alleged contravention of section 218 or 219, section 220 makes it clear that it is not necessary for the prosecution or plaintiff to prove that the accused person or defendant intended to use the information referred to in section 218(1)(a) or (1A)(a) or 219(1)(a) in contravention of section 218 or 219, as the case may be.

Section 216 of the SFA

Section 216 of the SFA provides that a reasonable person would be taken to expect information to have a material effect on the price or value of securities if the information would, or would be likely to, influence persons who commonly invest in securities in deciding whether or not to subscribe for, buy or sell the first-mentioned securities.

Penalties*Section 232 of the SFA*

Section 232 of the SFA provides that the Monetary Authority of Singapore may, with the consent of the Public Prosecutor, bring an action in a court against the offender to seek an order for a civil penalty in respect of any contravention. If the court is satisfied on the balance of probabilities that the contravention resulted in the gain of a profit or avoidance of a loss by the offender, the offender may have to pay a civil penalty of a sum (a) not exceeding 3 times the amount of the profit that the person gained; or the amount of the loss that he avoided, as a result of the contravention; or (b) equal to S\$50,000 if the person is not a corporation, or S\$100,000 if the person is a corporation, whichever is the greater. If the court is satisfied on a balance of probabilities that the contravention did not result in the gain of a profit or avoidance of a loss by the offender, the court may make an order against him for the payment of a civil penalty of a sum not less than S\$50,000 and not more than S\$2 million.

Section 204 of the SFA

Any person who contravenes sections 197, 198, 201 or 202 is guilty of an offense and shall be liable on conviction to a fine not exceeding S\$250,000 or to imprisonment for a term not exceeding 7 years or to both under section 204 of the SFA. Section 204 of the SFA further provides that no proceedings shall be instituted against a person for the offense after a court has made an order against him for the payment of a civil penalty under section 232 of the SFA in respect of the contravention.

Section 221 of the SFA

Any person who contravenes section 218 or 219 of the SFA, is guilty of an offense and shall be liable on conviction to a fine not exceeding S\$250,000 or to imprisonment for a term not exceeding 7 years or to both under section 221 of the SFA. Section 221 further provides that no proceedings shall be instituted against a person for an offense in respect of a contravention of section 218 or 219 of the SFA after a court has made an order against him for the payment of a civil penalty under section 232 of the SFA in respect of that contravention.

3. TAKEOVER OBLIGATIONS**Comparison of principal requirements of the takeover obligations applicable to listed companies under the SFO, SFA, Takeovers Code and Singapore Code**

Upon the Listing, both the Takeovers Code and the Singapore Code will be applicable to acquisitions of controlling interest in our Company. The following table sets out a comparison of the principal requirements under the Takeovers Code and the Singapore Code.

	SFO	SFA
1. Liabilities and offenses relating to announcements of offers	<p>Section 277 of the SFO provides that where a person discloses, circulates or disseminates, or authorizes or is concerned in the disclosure, circulation or dissemination of information that is false or misleading as to a material fact or through the omission of a material fact, that is likely (a) to induce another person to subscribe for securities in Hong Kong, to induce the sale or purchase in Hong Kong of securities by another person, to maintain, increase, reduce or stabilize the price of securities in Hong Kong, the person commits a market misconduct for which he may be liable to pay compensation for damages to any other person for pecuniary loss sustained as a result. Under section 298 of the SFO, disclosure of false or misleading information inducing transactions is an offense for which the person who has committed is liable on conviction on indictment to a fine of HK\$10 million and to imprisonment for 10 years.</p>	<p>Section 140 of the SFA provides that a person shall not give notice or publicly announce that he intends to make a take-over offer if (a) he has no intention to make a take-over offer; or (b) he has no reasonable or probable grounds for believing that he will be able to perform his obligations if the takeover offer is accepted or approved, as the case may be. A person who contravenes section 140 of the SFA is guilty of an offense and shall be liable on conviction to a fine not exceeding S\$250,000 or to imprisonment for a term not exceeding 7 years or to both.</p>

	Takeovers Code	Singapore Code
2. Mandatory obligations to make a general offer	<p>The Takeovers Code requires the making of a mandatory general offer to all shareholders of the offeree company, unless a waiver has been granted by the SFC, where a person or a group of persons acting in concert (1) acquires control of a company (meaning 30% or more of the voting rights), whether by a series of transactions over a period of time or not, or (2) when already holding between 30% and 50% of the voting rights of a company, acquires more than 2% of the voting rights in the target company from the lowest percentage holding in the 12-month period ending on and inclusive of the date of the relevant acquisition.</p>	<p>Any person acquiring an interest, either on his own or together with parties acting in concert with him, in 30.0% or more of our voting Shares, or, if such person holds, either on his own or together with parties acting in concert with him, between 30.0% and 500% (both inclusive) of our voting Shares, and if he (or parties acting in concert with him) acquires additional voting Shares representing more than 1.0% of our voting Shares in any six-month period, must, except with the consent of the Securities Industry Council in Singapore, extend a takeover offer for the remaining voting Shares in accordance with the provisions of the Singapore Code.</p>
3. Definition of “acting in concert”	<p>“Persons acting in concert” comprise persons who, pursuant to an agreement or understanding (whether formal or informal), actively cooperate to obtain or consolidate control of a company through the acquisition by any of them of voting rights of the company.</p>	<p>“Parties acting in concert” comprise individuals or companies who, pursuant to an agreement or understanding (whether formal or informal), co-operate, through the acquisition by any of them of Shares in a company, to obtain or consolidate effective control of that company.</p>

Without prejudice to the general application of this definition, persons falling within each of the following classes will be presumed to be acting in concert with others in the same class unless the contrary is established:

- (1) a company, its parent, its subsidiaries, its fellow subsidiaries, associated companies of any of the foregoing, and companies of which such companies are associated companies;
- (2) a company with any directors (together with their close relatives, related trusts and companies controlled by any of the directors, their close relatives or related trusts) of it or of its parents;
- (3) a company with any of its pension funds, provident funds and employee share schemes;

Certain persons are presumed (unless the presumption is rebutted) to be acting in concert with each other. They are as follows:

- (a) a company and its related companies, the associated companies of any of the company and its related companies, companies whose associated companies include any of these companies and any person who has provided financial assistance (other than a bank in the ordinary course of business) to any of the foregoing for the purchase of voting rights;
- (b) a company and its directors (including their close relatives, related trusts and companies controlled by any of the directors, their close relatives and related trusts);

- (4) a fund manager (including an exempt fund manager) with any investment company, mutual fund, unit trust, or other person, whose investments such fund manager manages on a discretionary basis, in respect of the relevant investment accounts;
- (5) a financial or other professional advisor (including a stockbroker) with its client in respect of the shareholdings of the advisor and persons controlling, controlled by or under the same control as the advisor (except in the capacity of an exempt principal trader);
- (6) directors of a company (together with their close relatives, related trusts and companies controlled by such directors, their close relatives and related trusts) which is subject to an offer or where the directors have reason to believe a bona fide offer for their company may be imminent;
- (c) a company and its pension funds and employee share schemes;
- (d) a person with any investment company, unit trust or other fund whose investment such person manages on a discretionary basis;
- (e) a financial or other professional advisor and its clients in respect of Shares held by the advisor and persons controlling, controlled by or under the same control as the advisor and all the funds managed by the advisor on a discretionary basis, where the shareholdings of the advisor and any of those funds in the client total 10.0% or more of the client's equity share capital;

- (7) partners;
- (8) an individual (including any person who is accustomed to act in accordance with the instructions of the individual) with his close relatives, related trusts and companies controlled by him, his close relatives or related trusts; and
- (9) a person, other than an authorized institution within the meaning of the Banking Ordinance (Cap. 155) lending money in the ordinary course of business, providing finance or financial assistance (directly or indirectly) to any person (or a person acting in concert with such a person) in connection with an acquisition of voting rights (including any direct or indirect refinancing of the funding of the acquisition).
- (f) directors of a company (including their close relatives, related trusts and companies controlled by any of such directors, their close relatives and related trusts) which is subject to an offer or where the directors have reason to believe a bona fide offer for the company may be imminent;
- (g) partners; and
- (h) an individual and his close relatives, related trusts, any person who is accustomed to act in accordance with his instructions and companies controlled by the individual, his close relatives, his related trusts or any person who is accustomed to act in accordance with his instructions and any person who has provided financial assistance (other than a bank in the ordinary course of business) to any of the foregoing for the purchase of voting rights.

4. Announcement requirement	The Takeovers Code requires the offeror or potential offeror to make an announcement (a) when the offeree company is the subject of rumor or speculation about a possible offer or there is undue movement in its share price or trading volume which can reasonably be concluded to have been led to by actions of the potential offeror or parties acting in concert with it; (b) when negotiations or discussions are about to be extended to include more than a very restricted number of people; or (c) immediately upon an acquisition of voting rights which gives rise to an obligation to make a mandatory general offer.	In the event that one of the abovementioned trigger-points is reached, the person acquiring an interest (the “ Offeror ”) must make a public announcement stating the terms of the offer and its identity.
5. Timing of the offer	The offer document should normally be posted by or on behalf of the offeror within 21 days of the date of the announcement of the terms of the offer. The offeree company should send to its shareholders within 14 days of the posting of the offer document a circular.	The Offeror must post an offer document not earlier than 14 days and not later than 21 days from the date of the offer announcement.

The offer must be open for acceptance for at least 21 days following the date on which the offer document is posted if it is posted on the same date as the offeree circular or the two are combined in a composite document. Where the offeree circular is posted after the date on which the offer document is posted, it must be open for acceptance for at least 28 days following the date the offer document is posted. Where a conditional offer becomes or is declared unconditional, it should remain open for not less than 14 days thereafter.

If the offeror revises the terms of the offer, all offeree shareholders will be entitled to the revised terms whether or not they have already accepted the offer. A revised offer must be kept open for at least 14 days following the date on which the revised offer document is posted.

An offer must be kept open for at least 28 days after the date on which the offer document was posted.

The Offeror may vary the offer by offering more for the shares or by extending the period in which the offer remains open. If a variation is proposed, the Offeror is required to give a written notice to the offeree company and its shareholders, stating the modifications made to the matters set out in the offer document. The revised offer must be kept open for at least another 14 days. Where the consideration is varied, shareholders who agree to sell before the variation are also entitled to receive the increased consideration.

6. Mode of the offer	The offer must be in cash or accompanied by a cash alternative at not less than the highest price paid by the offeror (or persons acting in concert with it) for shares of that class during the offer period and within 6 months prior to its commencement.	A mandatory offer must be in cash or be accompanied by a cash alternative at not less than the highest price paid by the offeror or parties acting in concert with the offeror within the six months preceding the acquisition of Shares that triggered the mandatory offer obligation.
7. Consequences of non-compliance	The Takeovers Code does not have the force of law. The Executive Director of the Corporate Finance Division of the SFC (the “Executive”) may institute disciplinary proceedings before the Takeovers and Mergers Panel (the “Panel”) when it considers that there has been a breach of the Takeovers Code. The Panel may impose any of the following sanctions: (a) issuance of a public statement which involves criticism; (b) public censure; (c) requiring licensed corporations, licensed representatives, registered institutions or relevant individuals, for a stated period, not to act or continue to act in any or a stated capacity for any person who has failed to comply with the Code; (d) banning advisors from appearing before the Executive of the Panel for a stated period; or (e) requiring further action to be taken as the Panel thinks fit.	The Singapore Code is non-statutory in that it does not have the force of law. Therefore, as provided in section 139(8) of the SFA, a failure of any party concerned in a take-over offer or a matter connected therewith to observe any of the provisions of the Singapore Code shall not of itself render that party liable to criminal proceedings. However, the failure of any party to observe any of the provisions of the Singapore Code may, in any civil or criminal proceedings, be relied upon by any party to the proceedings as tending to establish or to negate any liability which is in question in the proceedings.

Section 139 of the SFA further provides that where the Securities Industry Council has reason to believe that any party concerned in a take-over offer or a matter connected therewith is in breach of the provisions of the Singapore Code or is otherwise believed to have committed acts of misconduct in relation to such take-over offer or matter, the Securities Industry Council has power to enquire into the suspected breach or misconduct. The Securities Industry Council may summon any person to give evidence on oath or affirmation, which it is thereby authorized to administer, or produce any document or material necessary for the purpose of the enquiry.

Principal differences between the continuing obligations applicable to listed companies under the Listing Rules and the Listing Manual

In view of the dual primary listing status of the Company on both of the Stock Exchange and the SGX-ST after completion of the Listing, the Company will have to follow the Listing Rules and the Listing Manual. In the event of any conflict between them, the Company will have to comply with the more onerous rules, subject to approvals from the relevant stock exchange(s). The following table sets out the principal differences between the continuing obligations applicable to listed companies under the Listing Rules and the Listing Manual.

	Listing Rules	Listing Manual
1. FINANCIAL REPORTING OBLIGATIONS		
(A) Annual reports*	Rule 13.46 of the Listing Rules	Rule 707 of the Listing Manual
	A listed company shall send to (i) every member of the listed company; and (ii) every other holders of its listed securities (not being bearer securities), a copy of either (a) its annual report including its annual accounts and, where the listed company prepares group accounts, its group accounts, together with a copy of the auditors' report thereon or (b) its summary financial report, not less than 21 days before the date of the listed company's annual general meeting and in any event not more than four months after the end of the financial year to which they relate.	(1) The time between the end of a listed company's financial year and the date of its annual general meeting (if any) must not exceed four months. (2) A listed company must issue its annual report to shareholders and the SGX-ST at least 14 days before the date of its annual general meeting.

	Listing Rules	Listing Manual
(B) Preliminary results announcements for full financial year*	<p>Rule 13.49(1) of the Listing Rules</p> <p>A listed company shall publish its preliminary results in respect of each financial year as soon as possible, but in any event not later than the time that is 30 minutes before the earlier of the commencement of the morning trading session or any pre-opening session on the next business day after approval by or on behalf of the board. The listed company must publish such results</p> <p>(a) for annual accounting periods ending before December 31, 2010 – not later than four months after the end of the financial year; and</p> <p>(b) for annual accounting periods ending on or after December 31, 2010 – not later than three months after the end of the financial year.</p>	<p>Rule 705(1) of the Listing Manual</p> <p>A listed company must announce the financial statements for the full financial year immediately after the figures are available, but in any event not later than 60 days after the relevant financial period.</p>
(C) Interim reports**	<p>Rule 13.48(1) of the Listing Rules</p> <p>In respect of the first six months of each financial year of a listed company unless that financial year is of six months or less, the listed company shall send to (i) every member of the listed company; and (ii) every other holder of its listed securities (not being bearer securities), either (a) an interim report, or (b) a summary interim report not later than three months after the end of that period of six months.</p>	<p>No requirements on sending an interim report to the shareholders.</p>

	Listing Rules	Listing Manual
(D) Preliminary result announcements for first half of financial year*	<p>Rule 13.49(6) of the Listing Rules</p> <p>A listed company shall publish a preliminary announcement in respect of its results for the first six months of each financial year, unless that financial year is of six months or less, as soon as possible, but in any event not later than the time that is 30 minutes before the earlier of the commencement of the morning trading session or any preopening session on the next business day after approval by or on behalf of the board. The listed company must publish such results not later than two months after the end of that period of six months.</p>	<p>Rule 705(2) of the Listing Manual</p> <p>A listed company must announce the financial statements for each of the first three quarters of its financial year immediately after the figures are available, but in any event not later than 45 days after the quarter end if:</p> <p>(a) its market capitalization exceeded S\$75 million as of March 31, 2003; or</p> <p>(b) it was listed after March 31, 2003 and its market capitalization exceeded S\$75 million at the time of listing (based on the IPO issue price); or</p> <p>(c) its market capitalization is S\$75 million or higher on the last trading day of each calendar year commencing from December 31, 2006. A listed company whose obligation falls within this sub-section (c) will have a grace period of a year to prepare for quarterly reporting.</p>
(E) Quarterly financial results*	<p>Information disclosed pursuant to the Listing Manual in Singapore will be simultaneously disclosed in Hong Kong as required under Rule 13.09(2) of the Listing Rules.</p>	<p>Same as the requirements under Rule 705(2) of the Listing Manual as set out above.</p>

	Listing Rules	Listing Manual
2. DISCLOSURE OBLIGATIONS		
(A) Notifiable transactions*	<p style="text-align: center;">Chapter 14 of the Listing Rules</p> <p>Under Chapter 14 of the Listing Rules, the transactions are classified as:</p> <ol style="list-style-type: none"> (1) share transaction: an acquisition of assets (excluding cash) by a listed issuer where the consideration includes securities for which listing will be sought and where all percentage ratios are less than 5% (2) disclosable transaction: a transaction or a series of transactions by a listed issuer where any percentage ratio is 5% or more, but less than 25%; (3) major transaction: a transaction or a series of transactions by a listed issuer where any percentage ratio is 25% or more, but less than 100% for an acquisition or 75% for a disposal; (4) very substantial disposal: a disposal or a series of disposals of assets by a listed issuer where any percentage ratio is 75% or more; (5) very substantial acquisition: an acquisition or a series of acquisitions of assets by a listed issuer where any percentage ratio is 100% or more; 	<p style="text-align: center;">Chapter 10 of the Listing Manual</p> <p>The transactions of a listed company are classified as:</p> <ol style="list-style-type: none"> (1) non-disclosable transactions: where any of the relative figures computed on the bases set out in Rule 1006 is 5% or less; (2) disclosable transactions: where any of the relative figures exceeds 5% but does not exceed 20%; (3) major transaction: where any of the relative figures exceeds 20%; and (4) very substantial acquisition or reverse takeover: where any of the relative figures is 100% or more, or where there is a change in control of the listed company. <p>Where a transaction is classified as a disclosable transaction, major transaction, very substantial acquisition or reverse takeover, the listed company must make an immediate announcement, which includes the details as prescribed in the Listing Manual.</p> <p>For a very substantial acquisition or reverse takeover, the listed company must also immediately announce the latest three years of proforma financial information of the assets to be acquired.</p>

Listing Rules

- (6) reverse takeover: an acquisition or a series of acquisitions of assets by a listed issuer which, in the opinion of the Stock Exchange, constitutes, or is part of a transaction or arrangement or series of transactions or arrangements which constitute, an attempt to achieve a listing of the assets to be acquired and a means to circumvent the requirements for new applicants set out in Chapter 8 of the Listing Rules.

As soon as possible after the terms of a share transaction, disclosable transaction, major transaction, very substantial disposal, very substantial acquisition or reverse takeover have been finalized, the listed company must in each case (1) inform the Stock Exchange; and (2) publish an announcement in accordance with Rule 2.07C of the Listing Rules. For a major transaction, very substantial disposal, very substantial acquisition or reverse takeover, the listed company must send to its shareholders and the Stock Exchange a circular containing in the information as required under Chapter 14 of the Listing Rules.

Listing Manual

Transactions that are major transactions are conditional upon the prior approval of shareholders. Very substantial acquisitions and reverse takeovers transactions are conditional upon the approval of shareholders and the approval of the SGX-ST. A circular to shareholders will need to be distributed to seek shareholders' approval, and the disclosures required to be made in such circular for these types of transactions are prescribed in the Listing Manual.

Listing Rules**Listing Manual**

With respect to a major transaction for acquisitions of businesses and/ or companies, and very substantial acquisition and reverse takeover, the listed company shall provide an accountants' report for the 3 preceding financial years on the business, company or companies being acquired.

With respect to a very substantial disposal of a business or company, the listed issuer may provide financial information reviewed by its auditors or an accountant's report for the 3 preceding financial years on the business or company being disposed of.

For a major transaction, very substantial disposal and very substantial acquisition, the shareholders' approval is required, while the approvals from both the shareholders and the Stock Exchange are required for reverse takeover.

(B) Connected transactions**

Chapter 14A of the Listing Rules**Chapter 9 of the Listing Manual**

A listed company must publicly disclose a transaction entered into between the listed company or one of its subsidiaries and a connected person. Generally, a public announcement, a circular and/or independent shareholder approval are required unless one of the de minimis or other exemptions set out below apply.

Chapter 9 of the Listing Manual, which applies to the listed company, prescribes situations in which transactions between entities at risk (as defined in the Listing Manual) and interested persons (as defined in the Listing Manual) are required to be disclosed or are subject to the prior approval of shareholders.

Listing Rules

The term ‘connected person’ is very widely defined under the Listing Rules and include directors, chief executive, substantial shareholders (i.e. shareholders interested in 10% or more of the voting power in the listed company or any of its subsidiaries), associates (as defined under the Listing Rules) of directors, chief executive or substantial shareholders, non-wholly-owned subsidiaries of the listed company held by a connected person at the listed company level as to 10% or more of its voting power and its subsidiaries.

Connected transactions or continuing connected transactions exempt from the reporting, announcement and independent shareholders’ approval requirements:

Listing Manual

The term “entity at risk” means (a) the listed company; (b) a subsidiary of the listed company that is not listed on the SGX-ST or an approved exchange; or (c) an associated company of the listed company that is not listed on the SGX-ST or an approved exchange, provided that the listed group, or the listed group and its interested person(s), has control over the associated company.

The term “interested person” means (a) a director, chief executive officer, or controlling shareholder of the listed company; or (b) an associate of any such director, chief executive officer, or controlling shareholder.

The term “interested person transaction” means a transaction between an entity at risk and an interested person.

Transactions with interested person subject to announcement requirements:

Listing Rules

A connected transaction or continuing connected transaction on normal commercial terms will be considered as de minimis transaction if (a) each of the percentage ratios (other than the profits ratio) is less than 0.1%; or (b) each of the percentage ratios (other than the profits ratio) is less than 1% and the transaction is a connected transaction only because it involves a person who is a connected person of the listed company by virtue of its/his relationship(s) with the listed company's subsidiary or subsidiaries; or (c) each of the percentage ratios (other than the profits ratio) is less than 5% and the total consideration is less than HK\$1 million, such connected transaction will be exempt from all the reporting, announcement and independent shareholders' approval requirements.

Listing Manual

A listed company must make an immediate announcement of any interested person transaction of a value equal to, or more than, 3% of the group's latest audited net tangible assets; or if the aggregate value of all transactions entered into with the same interested person during the same financial year amounts to 3% or more of the group's latest audited net tangible assets, the listed company must make an immediate announcement of the latest transaction and all future transactions entered into with that same interested person during that financial year. The announcement requirement does not apply to any transaction below S\$100,000.

Listing Rules

Connected transactions exempt from the independent shareholders' approval requirements:

A connected transaction or continuing connected transaction on normal commercial terms where (a) each of the percentage ratios (other than the profits ratio) is less than 5%; or (b) each of the percentage ratios (other than the profits ratio) is less than 25% and the total consideration is less than HK\$10 million, then such transaction is only subject to the reporting and announcement requirements and is exempt from the independent shareholders' approval requirements.

Listing Manual

Transactions with interested person subject to shareholders' approval requirements:

A listed company must obtain shareholder approval for any interested person transaction of a value equal to, or more than (a) 5% of the group's latest audited net tangible assets; or (b) 5% of the group's latest audited net tangible assets, when aggregated with other transactions entered into with the same interested person during the same financial year.

Listing Rules	Listing Manual
Exemptions	However, a transaction which has been approved by shareholders, or is the subject of aggregation with another transaction that has been approved by shareholders, need not be included in any subsequent aggregation. The shareholders' approval requirement does not apply to any transaction below S\$100,000.
The following connected transactions are not required to comply with the reporting, announcement and independent shareholders approval requirements:	
(1) intra-group transactions;	
(2) de minimis transactions;	Exemptions
(3) issue of new securities under circumstances specified in Rule 14A.31(3) of the Listing Rules;	The following transactions are not required to comply with the announcement and shareholders' approval requirements:
(4) stock exchange dealings under circumstances specified in Rule 14A.31(4) of the Listing Rules;	(1) a payment of dividends, a subdivision of shares, an issue of securities by way of a bonus issue, a preferential offer, or an off-market acquisition of the listed company's shares, made to all shareholders on a pro-rata basis, including the exercise of rights, options or company warrants granted under the preferential offer;
(5) purchase of own securities under circumstances specified in Rule 14A.31(5) of the Listing Rules;	(2) the grant of options, and the issue of securities pursuant to the exercise of options, under an employees' share option scheme approved by the SGX-ST;
(6) directors' service contracts for less than 3 years and requiring not more than one year's notice to terminate;	(3) a transaction between an entity at risk and an investee company, where the interested person's interest in the investee company, other than that held through the listed company, is less than 5%;
(7) consumer goods or consumer services under circumstances specified in Rule 14A.31(7) of the Listing Rules;	
(8) sharing of administrative services under circumstances specified in Rule 14A.31(8) of the Listing Rules;	

Listing Rules	Listing Manual
(9) transactions with persons connected at the level of subsidiaries under circumstances specified in Rule 14A.31(9) of the Listing Rules; and	(4) a transaction in marketable securities carried out in the open market where the counterparty's identity is unknown to the listed company at the time of the transaction;
(10) transactions with associates of a passive investor under circumstances specified in Rule 14A.31(10) of the Listing Rules.	(5) a transaction between an entity at risk and an interested person for the provision of goods or services if (a) the goods or services are sold or rendered based on a fixed or graduated scale, which is publicly quoted; and (b) the sale prices are applied consistently to all customers or class of customers;
The following continuing connected transactions are not required to comply with the reporting, annual review, announcement and independent shareholders' approval requirements:	(6) the provision of financial assistance or services by a financial institution that is licensed or approved by the Monetary Authority of Singapore, on normal commercial terms and in the ordinary course of business;
(1) consumer goods or consumer services under circumstances specified in Rule 14A.31(7) of the Listing Rules;	(7) the receipt of financial assistance or services from a financial institution that is licensed or approved by the Monetary Authority of Singapore, on normal commercial terms and in the ordinary course of business;
(2) sharing of administrative services under circumstances specified in Rule 14A.31(8) of the Listing Rules;	(8) director's fees and remuneration, and employment remuneration (excluding "golden parachute" payments).
(3) de minimis transactions;	
(4) transactions with persons connected at the level of subsidiaries under circumstances specified in Rule 14A.31(9) of the Listing Rules; and	
(5) transactions with associates of a passive investor under circumstances specified in Rule 14A.31(10) of the Listing Rules.	

	Listing Rules	Listing Manual
3. ISSUANCE OF SHARES AND SHARES REPURCHASE REQUIREMENTS		
(A) General mandate to issue shares**	<p>Rule 13.36(2)(b) of the Listing Rules</p> <p>The existing shareholders of the listed company may by an ordinary resolution in general meeting give a general mandate to the directors of the listed company to issue new shares which shall be subject to a restriction that the aggregate number of securities allotted or agreed to be allotted under the general mandate must not exceed the aggregate of 20% of the existing issued share capital of the listed company plus the number of such securities repurchased by the listed company itself since the granting of the general mandate (up to a maximum number equivalent to 10% of the existing issued share capital of the listed company), provided that the existing shareholders of the listed company have by a separate ordinary resolution in general meeting given a general mandate to the directors of the listed company to add such repurchased securities to the 20% general mandate.</p>	<p>Rule 806(2) of the Listing Manual</p> <p>A general mandate must limit the aggregate number of shares and convertible securities that may be issued. The limit must be not more than 50% of the total number of issued shares excluding treasury shares, of which the aggregate number of shares and convertible securities issued other than on a pro rata basis to existing shareholders must be not more than 20% of the total number of issued shares excluding treasury shares. Unless prior shareholder approval is required under the Listing Manual, an issue of treasury shares will not require further shareholder approval, and will not be included in the aforementioned limits.</p>

Listing Rules**Listing Manual****Rule 13.36(3) of the Listing Rules****Rule 806(6), SGX Listing Manual**

A general mandate given under rule 13.36(2) of the Listing Rules shall only continue in force until the earlier of (a) the conclusion of the first annual general meeting of the listed company following the passing of the resolution at which time it shall lapse unless, by ordinary resolution passed at that meeting, the mandate is renewed, either unconditionally or subject to conditions; and (b) revoked or varied by an ordinary resolution of the shareholders in general meeting.

A general mandate may remain in force until the earlier of (a) the conclusion of the first annual general meeting of the listed company following the passing of the resolution. By an ordinary resolution passed at that meeting, the mandate may be renewed, either unconditionally or subject to conditions; or (b) it is revoked or varied by ordinary resolution of the shareholders in general meeting.

Rule 13.36(5) of the Listing Rules**Rule 811, Listing Manual**

In case of a placing of securities for cash consideration, the issuer may not issue any securities pursuant to a general mandate given by its shareholders if the relevant price represents a discount of 20% or more to the benchmarked price of the securities prescribed under the Listing Rules, unless the Stock Exchange is satisfied that the issuer is in a serious financial position and the only way that it can be saved is by an urgent rescue operation, or that there are other exceptional circumstances.

(1) An issue of shares must not be priced at more than 10% discount to the weighted average price for trades done on the SGX-ST for the full market day on which the placement or subscription agreement is signed. If trading in the issuer's shares is not available for a full market day, the weighted average price must be based on the trades done on the preceding market day up to the time the placement agreement is signed.

Listing Rules**Listing Manual**

Such benchmarked price shall be the higher of:

(a) the closing price on the date of the relevant placing agreement or other agreement involving the proposed issue of securities under the general mandate; and

(b) the average closing price in the 5 trading days immediately prior to the earlier of:

(i) the date of announcement of the placing or the proposed transaction or arrangement involving the proposed issue of securities under the general mandate;

(ii) the date of the placing agreement or other agreement involving the proposed issue of securities under the general mandate; and

(iii) the date on which the placing or subscription price is fixed.

(2) An issue of company warrants or other convertible securities is subject to the following requirements:

(a) if the conversion price is fixed, the price must not be more than 10% discount to the prevailing market price of the underlying shares prior to the signing of the placement or subscription agreement.

(b) if the conversion price is based on a formula, any discount in the price-fixing formula must not be more than 10% of the prevailing market price of the underlying shares before conversion.

(3) Rule 811(1) and (2) is not applicable if specific shareholder approval is obtained for the issue of shares, company warrants or other convertible securities.

(4) Where specific shareholders' approval is sought, the circular must include the following:

(a) information required under Rule 810 of the Listing Manual; and

(b) the basis upon which the discount was determined.

	Listing Rules	Listing Manual
(B) Repurchase mandate**	<p>Rule 10.05 of the Listing Rules</p> <p>Subject to the provisions of the Hong Kong Code on Share Repurchases, a listed company may purchase on the Stock Exchange or on another stock exchange recognized for this purpose by the SFC and the Stock Exchange up to 10% of its total issued shares as at the date of the shareholders' resolution granting the general mandate to repurchase shares. All such purchases must be made in accordance with Rule 10.06 of the Listing Rules. The Hong Kong Code on Share Repurchases must be complied with by a listed company and its directors and any breach thereof by a listed company will be a deemed breach of the Listing Rules and the Stock Exchange may in its absolute discretion take such action to penalize any breach of this Rule 10.05 or the listing agreement as it shall think appropriate. It is for the listed company to satisfy itself that a proposed purchase of shares does not contravene the Hong Kong Code on Share Repurchases.</p>	<p>Rule 882 of the Listing Manual</p> <p>A share buy-back may only be made on the SGX-ST or on another stock exchange on which the listed company's securities are listed ("Market Acquisitions") or by way of an off-market acquisition in accordance with an equal access scheme as defined in section 76C of the Singapore Companies Act.</p> <p>Rule 881 of the Listing Manual</p> <p>A listed company may purchase its own shares if it has obtained the prior specific approval of shareholders in general meeting.</p> <p>Rule 884 of the Listing Manual</p> <p>In the case of a Market Acquisition, the purchase price must be at a price which is not more than 5% of the Average Closing Price. The term "Average Closing Price" means the average of the closing market prices of a share over the last 5 market days preceding the day of the Market Purchase on which transactions in the shares were recorded and deemed to be adjusted for any corporate action that occurs after the relevant 5-day period.</p>

Listing Rules**Listing Manual****Rule 10.06(2) of the Listing Rules**

A listed company shall not purchase its shares on the Stock Exchange if the purchase price is higher by 5% or more than the average closing market price for the 5 preceding trading days on which its shares were traded on the Stock Exchange; and a listed company shall not purchase its shares 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.

(C) Minimum public float**

Rule 8.08 of the Listing Rules

There must be an open market in the securities for which listing is sought. This will normally mean at least 25% of the listed company's total issued share capital must at all times be held by the public, although if the market capitalization of the company is over HK\$10 billion, the Stock Exchange may accept a percentage of between 15% and 25%. In addition, there must be a minimum of 300 public shareholders and not more than 50% of the shares in public hands at the time of listing can be beneficially owned by the three largest public shareholders save for circumstances specified in Rule 8.08(3) of the Listing Rules.

Rule 723 of the Listing Manual

A listed company must ensure that at least 10% of the total number of issued shares excluding treasury shares (excluding preference shares and convertible equity securities) in a class that is listed is at all times held by the public.

	Listing Rules	Listing Manual
(D) Share option scheme**	<p>Chapter 17 of the Listing Rules</p> <p>The share option scheme of a listed company or any of its subsidiaries must be approved by shareholders of the listed company in general meeting. The total number of securities which may be issued upon exercise of all options to be granted under the scheme and any other schemes must not in aggregate exceed 10% of the relevant class of securities of the listed company (or the subsidiary) in issue as of the date of approval of the scheme. Options lapsed in accordance with the terms of the scheme will not be counted for the purpose of calculating the 10% limit. The number of securities which may be issued upon exercise of all outstanding options granted and yet to be exercised under the scheme and any other schemes must not exceed 30% of the relevant class of securities of the listed company (or the subsidiary) in issue from time to time. No options may be granted under any schemes of the listed company (or the subsidiary) if this will result in the limit being exceeded. The period within which the securities must be taken up under the option must not be more than 10 years from the date of grant of the option, and the life of the scheme must not be more than 10 years.</p>	<p>Rules 843 to 861 of the Listing Manual</p> <p>The approval of a listed company's shareholders must be obtained for any share option scheme or share scheme implemented by the listed company or its principal subsidiaries.</p> <p>A limit on the size of each scheme, the maximum entitlement for each class or category of participant (where applicable), and the maximum entitlement for any one participant (where applicable) must be stated. For the companies listed on the main board of the SGX-ST, the following limits must not be exceeded:</p> <ol style="list-style-type: none"> (1) the aggregate number of shares available under all schemes must not exceed 15% of the total number of issued shares excluding treasury shares from time to time; (2) the aggregate number of shares available to controlling shareholders and their associates must not exceed 25% of the shares available under a scheme; (3) the number of shares available to each controlling shareholder or his associate must not exceed 10% of the shares available under a scheme;

Listing Rules

The exercise price must be at least the higher of: (i) the closing price of the securities as stated in the Stock Exchange's daily quotations sheet on the date of grant, which must be a business day; and (ii) the average closing price of the securities as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant. For the purpose of calculating the exercise price where a listed company has been listed for less than five business days, the new issue price shall be used as the closing price for any business day falling within the period before listing.

In addition to the shareholders' approval, each grant of options to a director, chief executive or substantial shareholder of a listed company, or any of their respective associates, under a scheme of the listed company or any of its subsidiaries must comply with the requirements of Rule 17.04(1) of the Listing Rules. Each grant of options to any of these persons must be approved by independent non-executive directors of the listed company (excluding independent non-executive director who is the grantee of the options).

Listing Manual

- (4) the aggregate number of shares available to directors and employees of the listed company's parent company and its subsidiaries must not exceed 20% of the shares available under a scheme; and
- (5) the maximum discount under the scheme must not exceed 20%. The discount must have been approved by shareholders in a separate resolution.

The exercise price of options to be granted must be set out in the scheme. Options granted at a discount may be exercisable after 2 years from the date of grant. Other options may be exercisable after 1 year from the date of grant.

Listing Rules**Listing Manual**

Where any grant of options to a substantial shareholder or an independent non-executive director of the listed company, or any of their respective associates, would result in the securities issued and to be issued upon exercise of all options already granted and to be granted (including options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of such grant, (a) representing in aggregate over 0.1% of the relevant class of securities in issue; and (b) (where the securities are listed on the Stock Exchange), having an aggregate value, based on the closing price of the securities at the date of each grant, in excess of HK\$5 million, such further grant of options must be approved by shareholders of the listed company.

The listed company must send a circular to the shareholders. All connected persons of the listed company must abstain from voting in favor at such general meeting.

	Listing Rules	Listing Manual
4. OTHER OBLIGATIONS		
(A) Disclosure of interest*	<p>The Listing Rules require that the interests held by directors and chief executives and substantial shareholders (i.e. shareholders interested in 10% or more of the voting power) be disclosed in annual reports, interim reports and circulars of the listed company.</p> <p>The SFO provides that a substantial shareholder (i.e. shareholder interested in 5% or more of the shares in the listed company) is required to disclose his interest, and short positions, in the shares of the listed company, within ten business days after first becoming a substantial shareholder, or to disclose his changes in percentage figures of his shareholdings in the listed company or ceasing to be a substantial shareholder within three business days after becoming aware of the relevant events.</p> <p>The above changes in percentage figures of shareholdings refer to an increase or decrease in the percentage level of the holding of a substantial shareholder in the listed company that results in his interest crossing over a whole percentage number which is above 5%.</p>	<p>Rule 704(3) of the Listing Manual</p> <p>A listed company must immediately announce any notice of substantial shareholders' and directors' interests in the listed company's securities or changes thereof received by the listed company. Such notice must contain the particulars as set out in Appendix 7.3 of the Listing Manual.</p> <p>Sections 81 to 84 of the Singapore Companies Act and section 137 of the SFA</p> <p>A person has a substantial shareholding in a company if he has an "interest" in voting shares in the company, and the total votes attached to those shares is not less than 5 per cent of the total votes attached to all the voting shares in the company.</p> <p>A substantial shareholder is required to notify the company and the SGX-ST of changes in the "percentage level" of his shareholding or his ceasing to be a substantial shareholder, again within two business days after becoming a substantial shareholder or aware of such changes.</p>

Listing Rules

For example, the interest of a substantial shareholder increases from 6.8% to 7.1% which crosses over 7%, then he is required to submit the notifications; but if his interest increases from 6.1% to 6.9%, he is not required to make notification. To work out the “percentage level” of the interest, a substantial shareholder simply rounds down the percentage figure of his interest to the next whole number.

A director or a chief executive of a listed company is required to disclose his interest and short position in any shares in a listed company (or any of its associated companies) and their interest in any debentures of the listed company (or any of its associated companies) within ten business days after becoming a director or chief executives of the listed company or within three business days after becoming aware of the relevant event.

If a person, who is both a substantial shareholder and a director of the listed company concerned under the SFO, such person may have separate duties to file notices (one in each capacity) as a result of a single event. For example, a person who is interested in 5.9% of the shares of a listed company and buys a further 0.2% will have to file a notice because he is a director (and therefore has to disclose all transactions) and will also have to file a notice as a substantial shareholder because his interest has crossed the 6% level.

Listing Manual

The reference to changes in “percentage level” means any changes in a substantial shareholder’s interest in the company which results in his interest, following such change, increasing or decreasing to the next discrete 1% threshold. For example, an increase in interests in the company from 5.1% to 5.9% need not be notified, but an increase from 5.9% to 6.1% will have to be notified.

Sections 165 and 166 of the Singapore Companies Act

A director of a listed company is required to notify the listed company and the SGX-ST within two business days after the date on which he became a director or the date on which he became a registered holder or acquired an interest in the shares, debentures, participatory interests, rights, options or contracts.

	Listing Rules	Listing Manual
(B) Continuing obligations***	Chapter 13 of the Listing Rules sets out the continuing obligations of a listed company to disclose information.	Chapter 7 of the Listing Manual sets out the continuing obligation of a listed company to disclose material information.
(C) Board composition and other committees**	<p>Rules 3.10 and 8.12 of the Listing Rules</p> <p>Every board of directors of a listed company must include at least three independent non-executive directors. A new applicant applying for a primary listing on the Stock Exchange must have sufficient management presence in Hong Kong, which normally means to have at least two of its executive directors be ordinarily resident of Hong Kong.</p> <p>Rules 3.21, 3.22 and paragraph C.3 of Appendix 14 of the Listing Rules</p> <p>Every listed company must establish an audit committee comprising non-executive directors only. The audit committee must comprise a minimum of three members, at least one of whom is an independent non-executive director with appropriate professional qualifications or accounting or related financial management expertise. The board of directors of the listed company must approve and provide written terms of reference for the audit committee.</p>	<p>Rule 720 of the Listing Manual</p> <p>Foreign listed companies are required to have at least two independent directors who are Singapore residents on the Board of Directors on a continuing basis, and not just on listing.</p> <p>Rule 11 of the Code of Corporate Governance (“COCG”)</p> <p>The board or directors should establish an audit committee with written terms of reference which clearly set out its authority and duties.</p> <p>Rule 11.1 of COCG</p> <p>The audit committee should comprise at least three directors, all non-executive, the majority of whom including the chairman should be independent.</p> <p>Rule 11.2 of COCG</p> <p>The board of directors should ensure that at least 2 members of the audit committee should have accounting or related financial management expertise or experience.</p>

Listing Rules**Rule 3.25 & paragraph B.1 of Appendix 14 of the Listing Rules**

It is a recommended best practice that listed companies should establish a remuneration committee with specific written terms of reference. A majority of the members of the remuneration committee should be independent non-executive directors.

Rule 3.25 & paragraph A.4 of Appendix 14 of the Listing Rules

It is a recommended best practice that a listed company should establish a nomination committee. A majority of its members should be independent non-executive directors.

Listing Manual**Rule 7.1 of COCG**

The board of directors should set up a remuneration committee comprising entirely of non-executive directors, the majority of whom, including the chairman should be independent.

Rule 4.1 of COCG

Companies should establish a nominating committee to make recommendations to the board on all board appointments. The nomination committee should comprise at least 3 directors, a majority of whom, including the chairman should be independent.

In addition, the chairman of the nomination committee should be a director who is not, or who is not directly associated with a substantial shareholder (with interest of 5% or more in the voting shares of the company).

* represents the Listing Manual generally has more onerous requirements.

** represents the Listing Rules generally has more onerous requirements.

*** represents the Listing Manual and the Listing Rules generally have similar requirements.

FURTHER INFORMATION ABOUT OUR COMPANY**1. Incorporation of our Company**

Our Company was incorporated in the BVI under the BVI BC Act with limited liability on January 4, 2006. The registered office of our Company is P.O. Box 3340, Road Town, Tortola, BVI. Our Company has established a place of business in Hong Kong at Suite 2503, Convention Plaza Office Tower, 1 Harbour Road, Wanchai, Hong Kong and has been registered as an oversea company in Hong Kong under Part XI of the Companies Ordinance since December 5, 2006. In connection with such registration, Mr. Yue Wai Leung Stan has been appointed as the authorized representative of our Company for the acceptance of service of process and notices on behalf of our Company in Hong Kong. As our Company is incorporated in the BVI, it operates subject to the BVI BC Act and to its constitution which comprises its memorandum of association and the Articles. A summary of various parts of its constitution and a summary of relevant aspects of the BVI BC Act are set out in Appendix III and Appendix IV to this document respectively.

2. Changes in the issued Shares

The following alterations in the issued Shares have taken place within the two years preceding the date of this document:

- (a) On May 15, 2009, our Company allotted and issued 680,000,000 Shares to Sinopower at the issue price of S\$0.051 per Share.
- (b) On June 4, 2009, our Company allotted and issued a total of 2,752,500 Shares to the following persons pursuant to the exercise of their awards granted under the Management Grant:

Name	Number of Shares allotted	Total exercise price paid
Mr. Li Yao Min	592,500	RMB63.20
Mr. Yue Wai Leung Stan	592,500	RMB63.20
Mr. Yang Yonggang	510,000	RMB54.40
Ms. Gu Biya	300,000	RMB32.00
Mr. Cheng Wai Ho	300,000	RMB32.00
Mr. Mao Yiping	247,500	RMB26.40
Mr. Tai Kuo-Lin	187,500	RMB20.00
Mr. Sun Xiaomeng	22,500	RMB2.40

As a result of the issue, our Company received net proceeds of RMB293.60 which was applied as equity share capital of our Company.

- (c) On September 9, 2009, our Company allotted and issued 229,586,468 Shares at the issue price of S\$0.07872 per Share to the following persons as part of the consideration for the purchase from such parties of the Senior Notes which were held by them:

OZ Master Fund, Ltd.	79,867,376 Shares
OZ Asia Master Fund, Ltd.	77,198,532 Shares
OZ Global Special Investments Master Fund, L.P.	20,127,274 Shares
Forum Asian Realty Income II, L.P.	52,393,286 Shares

- (d) On September 9, 2009, our Company allotted and issued 222,295,064 Shares to Sinopower at the issue price of S\$0.07872 per Share.
- (e) Pursuant to the repurchase mandate granted by our Shareholders to our Directors at the extraordinary general meeting of our Company held on December 7, 2009, our Company had on the following dates made repurchases of Shares by way of market acquisition on the SGX-ST at the highest and lowest prices set out below:

Date	No. of Shares	Highest price	Lowest price
December 11, 2009	10,000,000	S\$0.140	S\$0.140
December 15, 2009	1,100,000	S\$0.140	S\$0.135
December 17, 2009	5,000,000	S\$0.135	S\$0.135
December 22, 2009	7,000,000	S\$0.135	S\$0.135
December 23, 2009	15,000,000	S\$0.135	S\$0.135
December 28, 2009	1,068,000	S\$0.135	S\$0.135
December 29, 2009	16,000,000	S\$0.140	S\$0.140

- (f) On April 7, 2010, our Company allotted and issued a total of 4,128,750 Shares to the following persons pursuant to the exercise of their awards granted under the Management Grant:

Name	Number of Shares allotted	Total exercise price paid
Mr. Li Yao Min	888,750	RMB94.80
Mr. Yue Wai Leung Stan	888,750	RMB94.80
Mr. Yang Yonggang	765,000	RMB81.60
Ms. Gu Biya	450,000	RMB48.00
Mr. Cheng Wai Ho	450,000	RMB48.00
Mr. Mao Yiping	371,250	RMB39.60
Mr. Tai Kuo-Lin	281,250	RMB30.00
Mr. Sun Xiaomeng	33,750	RMB3.60

As a result of the issue, our Company received net proceeds of RMB440.40 which was applied as equity share capital of our Company.

- (g) On April 20, 2010, our Company allotted and issued 754,145,894 Shares to Sinopower pursuant to the exercise by Sinopower of conversion rights attached to the CB3 at the conversion price of S\$0.07872 per Share.
- (h) On July 7, 2010, our Company disposed of 51,639,250 treasury Shares on the trading platform of the SGX-ST for an aggregate consideration of S\$5,422,121.25.

Save as disclosed above, there has been no alteration in the issued Shares within the two years preceding the date of this document.

3. Resolutions of our Shareholders Passed at our Company's General Meetings on April 30, 2010 and September 3, 2010

At the annual general meeting of our Company held on April 30, 2010, resolutions of our Shareholders were passed pursuant to which, among other things:

- (a) authority was given to our Directors to issue Shares whether by way of rights, bonus or otherwise, and/or make or grant offers, agreements or options (collectively, "Instruments") that might or would require Shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) warrants, debentures or other instruments convertible into Shares at any time and upon such terms and conditions and for such purposes and to such persons as our Directors may, in their absolute discretion, deem fit; and issue Shares in pursuance of any Instrument made or granted by our Directors while such resolution was in force (the "April Share Issue Mandate") provided that:
 - (1) (i) the aggregate number of Shares (including Shares to be issued in pursuance of Instruments made or granted pursuant to such resolution) (the "Share Issues") shall not, save as set out in sub-paragraph (1)(ii) of this sub-paragraph (a) below, exceed 50% of the total number of issued Shares (excluding treasury shares) at the time of the passing of such resolution, of which the aggregate number of Shares to be issued other than on a pro rata basis to Shareholders shall not exceed 20% of the total number of issued Shares (excluding treasury shares) (as calculated in accordance with sub-paragraph (2) of this sub-paragraph (a) below);
 - (ii) (until December 31, 2010 or such later date as may be determined by the SGX-ST, but in any event subject to sub-paragraph (4) of this sub-paragraph (a) below) the aggregate number of Shares to be issued pursuant to this resolution by way of a renounceable rights issue on a pro rata basis to Shareholders (including Shares to be issued in pursuance of Instruments made or granted pursuant to such resolution) (the "Renounceable Rights Issues") shall not exceed 100% of the total number of issued Shares (excluding treasury shares) (as calculated in accordance with sub-paragraph (2) of this sub-paragraph (a) below);

- (iii) the number of Shares to be issued pursuant to the Share Issues and the Renounceable Rights Issues shall not, in aggregate, exceed 100% of the total number of the issued Shares (excluding treasury shares) (as calculated in accordance with sub-paragraph (2) of this sub-paragraph (a) below);
 - (2) for the purpose of determining the aggregate number of Shares that may be issued under sub-paragraph (a) above, the percentage of issued Shares (excluding treasury shares) shall be based on the total number of issued Shares (excluding treasury shares) at the time such resolution is passed, after adjusting for:
 - (i) any new Shares arising from the conversion or exercise of any convertible securities or Share options or vesting of Share awards which are outstanding or subsisting at the time such resolution is passed; and
 - (ii) any subsequent bonus issue, consolidation or sub-division of Shares;
 - (3) in exercising the authority conferred by such resolution, our Company shall comply with the requirements imposed by the SGX-ST from time to time and the provisions of the Listing Manual for the time being in force (in each case, unless such compliance has been waived by the SGX-ST), all applicable legal requirements and the articles of association for the time being of our Company; and
 - (4) unless revoked or varied by our Company in general meeting, such authority shall continue in force until the conclusion of the next annual general meeting of our Company or the date by which the next annual general meeting of our Company is required by law to be held, whichever is the earlier;
- (b) authority was given to our Directors to issue Shares other than on a pro rata basis to Shareholders at a discount to the weighted average price of our Shares for trades done on the SGX-ST for the full market day on which the placement or subscription agreement is signed (or if not available, the weighted average price based on the trades done on the preceding market day), exceeding 10% but not more than 20%, at any time and upon such terms and conditions and for such purposes and to such persons as our Directors may in their absolute discretion deem fit provided that:
- (1) in exercising the authority conferred by such resolution, our Company shall comply with the requirements imposed by the SGX-ST from time to time and the provisions of the Listing Manual for the time being in force (in each case, unless such compliance has been waived by the SGX-ST), all applicable legal requirements and the articles of association for the time being of our Company; and

- (2) (unless revoked or varied by our Company in general meeting) such authority conferred shall continue in force until December 31, 2010 or such later date as may be determined by the SGX-ST but in any event not later than the conclusion of the next annual general meeting of our Company or the date by which the next annual general meeting of our Company is required by law to be held, whichever is the earlier;
- (c) authority was granted to our Directors to offer and grant options in accordance with the provisions of the 2008 Option Scheme and to allot and issue Shares pursuant to the exercise of the options under the 2008 Option Scheme provided always that the aggregate number of Shares to be allotted and issued pursuant to the 2008 Option Scheme, the Performance Share Plan and the Management Grant shall not exceed 10% of the total number of issued Shares (excluding treasury shares) from time to time;
- (d) authority was granted to our Directors to offer and grant awards in accordance with the provisions of the Performance Share Plan and to allot and issue from time to time such number of fully paid Shares as may be required to be issued pursuant to the vesting of awards under the Performance Share Plan provided always that the aggregate number of Shares to be issued pursuant to the Performance Share Plan, the 2008 Option Scheme and the Management Grant shall not exceed 10% of the total number of issued Shares (excluding treasury shares) from time to time; and
- (e) authority was granted to our Directors to allot and issue from time to time such number of fully paid Shares as may be required to be issued pursuant to the vesting of awards under the Management Grant provided always that the aggregate number of Shares to be allotted and issued pursuant to the Performance Share Plan, the 2008 Option Scheme and the Management Grant shall not exceed 10% of the total number of issued Shares (excluding treasury shares) from time to time.

At an extraordinary general meeting of our Company held on April 30, 2010, a resolution of our Shareholders was passed pursuant to which, among other things, a general unconditional mandate was granted to our Directors to (a) exercise all powers of our Company to purchase, redeem or otherwise acquire Shares not exceeding in aggregate the Maximum Limit (as hereafter defined), at such price(s) as may be determined by our Directors from time to time up to the Maximum Price (as hereafter defined), whether by way of:

- (a) on-market purchase(s) (“Market Purchase”), transacted on the SGX-ST through the ready market, through one or more duly licensed stock brokers appointed by our Company for the purpose; and/or
- (b) off-market purchase(s) (“Off-Market Purchase”) effected pursuant to an equal access scheme, as may be determined or formulated by our Directors as they consider fit; which scheme(s) shall satisfy all conditions prescribed by the BVI BC Act, and otherwise in accordance with all other laws and regulations, including but not limited to, the provisions of the BVI BC Act and the Listing Manual as may for the time being be applicable (the “April Repurchase Mandate”).

Unless varied or revoked by the members of our Company in a general meeting, the authority conferred on our Directors pursuant to the April Repurchase Mandate may be exercised by our Directors at any time and from time to time during the period commencing from the date of the passing of the resolution and expiring on: (1) the conclusion of the next annual general meeting of our Company; (2) the date by which the next annual general meeting of our Company is required to be held; (3) the date on which the purchases or acquisitions of Shares pursuant to the April Repurchase Mandate have been carried out to the full extent mandated; or (4) the date on which the authority conferred by the April Repurchase Mandate is revoked or varied by our Shareholders in a general meeting, whichever is the earliest.

In such resolution:

- (1) “Maximum Limit” means that number of issued Shares representing 10% of the total number of issued ordinary Shares as at the date of the passing of such resolution;
- (2) “Maximum Price”, in relation to a Share to be purchased, redeemed or acquired, means the purchase price (excluding brokerage, stamp duties, commission, applicable goods and services tax and other related expenses) which shall not exceed: (a) in the case of a Market Purchase, 105% of the Average Closing Price; and (b) in the case of an Off-Market Purchase pursuant to an equal access scheme, 120% of the Highest Last Dealt Price, where:
 - (i) “Average Closing Price” means the average of the closing market prices of a Share over the last five Market Days (a “Market Day” being a day on which the SGX-ST is open for trading in securities) on which our Shares are transacted on the SGX-ST immediately preceding the date of the Market Purchase by our Company and deemed to be adjusted in accordance with the Listing Rules for any corporate action which occurs after the relevant five-day period; and
 - (ii) “Highest Last Dealt Price” means the highest price transacted for a Share as recorded on the SGX-ST on the market day on which there were trades in our Shares immediately preceding the date on which our Company announces its intention to make an offer for an Off-Market Purchase.

At an extraordinary general meeting of our Company held on September 3, 2010, resolutions of our Shareholders were passed pursuant to which, among other things:

- (a) subject to and contingent upon the passing of the resolutions set out in subparagraphs (b), (d), (f) and (h) below, the dual primary listing of all Shares in issue on the Stock Exchange by way of an introduction and all matters relating thereto were approved and authorized; and our Company and any Director were authorized to take all necessary steps, to do all such acts and things and sign all such documents and deeds (including approving any matters in relation to the Introduction) as they may consider necessary, desirable or expedient to give effect to or carrying into effect such resolution;

- (b) the termination of the 2008 Option Scheme and the Performance Share Plan was approved and shall take effect upon the approval of our Shareholders;
- (c) subject to and contingent upon the passing of the resolution set out in sub-paragraph (b) above and upon:
 - (1) the SGX-ST granting approval of the listing of, and permission to deal in, the new Shares to be allotted and issued upon exercise of any options which may be granted under the Share Option Scheme;
 - (2) the passing of an ordinary resolution approving the adoption of the Share Option Scheme by our Shareholders and authorising our Directors to grant options to subscribe for Shares thereunder and to allot and issue Shares pursuant to the exercise of any options granted under the Share Option Scheme;
 - (3) the Share Option Scheme being approved by the shareholders of SRE in general meeting; and
 - (4) in the event that the Shares are to be listed on the Stock Exchange, the Listing Committee granting approval of the listing of, and permission to deal in, our Shares in issue and the new Shares to be allotted and issued upon exercise of any options which may be granted under the Share Option Scheme,

the Share Option Scheme under which options may be granted to participants of the Share Option Scheme to subscribe for Shares was approved and shall be adopted and take effect only upon satisfaction of, to the extent applicable, all the conditions set out in sub-paragraphs (1) to (4) of this sub-paragraph (c) above, and our Directors were authorized to (i) establish and administer the Share Option Scheme, (ii) modify and/or amend the Share Option Scheme from time to time provided that such modification and/or amendment is effected in accordance with the rules of the Share Option Scheme, and to do all such acts and to enter into such transactions, arrangements and agreements as may be necessary or expedient in order to give full effect to the Share Option Scheme; and (iii) to offer and grant options to selected participants of the Share Option Scheme in accordance with the rules of the Share Option Scheme and to allot, issue or deal with from time to time such number of Shares as may be required to be allotted, issued or dealt with pursuant to the exercise of options under the Share Option Scheme;

- (d) subject to and contingent upon the passing of the resolutions set out in sub-paragraphs (a) and (b) above and (f) and (h) below, the revocation of the April Repurchase Mandate was approved and shall take effect upon the Listing;

(e) (i) subject to and contingent upon the passing of the resolutions set out in sub-paragraphs (a), (b) and (d) above and (f) and (h) below, a general unconditional mandate was granted to our Directors to exercise all powers of our Company to purchase, redeem or otherwise acquire Shares not exceeding in aggregate the Maximum Limit (as hereafter defined in sub-paragraph (e)(iii) below), at such price(s) as may be determined by our Directors from time to time up to the Maximum Price (as hereafter defined in sub-paragraph (e)(iii) below), whether by way of:

- (1) on-market purchase(s) (“Market Purchase”), transacted on the SGX-ST or the Stock Exchange through the ready market, through one or more duly licensed stockbrokers appointed by our Company for the purpose; and/or
- (2) off-market purchase(s) (“Off-Market Purchase”) effected pursuant to an equal access scheme, as may be determined or formulated by our Directors as they consider fit, which scheme(s) shall satisfy all conditions prescribed by the BVI BC Act,

and otherwise in accordance with all other laws and regulations, including but not limited to, the provisions of the BVI BC Act, the Listing Manual, the Listing Rules and the Hong Kong Code on Share Repurchases as may for the time being be applicable (“Repurchase Mandate”);

(ii) unless varied or revoked by our Shareholders in a general meeting, the authority conferred on our Directors pursuant to the Repurchase Mandate may be exercised by our Directors at any time and from time to time during the period commencing from the date of the Listing and expiring on: (1) the conclusion of the next annual general meeting of our Company; (2) the date by which the next annual general meeting of our Company is required to be held; (3) the date on which the purchases or acquisitions of Shares pursuant to the Repurchase Mandate have been carried out to the full extent mandated; or (4) the date on which the authority conferred by the Repurchase Mandate is revoked or varied by our Shareholders in a general meeting, whichever is the earliest; and

(iii) In such resolution:

- (1) “Maximum Limit” means that number of issued Shares representing 10% of the total number of issued Shares immediately following the completion of the Introduction;

- (2) “Maximum Price”, in relation to a Share to be purchased, redeemed or acquired, means the purchase price (excluding brokerage, stamp duties, commission, applicable goods and services tax and other related expenses) which shall not exceed: (A) in the case of a Market Purchase, 105% of the Average Closing Price (as hereinafter defined); and (B) in the case of an Off-Market Purchase pursuant to an equal access scheme, 120% of the Highest Last Dealt Price (as hereinafter defined), where:
- (x) “Average Closing Price” means the average of the closing market prices of a Share for the five consecutive Market Days (“Market Day” being a day on which the SGX-ST or the Stock Exchange, as the case may be, is open for trading in securities) on which our Shares are transacted on the SGX-ST or the Stock Exchange, as the case may be, the date of the making of the offer pursuant to the Off-Market Purchase, and deemed to be adjusted in accordance with the Listing Manual or the Listing Rules, as the case may be, for any corporate action which occurs after the relevant five-Market Day period; and
- (y) “Highest Last Dealt Price” means the highest price transacted for a Share as recorded on the SGX-ST or the Stock Exchange, as the case may be, on the Market Day on which there were trades in our Shares immediately preceding the day of the making of the offer pursuant to the Off-Market Purchase.
- (f) subject to and contingent upon the passing of the resolutions set out in sub-paragraphs (a), (b) and (d) above and (h) below, the revocation of the April Share Issue Mandate was approved and shall take effect upon the Listing;
- (g) subject to and contingent upon the passing of the resolutions set out in sub-paragraphs (a), (b) and (f) above and sub-paragraph (h) below, a general mandate was given to our Directors to allot, issue and deal with any unissued Shares and to make or grant offers, agreements and options which might require the exercise of such power of a total number not exceeding 50% of the total number of Shares in issue immediately following completion of the Introduction after adjusting for (i) new Shares arising from the conversion or exercise of convertible securities subsisting immediately following completion of the Introduction; (ii) new Shares arising from exercising options or vesting of share awards outstanding or subsisting immediately following completion of the Introduction, provided the options or awards were granted in compliance with the rules of the Listing Manual; and (iii) any subsequent bonus issue, consolidation or subdivision of Shares, of which the aggregate number of Shares allotted or agreed conditionally or unconditionally to be

allotted or issued otherwise than on a pro rata basis to existing Shareholders (including pursuant to a rights issue) shall not exceed 20% of the total number of Shares in issue immediately following completion of the Introduction, and such mandate to remain in effect from the Listing Date until whichever is 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 by the Articles or any other applicable laws of the BVI to be held; or
 - (iii) the passing of an ordinary resolution by Shareholders in general meeting revoking, varying or renewing the authority given to our Directors by such ordinary resolution; and
- (h) subject to and contingent upon the passing of the resolutions set out in subparagraphs (a), (b), (d) and (f) above, the Articles were approved and shall be adopted and take effect as the new articles of association of our Company in substitution for and to the exclusion of all the existing articles of association of our Company from the date that the Articles are registered by the Registrar of Corporate Affairs in the BVI.

4. Changes in the Share Capital of Subsidiaries

Our subsidiaries are referred to in the accountants' report for our Company, the text of which is set out in Appendix I to this document.

The following alterations in the share capital of our subsidiaries have taken place within the two years preceding the date of this document:

- (a) On March 16, 2009, Shanghai Golden Luodian Infrastructure Development was established in the PRC with a registered capital of RMB50,000,000.
- (b) On December 29, 2009, Shanghai Lake Malaren Tourism Development was established in the PRC with a registered capital of RMB3,000,000.
- (c) On April 27, 2010, Wuxi Hongqing Real Estate Development was established in the PRC with a registered capital of RMB8,000,000.
- (d) On June 18, 2010, Shanghai Golden Luodian International Travel Services was established in the PRC with a registered capital of RMB1,000,000.

Save as set out above, there has been no alteration in the share capital of our Company's subsidiaries within the two years immediately preceding the date of this document.

5. Repurchase by our Company of Its Own Securities

This section includes the information required by the Stock Exchange to be included in this document concerning the repurchase by our Company of its own securities.

(a) Provisions of the Listing Rules

The Listing Rules permit companies whose primary listings are on the Stock Exchange to repurchase their securities on the Stock Exchange subject to certain restrictions, the most important of which are summarized 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 Shareholders, either by way of general mandate or by specific approval of a particular transaction.

Note: Pursuant to a resolution passed by our Shareholders on April 30, 2010 as amended on by a resolution passed by our Shareholders on September 3, 2010, the Repurchase Mandate was granted to our Directors authorising the repurchase of Shares by our Company as described above in the paragraph headed "Resolutions of our Shareholders Passed at our Company's General Meetings on April 30, 2010 and September 3, 2010".

(ii) Source of funds

Repurchases must be funded out of funds legally available for the purpose in accordance with the Articles, the applicable laws of the BVI and all applicable laws and regulations, including but not limited to, the provisions of the Singapore Companies Act, the Listing Rules and the Listing Manual. A listed company may not repurchase its own securities on the Stock Exchange or the SGX-ST for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange or the SGX-ST from time to time.

(b) Reasons for repurchases

The rationale for our Company to repurchase Shares are as follows:

- (i) Purchases by our Company of its Shares may be considered as one of the ways through which the return on equity of our Company may be enhanced.
- (ii) The Repurchase Mandate will provide our Company with greater flexibility in managing its funds and maximising returns to Shareholders. To the extent that our Company has surplus funds which are in excess of its financial needs, taking into account its growth and expansion plans, the Repurchase Mandate will facilitate the return of excess cash and surplus funds to Shareholders in an expedient, effective and cost-efficient manner by way of purchasing its issued Shares at prices which are viewed as favorable.
- (iii) The Repurchase Mandate will provide our Company the flexibility to undertake purchases of its Shares at any time, subject to market conditions, during the period when the Repurchase Mandate is in force.

- (iv) Share purchases may help mitigate short-term market volatility (by way of stabilising the supply and demand of issued Shares), offset the effects of short-term speculation, support the fundamental value of the issued Shares and bolster Shareholder confidence.
- (v) All things being equal, purchases, redemptions or acquisitions of Shares pursuant to the Repurchase Mandate will result in a lower number of issued Shares being used for the purpose of computing earnings per Share and book value per Share, if the purchased Shares are subsequently cancelled. Therefore, share purchases under the Repurchase Mandate will improve our Company's earnings per Share and book value per Share, which in turn is expected to have a positive impact on the fundamental value of its issued Shares.

(c) *Funding of repurchases*

In repurchasing securities, our Company may only apply funds legally available for such purpose as provided in the Articles and in accordance with the applicable laws in Singapore and the BVI. Our Company may not purchase Shares for a consideration other than in cash or, in the case of a Market Purchase, for settlement otherwise than in accordance with the trading rules of the SGX-ST or the Stock Exchange.

The BVI BC Act does not specify the funds out of which a company incorporated in the BVI as a business company may use to pay the purchase price. Such company may purchase, redeem or otherwise acquire its own shares so long as it is in accordance with the provisions of the BVI BC Act or such other provisions for the purchase, redemption or acquisition as may be specified in the memorandum of association or articles of association of the company, and that our directors of the company are satisfied on reasonable grounds, that the company will, immediately after the purchase, redemption or acquisition, satisfy the solvency test.

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 or which would otherwise have a material adverse effect on the financial position of our Company or our Group.

(d) *Exercise of the Repurchase Mandate*

Exercise in full of the Repurchase Mandate, on the basis of 3,894,804,926 Shares in issue as at September 3, 2010 (being the date of grant of the Repurchase Mandate), would result in 389,480,492 Shares being repurchased by our Company during the course of the period prior to the earliest of:

- (i) conclusion of the next annual general meeting of our Company;
- (ii) the date by which the next annual general meeting is required to be held;

- (iii) the date on which the purchases or acquisitions of Shares pursuant to the Repurchase Mandate have been carried out to the full extent mandated; or
- (iv) the date on which the authority conferred by the Repurchase Mandate is revoked or varied by our Shareholders in a 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 (as defined in the Listing Rules), has any present intention to sell any Shares to our Company 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 BVI.

No connected person (as defined in the Listing Rules) has notified our Company that he, she or it has a present intention to sell Shares to our Company, or has undertaken not to do so, if the Repurchase Mandate is exercised.

If as a result of the repurchase of the securities of our Company 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 our 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. Save as aforesaid, our Directors are not aware of any consequences which may arise under the Takeovers Code if the Repurchase Mandate is exercised.

No purchase of Shares was made by our Company within the 6 months preceding the Latest Practicable Date (whether on the SGX-ST or otherwise).

The highest and lowest prices at which our Shares have been traded on the SGX-ST for each month from the start of listing on the SGX-ST on November 14, 2007 up to the Latest Practicable Date were as follows:

Month	Price per Share	
	Highest S\$	Lowest S\$
2007		
November	0.850	0.560
December	0.735	0.445
2008		
January	0.615	0.425
February	0.490	0.375
March	0.390	0.220
April	0.345	0.245
May	0.260	0.190
June	0.215	0.105
July	0.165	0.105
August	0.160	0.085
September	0.090	0.050
October	0.065	0.030
November	0.050	0.025
December	0.050	0.025
2009		
January	0.055	0.040
February	0.045	0.030
March	0.040	0.025
April	0.070	0.035
May	0.100	0.045
June	0.135	0.080
July	0.140	0.095
August	0.135	0.110
September	0.155	0.115
October	0.145	0.115
November	0.140	0.125
December	0.150	0.125
2010		
January	0.150	0.110
February	0.115	0.105
March	0.120	0.105
April	0.150	0.110
May	0.135	0.105
June	0.120	0.105
July	0.120	0.105
August	0.125	0.105
September	0.175	0.110
October (up to the Latest Practicable Date)	0.180	0.150

FURTHER INFORMATION ABOUT THE BUSINESS OF OUR GROUP

1. Summary of Material Contracts

The following contracts (not being contracts in the ordinary course of business of our Group) have been entered into by members of our Group within the two years preceding the date of this document and are or may be material:

- (a) an agreement dated March 5, 2009 entered into between Sinopower and our Company pursuant to which Sinopower had conditionally agreed to subscribe for 680,000,000 Shares at the subscription price of S\$0.051 per Share;
- (b) an agreement dated June 29, 2009 entered into between Highbridge International LLC and Highbridge Asia Opportunities Master Fund, L.P. (collectively referred to as the “Highbridge Entities”) and our Company pursuant to which our Company agreed to purchase from the Highbridge Entities the principal amount of the outstanding Senior Notes held by the Highbridge Entities as set out below for the consideration set out below, which consideration shall be satisfied by the allotment and issue of Shares and a cash payment, with an option at the election of our Company to settle the entire consideration in cash as set out below:

Highbridge Entity	Principal amount of outstanding Senior Notes purchased	Consideration
Highbridge International LLC	RMB49,250,000	RMB43,020,885 to be satisfied by (1) the allotment and issue of 29,537,082 Shares at the issue price of approximately S\$0.0981 per Share and (2) the cash payment of RMB29,550,000. Our Company may elect to settle the entire consideration in cash in the amount of RMB37,542,468 plus interest accrued and unpaid on such Senior Notes for the period from March 12, 2009 to July 31, 2009 (both dates inclusive).
Highbridge Asia Opportunities Master Fund, L.P.	RMB73,880,000	RMB64,535,695 to be satisfied by (1) the allotment and issue of 44,308,621 Shares at the issue price of approximately S\$0.0981 per Share and (2) the cash payment of RMB44,328,000. Our Company may elect to settle the entire consideration in cash in the amount of RMB56,317,514 plus interest accrued and unpaid on such Senior Notes for the period from March 12, 2009 to July 31, 2009 (both dates inclusive).

- (c) an agreement dated July 2, 2009 entered into between the OZ Master Fund, Ltd., OZ Asia Master Fund, Ltd. and OZ Global Special Investments Master Fund, L.P. (collectively referred to as the “OZ Entities”) and our Company pursuant to which our Company agreed to purchase from the OZ Entities the principal amount of the outstanding Senior Notes held by the OZ Entities as set out below for the consideration set out below, which consideration shall be satisfied by the allotment and issue of Shares and a cash payment, with an option at the election of our Company in the event Shareholders’ approval for the issue of new Shares to the OZ Entities cannot be obtained, to settle the consideration in cash as set out below:

OZ Entity	Principal amount of outstanding Senior Notes purchased	Consideration
OZ Master Fund, Ltd.	RMB133,170,000	RMB109,131,006 to be satisfied by (1) the allotment and issue of 79,867,376 Shares at the issue price of S\$0.07872 per Share and (2) the cash payment of RMB79,902,000 plus, if applicable, interest which shall accrue with respect to such Senior Notes from August 1, 2009 until the closing date of the sale and purchase of such Senior Notes. In the event Shareholders’ approval for issue of Shares to the OZ Entities is not obtained, our Company may elect either to purchase outstanding Senior Notes from OZ Master Fund, Ltd. at the cash consideration of RMB103,674,298 plus interest accrued and unpaid on such Senior Notes for the period from March 12, 2009 to July 31, 2009 (both dates inclusive) and, if applicable, interest which shall accrue with respect to such Senior Notes from August 1, 2009 until the completion date or to purchase RMB76,670,000 in principal amount of the outstanding Senior Notes plus interest accrued and unpaid on such Senior Notes for the period from March 12, 2009 to July 31, 2009 (both dates inclusive) from OZ Master Fund, Ltd. at the cash consideration of RMB65,056,396.

OZ Entity	Principal amount of outstanding Senior Notes purchased	Consideration
OZ Asia Master Fund, Ltd.	RMB128,720,000	RMB105,484,291 to be satisfied by (1) the allotment and issue of 77,198,532 Shares at the issue price of S\$0.07872 per Share and (2) the cash payment of RMB77,232,000 plus, if applicable, interest which shall accrue with respect to such Senior Notes from August 1, 2009 until the closing date of the sale and purchase of such Senior Notes. In the event Shareholders' approval for issue of Shares to the OZ Entities is not obtained, our Company may elect either to purchase outstanding Senior Notes from OZ Asia Master Fund, Ltd. at the cash consideration of RMB100,209,924 plus interest accrued and unpaid on such Senior Notes for the period from March 12, 2009 to July 31, 2009 (both dates inclusive) and, if applicable, interest which shall accrue with respect to such Senior Notes from August 1, 2009 until the completion date or to purchase RMB74,110,000 in principal amount of the outstanding Senior Notes plus interest accrued and unpaid on such Senior Notes for the period from March 12, 2009 to July 31, 2009 (both dates inclusive) from OZ Asia Master Fund, Ltd. at the cash consideration of RMB62,884,172.

OZ Entity	Principal amount of outstanding Senior Notes purchased	Consideration
OZ Global Special Investments Master Fund, L.P.	RMB33,560,000	RMB27,501,964 to be satisfied by (1) the allotment and issue of 20,127,274 Shares at the issue price of S\$0.07872 per Share and (2) the cash payment of RMB20,136,000 plus, if applicable, interest which shall accrue with respect to such Senior Notes from August 1, 2009 until the closing date of the sale and purchase of such Senior Notes. In the event Shareholders' approval for issue of Shares to the OZ Entities is not obtained, our Company may elect either to purchase outstanding Senior Notes from OZ Global Special Investments Master Fund, L.P. at the cash consideration of RMB26,126,826 plus interest accrued and unpaid on such Senior Notes for the period from March 12, 2009 to July 31, 2009 (both dates inclusive) and, if applicable, interest which shall accrue with respect to such Senior Notes from August 1, 2009 until the completion date or to purchase RMB19,320,000 in principal amount of the outstanding Senior Notes plus interest accrued and unpaid on such Senior Notes for the period from March 12, 2009 to July 31, 2009 (both dates inclusive) from OZ Global Special Investments Master Fund, L.P. at the cash consideration of RMB16,393,499.

- (d) an agreement dated July 2, 2009 entered into between Forum Asian Realty Income II, L.P. (“Forum”) and our Company pursuant to which our Company agreed to purchase from Forum the principal amount of the outstanding Senior Notes held by Forum as set out below for the consideration set out below, which consideration shall be satisfied by the allotment and issue of Shares and a cash payment, with an option at the election of our Company in the event Shareholders’ approval for the issue of new Shares to Forum cannot be obtained, to settle the consideration in cash as set out below:

**Principal amount of
Senior Notes
purchased**

Consideration

RMB87,360,000

RMB71,590,333 to be satisfied by (1) the allotment and issue of 52,393,286 Shares at the issue price of S\$0.07872 per Share and (2) the cash payment of RMB52,416,000 plus, if applicable, interest which shall accrue with respect to such Senior Notes from August 1, 2009 until the closing date of the sale and purchase of such Senior Notes. In the event Shareholders’ approval for issue of Shares to Forum is not obtained, our Company may elect either to purchase outstanding Senior Notes from Forum at the cash consideration of RMB68,010,713 plus interest accrued and unpaid on such Senior Notes for the period from March 12, 2009 to July 31, 2009 (both dates inclusive) and, if applicable, interest which shall accrue with respect to such Senior Notes from August 1, 2009 until the completion date or to purchase RMB100,590,000 in principal amount of the outstanding Senior Notes plus interest accrued and unpaid on such Senior Notes for the period from March 12, 2009 to July 31, 2009 (both dates inclusive) from Forum at the cash consideration of RMB85,353,109.

- (e) an agreement dated July 2, 2009 entered into between Sinopower and our Company pursuant to which Sinopower had conditionally agreed to subscribe for up to 293,795,512 Shares at the subscription price of S\$0.07872 per Share;
- (f) an agreement dated July 2, 2009 entered into between our Company and Sankou International Limited pursuant to which Sankou International Limited had conditionally agreed to subscribe for up to RMB300,000,000 in aggregate principal amount of 2% convertible bonds of our Company due 2016 at 100% of the principal amount of such bonds;
- (g) an agreement dated July 28, 2009 entered into between our Company and Sankou International Limited pursuant to which the parties agreed to terminate the agreement referred to in paragraph (f) above as from July 28, 2009;

- (h) an agreement dated July 28, 2009 entered into between Sinopower and our Company pursuant to which Sinopower had conditionally agreed to subscribe for up to RMB300,000,000 in aggregate principal amount of 2% convertible bonds of our Company due 2016 at an issue price of 100% of the principal amount of such bonds;
- (i) an agreement dated August 10, 2009 entered into between Sinopower and our Company pursuant to which the parties agreed to amend the schedule to the agreement referred to in paragraph (h) above which set out the terms and conditions of the convertible bonds to be issued pursuant to such agreement; and
- (j) an agreement dated March 26, 2010 entered into between SGLD, SLMGC and Shanghai Good Property Management pursuant to which SGLD and SLMGC agreed to sell their respective 52% and 48% equity interest in Shanghai Lake Malaren Property Management to Shanghai Good Property Management for the consideration of RMB1,580,800 and RMB1,459,200 respectively.

2. Intellectual Property Rights of our Group

(a) Trade marks

As at the Latest Practicable Date, our Group was the registered proprietor and beneficial owner of the following trademarks:

Registrant	Trademark	Place of registration	Class	Registration number	Expiry date
SGLD		PRC	19	5075706	6.6.2019
SGLD		PRC	36	5075705	13.8.2019

Our Company had on October 8, 2010 submitted an application with the Trade Marks Registry of Hong Kong for the registration of the following trademark:

Applicant	Trademark	Place of application	Classes	Application number
Our Company	(A)	Hong Kong	35, 36, 37, 42	301732176
	(B)			

(b) Domain name

As at the Latest Practicable Date, our Group has registered the following domain name:

Registrant	Domain Name	Expiry Date
Our Company	china-newtown.com	17.10.2013

Note: The contents in our Company's website do not form part of this document.

FURTHER INFORMATION ABOUT DIRECTORS, SENIOR MANAGEMENT AND STAFF

1. Disclosure of Interests

Immediately following completion of the Introduction, so far as is known to our Directors, the interests or short positions 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 have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have taken under such provisions) once our Shares are listed, or will be required, pursuant to section 352 of the SFO, to be entered in the register required to be kept therein once our Shares are listed, or will be required pursuant to the Model Code for Securities Transactions by Directors of Listed Companies in the Listing Rules to be notified to our Company and the Stock Exchange once our Shares are listed, will be as follows:

(a) Interests in shares and underlying shares in our Company

(i) Shares

Name of Director	Personal interests	Family interests	Corporate interests	Total	Approximate percentage of shareholding
Shi Jian	-	-	2,396,781,817 <i>(Note 2)</i>	2,396,781,817	61.54%
Li Yao Min	1,481,250	-	-	1,481,250	0.04%
Yue Wai Leung Stan	888,750	-	-	888,750	0.02%
Gu Biya	750,000	-	-	750,000	0.02%
Mao Yiping	618,750	-	-	618,750	0.02%
Yang Yonggang	1,275,000	-	-	1,275,000	0.03%
Henry Tan Song Kok	100,000	-	-	100,000	0.003%
Loh Weng Whye	700,000	-	-	700,000	0.02%

Notes:

- All the above interests represented long positions (within the meaning stated in the form for notification specified pursuant to the SFO) in Shares.

2. Sinopower was interested in these 2,396,781,817 Shares, of which 1,948,879,252 Shares were directly held by Sinopower, 370,006,467 Shares were lent to J.P. Morgan Securities pursuant to the Stock Borrowing and Lending Agreement, and 77,896,098 Shares were deemed acquired by Sinopower pursuant to the Sale and Repurchase Agreement. Sinopower is a wholly-owned subsidiary of SRE and SREI is a controlling shareholder of SRE interested in more than 30% of the issued share capital of SRE. As Mr. Shi Jian and his spouse, Ms. Si Xiao Dong together beneficially own 63% of the issued share capital of SREI, Mr. Shi is therefore deemed to be interested in these 2,396,781,817 Shares under the SFO upon Listing.

(ii) *Options granted pursuant to the Management Grant*

Name of Director	Number of Shares awarded under the Management Grant but not yet vested	Approximate percentage of shareholding
Li Yao Min	4,443,750	0.11%
Yue Wai Leung Stan	4,443,750	0.11%
Gu Biya	2,250,000	0.06%
Mao Yiping	1,856,250	0.05%
Yang Yonggang	3,825,000	0.10%

Note: All the above interests represented long positions (within the meaning stated in the form for notification specified pursuant to the SFO) in Shares.

(b) *Interests in shares and underlying shares in associated corporations of our Company*

(i) *Shares in SRE*

Name of Director	Personal interests	Family interests	Corporate interests	Total	Approximate percentage of shareholding
Shi Jian	7,246,887	2,220 <i>(Note 2)</i>	1,248,400,938 <i>(Note 3)</i>	1,255,650,045	34.84%
Li Yao Min	5,172,220	-	-	5,172,220	0.14%

Notes:

- All the above interests represented long positions (within the meaning stated in the form for notification specified pursuant to the SFO) in shares.
- These 2,220 Shares were held by Ms. Si Xiao Dong, the spouse of Mr. Shi Jian.
- These 1,248,400,938 shares were held by SREI and comprise of 1,098,400,938 shares held by SREI and 150,000,000 shares lent by SREI pursuant to two stock borrow agreements both dated June 29, 2009, of which 75,000,000 shares were lent to Credit Suisse Securities (Europe) Limited and 75,000,000 shares were lent to Deutsche Bank AG, London branch. As Mr. Shi Jian and his spouse, Ms. Si Xiao Dong together beneficially own 63% of the issued share capital of SREI, Mr. Shi is therefore taken to be interested in these 1,248,400,938 shares under the SFO upon Listing.

(ii) *Shares in SREI*

Name of Director	Personal interests	Family interests	Corporate interests	Total	Approximate percentage of shareholding
Shi Jian	33	30 (Note 2)	-	63	63%
Li Yao Min	5	-	-	5	5%
Yue Wai Leung Stan	2	-	-	2	2%

Notes:

- All the above interests represented long positions (within the meaning stated in the form for notification specified pursuant to the SFO) in shares.
- These 30 shares were held by Ms. Si Xiao Dong, the spouse of Mr. Shi Jian.

2. Particulars of Directors' Service Agreements

Each of the executive Directors had entered into a service agreement with our Company, the principal terms of which are set out below:

Name	Term	Termination
Shi Jian	From April 1, 2007 to March 31, 2012	6 months' written notice or payment in lieu of notice
Li Yao Min	From April 1, 2007 to March 31, 2012	6 months' written notice or payment in lieu of notice
Gu Biya	From January 7, 2010 to January 6, 2015	6 months' written notice or payment in lieu of notice
Mao Yiping	From April 1, 2007 to March 31, 2012	6 months' written notice or payment in lieu of notice
Yang Yonggang	From June 3, 2009 to June 2, 2014	6 months' written notice or payment in lieu of notice
Shi Janson Bing	From December 12, 2007 until termination by either party	1 months' written notice or payment in lieu of notice
Song Yiqing	From April 30, 2010 until termination by either party	6 months' written notice or payment in lieu of notice

Our Company may also terminate the service agreements without notice if the relevant executive Directors are guilty of, among others, dishonesty or serious or persistent misconduct, becomes bankrupt or otherwise acts to the prejudice of our Group.

The current basic salary for each of Mr. Shi Jian, Mr. Li Yao Min, Ms. Gu Biya, Mr. Mao Yiping, Mr. Yang Yonggang, Mr. Shi Janson Bing and Ms. Song Yiqing is HK\$1 million per annum, HK\$2 million per annum, HK\$1.5 million per annum, HK\$1.5 million per annum, HK\$800,000 per annum, HK\$1 million per annum and US\$200,000 per annum respectively. Ms. Song Yiqing is further entitled to a housing allowance of HK\$25,000 per month.

Each of the executive Directors is also entitled to performance bonus and/or employee share options as may be determined by the Board.

For the purpose of the Listing, the executive Directors have entered into new service agreements with our Company on October 7, 2010, which will supersede and substitute the service agreements referred to above on the Listing Date. Particulars of these service agreements, except as indicated, are in all material respects identical and are summarized below:

- (a) Each service agreement is of an initial term of three years commencing from the Listing Date unless terminated in accordance with the terms of the agreement. Under the agreement, either party may terminate the agreement at any time by giving to the other not less than 6 months' prior written notice. Our Company may also terminate the service agreement without notice if the relevant executive Director is guilty of, among others, dishonesty or grave misconduct or willful default or neglect in the discharge of his duties, becomes bankrupt or of unsound mind, be guilty of conduct tending to bring himself or any companies in our Group into disrepute or be prohibited by law from fulfilling his duties under the service agreement.
- (b) For the first year from the Listing Date, the annual salary for each of Mr. Shi Jian, Mr. Li Yao Min, Ms. Gu Biya, Mr. Mao Yiping, Mr. Yang Yonggang, Mr. Shi Janson Bing and Ms. Song Yiqing shall be HK\$1 million, HK\$2 million, HK\$1.5 million, HK\$1.5 million, HK\$800,000, HK\$1 million and US\$200,000 respectively and shall accrue on a day to day basis, such salary to be reviewed annually by the remuneration committee of the Board. Ms. Song Yiqing is further entitled to a housing allowance of HK\$25,000 per month which shall be reviewed annually by the remuneration committee of the Board.
- (c) Each of the executive Directors is entitled to a discretionary performance bonus as may be determined by the Board.
- (d) Each of the executive Directors shall abstain from voting and not be counted in the quorum in respect of any resolution of the Board or any committee of the Board regarding the amount of annual salary or discretionary bonus payable to him or her.
- (e) Pursuant to the service agreements, each of Mr. Shi Jian and Mr. Li Yao Min (who are also executive directors of SRE) is required to devote about 50% of his time and attention as is necessary for proper and efficient conduct of the business carried on from time to time by our Group, to the proper discharge of duties of his office as an executive director of our Company and, where relevant, as a director of such other members of our Group in which he holds the office of a director.

Each of the non-independent non-executive Director and the independent non-executive Directors had executed an appointment letter with our Company regarding their appointment as non-independent non-executive Director or independent non-executive Directors, the principal terms of which are set out below:

Name	Effective date of appointment	Term
Yue Wai Leung Stan	June 3, 2009	Indefinite term
Henry Tan Song Kok	September 25, 2007	Indefinite term
Loh Weng Whye	September 25, 2007	Indefinite term
Kong Siu Chee	November 30, 2006	Indefinite term
Lam Bing Lun Philip	November 30, 2006	Indefinite term

The Director's fees for the financial year ending December 31, 2010 for each of Mr. Yue Wai Leung Stan, Mr. Henry Tan Song Kok, Mr. Loh Weng Whye, Mr. Kong Siu Chee and Mr. Lam Bing Lun Philip is HK\$240,000 per annum, S\$80,000 per annum, S\$70,000 per annum, S\$70,000 per annum and S\$70,000 per annum respectively. Mr. Henry Tan Song Kok, Mr. Loh Weng Whye, Mr. Kong Siu Chee and Mr. Lam Bing Lun Philip, being the chairman of the audit committee, the nominating committee, the remuneration committee and the investment committee respectively, are each entitled to an annual meeting allowance of S\$2,800.

For the purpose of the Listing, each of the non-independent non-executive Director and independent non-executive Directors had executed a new appointment letter with our Company for a term of 3 years commencing from the Listing Date, which appointment letters will supersede and substitute the existing appointment letters referred to above on the Listing Date. The annual director's fee for each of Mr. Yue Wai Leung Stan, Mr. Henry Tan Song Kok, Mr. Loh Weng Whye, Mr. Kong Siu Chee and Mr. Lam Bing Lun Philip shall be HK\$240,000, S\$80,000, S\$70,000, S\$70,000 and S\$70,000 respectively. Mr. Henry Tan Song Kok, Mr. Loh Weng Whye, Mr. Kong Siu Chee and Mr. Lam Bing Lun Philip, being the chairman of the audit committee, the nominating committee, the remuneration committee and the investment committee respectively, are each entitled to an annual meeting allowance of S\$2,800. Their appointments are subject to the provisions of retirement by rotation of Directors under the Articles.

Save as disclosed above, none of our Directors has entered or has proposed to enter into any service agreements with our Company or any other members of our Group (other than contracts expiring or determinable by the employer within one year without payment of compensation other than statutory compensation).

3. Remuneration of Directors

- (a) The aggregate amount of remuneration paid to the then Directors by our Group in respect of the year ended December 31, 2009 was approximately RMB20.99 million.
- (b) Under the arrangements currently in force and contemplated under the new service agreements entered into by our Company with each of Mr. Shi Jian, Mr. Li Yao Min, Ms. Gu Biya, Mr. Mao Yiping, Mr. Yang Yonggang, Mr. Shi Janson Bing and Ms. Song Yiqing and the new appointment letters entered into by our Company with Mr. Yue Wai Leung Stan, Mr. Henry Tan Song Kok, Mr. Loh Weng Whye, Mr. Kong Siu Chee and Mr. Lam Bing Lun Philip as mentioned above, it is expected that an aggregate sum of approximately HK\$11.72 million (excluding any discretionary performance bonus which may be paid to the executive Directors) will be paid by our Group to our Directors as remuneration in respect of the year ending December 31, 2010.
- (c) None of the directors or any past directors of any member of our Group was paid any sum of money for each of the three years ended December 31, 2007, 2008 and 2009:
- (i) as an inducement to join or upon joining our Company; or
 - (ii) for loss of office as a director of any member of our Group or of any other notice in connection with the management of the affairs of any member of our Group.
- (d) Due to market downturn, as from November 1, 2008, the remuneration of Mr. Shi Jian was reduced from HK\$1 million per annum to HK\$1.00 per annum; the remuneration of Mr. Yue Wai Leung Stan (who was then an executive Director) was reduced from HK\$3 million per annum to HK\$2 million per annum; the remuneration of Mr. Cheng Wai Ho (who was then an executive Director and who resigned from directorship on February 2, 2010) was reduced from HK\$2.5 million per annum to HK\$1.5 million per annum; the remuneration of Mr. Li Yao Min was reduced from HK\$2 million per annum to HK\$1.5 million per annum and the remuneration of Mr. Shi Janson Bing was reduced from HK\$1 million per annum to HK\$800,000 per annum. Remuneration of Mr. Cheng Wai Ho was increased to HK\$2 million per annum on July 1, 2009 and further reinstated to HK\$2.5 million per annum on October 1, 2009. Mr. Yue Wai Leung Stan was re-designated as a non-independent non-executive Director on June 3, 2009 and his remuneration was adjusted to HK\$240,000 per annum. Save as disclosed herein, there has been no arrangement under which a Director had waived or agreed to waive any emoluments for each of the three years ended December 31, 2007, 2008 and 2009.
- (e) Save as disclosed in this document, none of our Directors received any remuneration or benefits in kind from our Group for each of the three years ended December 31, 2007, 2008 and 2009.

4. Performance Bonus Plan

Depending on the performance of our Group, the executive Directors (and certain senior management of our Company) are collectively entitled to a discretionary performance bonus (the “Bonus”) in respect of each financial year of our Company, which, if granted, shall be calculated based on the audited consolidated net profit before tax less minority interests but before deducting the Bonus (“Group Net Profit”) for that financial year. The Bonus for the relevant financial year will be calculated based on our Group Net Profit as set out in the table below:

Group Net Profit	Percentage of Group Net Profit constituting the Bonus
The first RMB100 million	1%
The second RMB100 million	3%
The third RMB100 million	5%
The fourth RMB100 million	7%
The fifth RMB100 million	9%
The amount above RMB500 million	11%

The Bonus, if any, shall be payable in one lump sum no later than one month from the date of approval of the consolidated financial statements of our Group for that financial year. Distribution among the executive Directors (and certain senior management of our Company) is subject to the review and approval of the remuneration committee of the Board.

5. Related Party Transactions

Our Group had entered into the related party transactions within the two years immediately preceding the date of this document as mentioned in the section headed “Connected Transaction” in this document and in note 30 of the section headed “Notes to Financial Information” of the Accountants’ Report set out in Appendix I to this document.

6. Disclaimers

Save as disclosed in this document, as at the Latest Practicable Date:

- (a) none of our Directors nor any of the persons whose names are listed in the paragraph headed “Consents of experts” under the sub-section headed “Other Information” in this appendix:
 - (i) was interested in the promotion of our Company or in any assets which have within the two years immediately preceding the issue of this document been acquired or disposed of by or leased to any member of our Group, or were proposed to be acquired or disposed of by or leased to any member of our Group; or
 - (ii) was materially interested in any contract or arrangement subsisting at the date of this document which is significant in relation to the business of our Group;

- (b) none of the persons whose names are listed in the paragraph headed “Consents of experts” under the sub-section headed “Other Information” in this appendix had 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;
- (c) no cash, securities or other benefit has been paid, allotted or given within the two years preceding the date of this document to any promoter of our Company nor were any such cash, securities or benefit intended to be paid, allotted or given on the basis of the Introduction or related transaction as mentioned in this document; and
- (d) so far as is known to our Directors, none of our Directors, their respective associates or our Shareholders who are interested in 5% or more of the issued Shares had any interests in the 5 largest suppliers of our Group.

SHARE SCHEMES

A. Management Grant

On July 5, 2007, the Board passed a resolution approving the one-off award of a total of 380 shares of our Company to certain of the then directors and employees of our Company, namely Mr. Li Yao Min, Mr. Yue Wai Leung Stan, Ms. Gu Biya, Mr. Cheng Wai Ho, Mr. Mao Yiping, Mr. Yang Yonggang, Mr. Tai Kuo-Lin, Mr. Ma Da Yu, Mr. Sun Xiaomeng and Ms. Zhang Qiong (the “Entitled Persons”) as an incentive for their continued service to our Company (the “Management Grant”) in the following proportions:

Entitled Person	Number of shares to be allotted (prior to the Share Split)
Mr. Li Yao Min	79
Mr. Yue Wai Leung Stan	79
Mr. Yang Yonggang	68
Ms. Gu Biya	40
Mr. Cheng Wai Ho	40
Mr. Mao Yiping	33
Mr. Tai Kuo-Lin	25
Mr. Ma Da Yu	10
Mr. Sun Xiaomeng	3
Ms. Zhang Qiong	3
	<hr/>
Total:	380
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In accordance with the terms of the Management Grant, the shares of our Company to be allotted pursuant to the Management Grant will vest as follows:

- (a) 10% at the end of the 12th month after the date of listing of our Company on the main board of the SGX-ST;
- (b) 15% at the end of the 24th month after the date of listing of our Company on the main board of the SGX-ST;
- (c) 20% at the end of the 36th month after the date of listing of our Company on the main board of the SGX-ST;
- (d) 25% at the end of the 48th month after the date of listing of our Company on the main board of the SGX-ST; and
- (e) the remaining 30% at the end of the 60th month after the date of listing of our Company on the main board of the SGX-ST,

provided that the relevant Entitled Persons remain in service within our Group on the vesting day and he/she has not tendered his/her resignation.

Under the terms of the Management Grant, should there be any subsequent stock split or consolidation, such entitlement of 380 shares of our Company (prior to the Share Split) will be adjusted accordingly, but no adjustment will be made to compensate dilution from new issue of equity, stock dividends and issue of new shares arising from conversion of any convertible instruments.

On October 16, 2007, each share in our Company was sub-divided into 75,000 Shares (the “Share Split”). Accordingly, the number of shares to be allotted to the Entitled Persons under the Management Grant were adjusted as follows:

Entitled Person	Number of Shares after adjustment for the Share Split
Mr. Li Yao Min	5,925,000
Mr. Yue Wai Leung Stan	5,925,000
Mr. Yang Yonggang	5,100,000
Ms. Gu Biya	3,000,000
Mr. Cheng Wai Ho	3,000,000
Mr. Mao Yiping	2,475,000
Mr. Tai Kuo-Lin	1,875,000
Mr. Ma Da Yu	750,000
Mr. Sun Xiaomeng	225,000
Ms. Zhang Qiong	225,000
Total:	<u><u>28,500,000</u></u>

Following the cessation of employment of Mr. Ma Da Yu, Ms. Zhang Qiong and Mr. Cheng Wai Ho with our Group on November 22, 2007, June 30, 2008 and March 8, 2010 respectively, their entitlements under the Management Grant were forfeited.

The exercise price is RMB8.00 per share before adjustment for the Share Split and approximately RMB0.0001067 per Share after adjustment for the Share Split, which is payable upon exercise by the relevant Entitled Persons of his award.

As at the Latest Practicable Date, the Entitled Persons comprises 5 Directors and 2 employees of our Group. The particulars of our Shares which had been allotted to such Entitled Persons are set out in paragraphs (b) and (f) of the section headed “Changes in the issued Shares” in this appendix, and particulars of our Shares to be allotted to them pursuant to the Management Grant but which have not yet vested as at the Latest Practicable Date were as follows:

Name of Entitled Person	Address	Total no. of Shares to be allotted pursuant to the Management Grant but not yet vested as at the Latest Practicable Date	Aggregate amount payable by the Entitled Person (Note 1)	Approx. % of total number of issued Shares (Note 2)
Mr. Li Yao Min	Flat A, 22/F, Block 2 The Leighton Hill 2B Broadwood Road Causeway Bay Hong Kong	4,443,750	RMB474	0.11%
Mr. Yue Wai Leung Stan	No. 106 Casa Marina II Tai Po, New Territories Hong Kong	4,443,750	RMB474	0.11%
Mr. Yang Yonggang	Room 801, No. 44 Lane 100 East Tian Lin Road Xu Hui District Shanghai, PRC	3,825,000	RMB408	0.01%
Ms. Gu Biya	Villa No.23 Lane 555 Lake Malaren Road Baoshan District Shanghai, PRC	2,250,000	RMB240	0.06%
Mr. Mao Yiping	Lane 380, No. 68 Room 401 Dezhou Road Shanghai, PRC	1,856,250	RMB198	0.05%
Mr. Tai Kuo-Lin	19/F, No. 77-1 Zhongzheng East Road Section 2, Danshuei Township, Taipei	1,406,250	RMB150	0.04%
Mr. Sun Xiaomeng	Room 305, No. 36 Minxing, 2nd Village Yangpu District Shanghai, PRC	168,750	RMB18	0.004%

Notes:

1. Assuming that the Entitled Persons have subscribed for all our Shares to be allotted to him/her pursuant to the Management Grant but not yet vested as at the Latest Practicable Date.
2. Refers to the total number of issued Shares as at the Latest Practicable Date as enlarged by the total number of Shares to be allotted pursuant to the Management Grant but not yet vested as at the Latest Practicable Date.

The dilution effect on shareholding upon issuance of Shares granted under the Management Grant is as follows:

	Shareholdings as at Latest Practicable Date ⁽¹⁾				Shareholdings after Conversion ⁽²⁾			
	Direct Interest		Deemed Interest		Direct Interest		Deemed Interest	
	No. of Shares	Approx. %	No. of Shares	Approx. %	No. of Shares	%	No. of Shares	%
DIRECTORS								
Li Yao Min	1,481,250	0.04	4,443,750	0.11	5,925,000 ⁽³⁾	0.15	-	-
Yue Wai Leung Stan	888,750	0.02	4,443,750	0.11	5,332,500 ⁽³⁾	0.14	-	-
Gu Biya	750,000	0.02	2,250,000	0.06	3,000,000 ⁽³⁾	0.08	-	-
Mao Yiping	618,750	0.02	1,856,250	0.05	2,475,000 ⁽³⁾	0.06	-	-
Yang Yonggang	1,275,000	0.03	3,825,000	0.10	5,100,000 ⁽³⁾	0.13	-	-
Henry Tan Song Kok	100,000	0.003	-	-	100,000	0.003	-	-
Loh Weng Whye	700,000	0.02	-	-	700,000	0.02	-	-
OTHER SHAREHOLDERS								
Sinopower ⁽⁴⁾	2,396,781,817	61.54	-	-	2,396,781,817	61.25	-	-
OZ Master Fund, Ltd. ⁽⁵⁾	-	-	235,238,245	6.04	-	-	235,238,245	6.01
OZ Asia Master Fund, Ltd. ⁽⁵⁾	-	-	227,357,070	5.84	-	-	227,357,070	5.81
Other funds managed by OZM ⁽⁵⁾	-	-	44,011,722	1.13	-	-	44,011,722	1.12
Public Shareholders ⁽⁶⁾	985,602,322	25.31	-	-	987,177,322 ⁽³⁾	25.23	-	-

Notes:

- (1) The percentage interests are calculated based on the total number of Shares issued as at the Latest Practicable Date, being 3,894,804,926 Shares.
- (2) The percentage interest is calculated based on the assumption that all our Shares granted pursuant to the Management Grant are vested and issued and allotted to the relevant Entitled Persons.
- (3) Assuming that such Director or Entitled Person has subscribed for all our Shares to be allotted and issued to him/her pursuant to the Management Grant.
- (4) Of the 2,396,781,817 Shares, 1,948,879,252 Shares were directly held by Sinopower, 370,006,467 Shares were lent to J.P. Morgan Securities pursuant to the Stock Borrowing and Lending Agreement, and 77,896,098 Shares were deemed acquired by Sinopower pursuant to the Sale and Repurchase Agreement. As Sinopower is a wholly-owned subsidiary of SRE, SRE is deemed interested in the 2,396,781,817 Shares held by Sinopower under the SFO. As SREI is interested in more than one-third of the issued share capital of SRE, SREI is also deemed to be interested in the same 2,396,781,817 Shares which SRE is deemed interested in under the SFO. As Mr. Shi Jian is interested in more than one-third of the issued share capital of SREI, he is also deemed to be interested in the same 2,396,781,817 Shares which SREI is deemed interested in under the SFO.
- (5) The investments of OZ Master Fund, Ltd., OZ Asia Master Fund, Ltd. and the other funds managed by OZM are all managed by OZM and/or OZM's wholly-owned subsidiary on a discretionary basis. The OZ Funds collectively held 506,607,037 Shares representing approximately 13.01% of the total issued Shares as at the Latest Practicable Date. Assuming and the allotment and issue of Shares to the Entitled Persons pursuant to the Management Grant would result in the dilution of the aggregate shareholding interests of the OZ Funds to approximately 12.95%.
- (6) Including the other Entitled Persons under the Management Grant. As at the Latest Practicable Date, the other Entitled Persons are Mr. Tai Kuo-Lin and Mr. Sun Xiaomeng.

Upon issuance of Shares granted under the Management Grant, earnings per Share will be diluted from RMB0.063995 to RMB0.063971, representing a decrease of approximately 0.04%.

As at the Latest Practicable Date, an aggregate of 6,881,250 Shares had been allotted pursuant to the Management Grant, representing approximately 0.18% of the total issued Shares as at the Latest Practicable Date. Since the third tranche of our Shares to be allotted pursuant to the Management Grant shall be vested in November 2010, the number of Shares which had been allotted pursuant to the Management Grant upon Listing shall remain as 6,881,250 Shares.

Application has been made to the Listing Committee for the listing of, and permission to deal in, our Shares which may be allotted pursuant to the Management Grant.

B. Share Option Scheme

The following is a summary of the principal terms of the Share Option Scheme approved by a resolution of our Shareholders passed on September 3, 2010.

In this section only,

“Adoption Date”	means the date on which the Share Option Scheme takes effect upon the satisfaction of all conditions under paragraph 3 of this section (where applicable);
“Associated Company”	means a company in which at least 20.0% but not more than 50.0% of its shares are held by our Company and/or our subsidiaries, or a subsidiary of such company, and over which our Company has control;
“Committee”	means the remuneration committee of our Company, or such other committee comprising Directors duly authorized by the Board to administer the Share Option Scheme in its present or any amended form;
“Controlling Shareholder”	means a person with the capacity to dominate decision-making, directly or indirectly, in relation to the financial and operating policies of our Company. Unless rebutted, a person who directly or indirectly has an interest of 15% of our Company’s issued share capital shall be presumed to be a Controlling Shareholder;

“Group”	means our Company, our subsidiaries and its Associated Companies (as they may exist from time to time);
“Option”	means a right to subscribe for Shares granted pursuant to the terms of the Share Option Scheme and the term “Options” shall be construed accordingly;
“Parent Company”	means a company being the holding company of our Company designated by the Committee for the purposes of the Share Option Scheme, and where no such holding company exists, the single largest corporate shareholder for the time being of our Company designated by the Committee for the purposes of the Share Option Scheme and approved by the SGX-ST;
“Parent Group”	means the Parent Company and such of the Parent Company’s subsidiaries as are designated by the Committee for the purposes of the Share Option Scheme (but, where applicable, excluding our Group);
“Parent Group Participant”	means any executive or non-executive directors including independent non-executive directors or any employees (whether full-time or part-time) of any member of the Parent Group who, in the opinion of the Committee, has contributed to the success and development of our Group.

1. Purpose of the Share Option Scheme

The purpose of the Share Option Scheme is to provide the Participants (as defined in paragraph 2.1 below) working for the interest of our Group with an opportunity to obtain equity interest in our Company, thus linking their interest with the interest of our Group and thereby providing them with incentives to work better for the interest of our Group and/or rewards for their contribution and support to our Group.

2. Who May Join

- 2.1 The Committee may, at its discretion, invite any executive or non-executive directors including independent non-executive directors or any employees (whether full-time or part-time) of any member of our Group or the Parent Group (together, the “Participants” and each a “Participant”) to take up options to subscribe for Shares.
- 2.2 In determining the basis of eligibility of the Participants, the Committee would take into account such factors as the Committee may at its discretion consider appropriate.
- 2.3 Controlling Shareholders and their spouse, child, adopted child, brother, sister and parent shall not be eligible to participate in the Share Option Scheme.

3. Conditions

The Share Option Scheme shall take effect subject to:

- (a) the SGX-ST granting the listing of, and permission to deal in, the new Shares to be allotted and issued upon exercise of any Options which may be granted under the Share Option Scheme;
- (b) the passing of an ordinary resolution approving the adoption of the Share Option Scheme by our Shareholders and authorising our Directors to grant Options to subscribe for Shares thereunder and to allot and issue Shares pursuant to the exercise of any Options granted under the Share Option Scheme;
- (c) the Share Option Scheme being approved by the shareholders of SRE in general meeting; and
- (d) in the event that the Shares are to be listed on the Stock Exchange, the Listing Committee granting approval of the listing of, and permission to deal in, our Shares in issue and the new Shares to be allotted and issued upon exercise of any Options which may be granted under the Share Option Scheme.

For the avoidance of doubt, in the event our Company decides not to proceed with the Introduction for any reason, the Share Option Scheme shall take effect from the date conditions under paragraphs (a) to (c) above are satisfied or the date our Company decides not to proceed with the listing on the Stock Exchange, whichever is later.

4. Duration and Administration

- 4.1 Subject to the fulfillment of the conditions in paragraph 3 above and the termination provisions in paragraph 16, the Share Option Scheme shall be valid and effective for a period of 10 years commencing on the Adoption Date, after which period no further Options will be granted but in all other respects the provisions of the Share Option Scheme shall remain in full force and effect, and Options which are granted during the life of the Share Option Scheme may continue to be exercisable in accordance with their terms of grant.
- 4.2 The Share Option Scheme shall be subject to the administration of the Committee whose decision (save as otherwise provided in the Share Option Scheme) shall be final and binding on all parties provided that no member of the Committee shall participate in any deliberation or decision in respect of Options granted or to be granted to him.
- 4.3 Subject to compliance with the requirements of the Listing Rules, the requirements of the Listing Manual and the provisions of the Share Option Scheme, the Committee shall have the right (i) to interpret and construe the provisions of the Share Option Scheme; (ii) to determine the persons who will be awarded Options under the Share Option Scheme and the number of Shares to be issued under any Options; (iii) to determine the price per Share at which a Grantee (as defined below) may subscribe for Shares on the exercise of an Option (the "Subscription Price"); (iv) to make such appropriate and equitable adjustments to the terms of Options granted under the Share Option Scheme as it deems necessary; and (v) to make such other decisions, determinations or regulations as it shall deem appropriate in the administration of the Share Option Scheme.

5. Grant of Option

- 5.1 On and subject to the terms of the Share Option Scheme, the Committee shall be entitled at any time, within 10 years after the Adoption Date to make an offer of the grant of an Option (the "Offer") to any Participant as the Committee may in its absolute discretion select to subscribe for such number of Shares as the Committee may (subject to paragraphs 9 and 10 below) determine at the Subscription Price (provided that such number of Shares constitutes a board lot for dealing in Shares on the Stock Exchange or the SGX-ST or an integral multiple thereof). In determining the basis of eligibility of each Participant, the Committee would mainly take into account the experience of the Participant in our Group's business, the length of service of the Participant, the efforts and contributions of the Participant has exerted and made towards the success of our Group and/or the amount of potential efforts and contributions the Participant is likely to be able to give or make towards the success of our Group in the future.

- 5.2 No Offer shall 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 and the Listing Manual. In particular, during the period commencing one month immediately preceding the earlier of (i) the date of the meeting of the Committee (as such date is first notified by our Company to the Stock Exchange and the SGX-ST in accordance with the Listing Rules or the Listing Manual (as the case may be)) for the approval of our Company's results for any year, half-year, quarterly or any other interim period (whether or not required under the Listing Rules); and (ii) the deadline for our Company to publish an announcement of its results for any year or half-year under the Listing Rules and the Listing Manual, or quarterly or any other interim period (whether or not required under the Listing Rules or the Listing Manual), and ending on the date of the results announcement, no Option may be granted.
- 5.3 An Offer shall be made to a Participant by letter in such form as the Committee may from time to time determine (the "Offer Letter") specifying the number of Shares under the Option, the Subscription Price, the vesting schedule (if any), the conditions to vesting (if any), and the Option Period (as defined below) and requiring the Participant to undertake to hold the Option on the terms on which it is to be granted and to be bound by the provisions of the Share Option Scheme. An Offer must be made on a business day and shall remain open for acceptance by the Participant to whom an Offer is made for a period (the "Acceptance Period") from the date on which an Offer is made to a Participant (the "Offer Date") to such date as the Committee may determine and specify in the Offer Letter (both days inclusive), provided that no such Offer shall be open for acceptance after the 10th anniversary from the Adoption Date or after the Share Option Scheme has been terminated in accordance with the provisions hereof, whichever is earlier.
- 5.4 An Offer shall be deemed to have been accepted by any Participant who accepts the Offer in accordance with the terms of the Share Option Scheme or (where the context so permits) the legal personal representative(s) entitled to any such Option in consequence of the death of the original Participant (the "Grantee") and the Option to which the Offer relates shall be deemed to have been granted and to have taken effect when the duplicate of the Offer Letter (as defined in sub-paragraph 5.3 above) comprising acceptance of the Offer duly signed by the Grantee together with a remittance in favor of our Company of HK\$1.00 by way of consideration for the granting thereof is received by our Company within the Acceptance Period (as defined in sub-paragraph 5.3 above). Such remittance shall in no circumstances be refundable or be considered as part of the Subscription Price.

- 5.5 Any Offer 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 for dealing in Shares on the Stock Exchange or the SGX-ST or an integral multiple thereof and the number of Shares in respect of which the Offer is accepted is clearly stated in the duplicate of the Offer Letter received by our Company as mentioned in sub-paragraph 5.4 above. To the extent that the Offer is not accepted within the Acceptance Period and in the manner stipulated in sub-paragraph 5.4 above, it will be deemed to have been irrevocably declined.
- 5.6 Subject to the provisions of the Share Option Scheme, the Listing Rules and the Listing Manual, the Committee may when making the Offer impose any conditions, restrictions or limitations in relation to the Option as it may at its absolute discretion think fit, and shall set forth such in the Offer Letter.

6. Subscription Price

Subject to any adjustments made pursuant to paragraph 11 below, the Subscription Price in respect of each Share issued pursuant to the exercise of the Options granted hereunder shall be a price solely determined by the Committee and notified to a Participant in the Offer Letter and shall be at least the highest of:

- (i) the closing price of our Shares as stated in the daily quotations sheet of the Stock Exchange or the SGX-ST on the Offer Date (whichever is the higher); and
- (ii) a price being the average of the closing prices of our Shares as stated in the daily quotations sheets of the Stock Exchange or the SGX-ST for the 5 business days immediately preceding the Offer Date (whichever is the higher).

For the purpose of this paragraph, if the Offer Date does not fall on a business day, the Offer Date shall be deemed the following business day.

7. Exercise of Options

- 7.1 An Option shall be personal to the Grantee and shall not be assignable or transferable. No Grantee shall in any way sell, transfer, charge, mortgage, encumber or create any interests (whether legal or beneficial) in favor of any third party over or in relation to any Option or enter into any agreement to do so. Any breach of the foregoing by a Grantee shall render all outstanding Options of such Grantee automatically cancelled on the date which the Grantee commits the foregoing breach.
- 7.2 Unless otherwise determined by the Committee and specified in the Offer Letter at the time of the Offer, no performance targets need to be achieved by the Grantee before an Option can be exercised. An Option may be exercised in

whole or in part in the manner as set out in the Offer Letter, this sub-paragraph and sub-paragraph 7.3 below by the Grantee (or his personal representative(s)) at any time after the first anniversary of the Offer Date of that Option by giving notice in writing to our Company stating that the Option is thereby exercised and the number of Shares in respect of which it is exercised. Each such notice must be accompanied by a remittance for the full amount of the total Subscription Price for our Shares in respect of which the notice is given. Subject to paragraph 12, within 28 days after receipt of the notice and the remittance, and where appropriate, receipt of the certificate of the auditors for the time being of our Company pursuant to paragraph 11 below, our Company shall allot the relevant Shares to the Grantee (or his personal representative(s)) credited as fully paid and issue to the Grantee (or his personal representative(s)) a share certificate in respect of our Shares so allotted.

- 7.3 Subject to the terms and conditions upon which such Option was granted and as hereinafter provided, an Option may be exercised by the Grantee at any time during the period to be determined by the Committee at its absolute discretion and notified by the Committee to each Grantee as being the period during which an Option may be exercised and in any event, such period shall not commence until after the first anniversary of the Offer Date and shall not be longer than 10 years from the Offer Date (“Option Period”) and provided that:
- (a) in the event of the Grantee ceases to be a Participant for any reason other than on the Grantee’s death or the termination of the Grantee’s employment, directorship, appointment or engagement on one or more of the grounds specified in sub-paragraph 8(e) below, the Option granted to such Grantee shall lapse on the date of cessation (to the extent which has become exercisable and has not already been exercised) and will not be exercisable unless the Committee otherwise determines to grant an extension at the discretion of the Committee in which event the Grantee may exercise the Option in accordance with the provisions of paragraph 7.2 within such period of extension and up to a maximum entitlement directed at the discretion of the Committee on the date of grant of extension (to the extent that it has not already been exercised and subject to other terms and conditions decided at the discretion of the Committee). For the avoidance of doubt, such period of extension (if any) shall be granted within and in any event ending before the expiration of the period of one month following the date on which the Grantee ceases to be a Participant, which date of cessation shall be the Grantee’s last actual working day with the relevant company whether salary is paid in lieu of notice or not, or the last date of office or appointment as director of, as consultant, professional or other advisor to, the relevant company, as the case may be, in the event of which, the date of cessation as determined by a resolution of the board of directors or governing body of the relevant company shall be conclusive;

- (b) in the event the Grantee dies before exercising the Option in full and none of the events which would be a ground for termination of the Grantee's employment, directorship, appointment or engagement under sub-paragraph 8(e) below arises, the personal representative(s) of the Grantee shall be entitled within a period of 6 months or such longer period as the Committee may determine from the date of death, to exercise the Option up to the entitlement of such Grantee as at the date of death (to the extent that it has become exercisable and has not already been exercised) or, if appropriate, make an election pursuant to sub-paragraphs 7.3(c), (d) or (e) below;
- (c) if a general offer by way of take-over (other than by way of scheme of arrangement pursuant to sub-paragraph 7.3(d) below) is made to all the holders of Shares (or all such holders other than the offeror and/or any person controlled by the offeror and/or any person acting in association or concert with the offeror (the "Dissenting Shareholders")) and if such offer becomes or is declared unconditional and the offeror is entitled to and does give notice pursuant to the BVI BC Act to acquire Shares held by the Dissenting Shareholders prior to the expiry of the relevant Option Period, the Grantee (or his personal representative(s)) may by notice in writing to our Company within 21 days of the notice of the offeror exercise the Option (to the extent that it has become exercisable on the date of the notice of the offeror and has not already been exercised) to its full extent or to the extent specified in such notice;
- (d) if a general offer by way of scheme of arrangement is made to all the holders of Shares and has been approved by the necessary majority of holders of Shares at the requisite meetings, the Grantee (or his personal representative(s)) may thereafter (but only until such time as shall be notified by our Company, after which it shall lapse) exercise the Option (to the extent that it has become exercisable and has not already been exercised) to its full extent or to the extent specified in such notice;
- (e) other than a general offer or a scheme of arrangement contemplated in sub-paragraphs 7.3(c) and (d), if a compromise or arrangement between our Company and its members or creditors is proposed for the purposes of or in connection with a scheme for the reconstruction of our Company or its amalgamation with any other company or companies, our Company shall give notice thereof to the Grantee on the same date as it despatches the notice which is sent to each member or creditor of our Company summoning the meeting to consider such a compromise or arrangement, and thereupon the Grantee (or his personal representative(s)) may forthwith and until the expiry of the period commencing with such date and ending with the earlier of 2 months thereafter and the date on which such compromise or arrangement is sanctioned by the court of competent

jurisdiction, exercise any of his Options (to the extent which has become exercisable and has not already been exercised) whether in full or in part, but the exercise of an Option as aforesaid shall be conditional upon such compromise or arrangement being sanctioned by the court of competent jurisdiction and becoming effective. Upon such compromise or arrangement becoming effective, all Options shall lapse except insofar as previously exercised under the Share Option Scheme. Our Company may require the Grantee (or his personal representative(s)) to transfer or otherwise deal with the Shares issued as a result of the exercise of Options in these circumstances so as to place the Grantee in the same position as nearly as would have been the case had such Shares been subject to such compromise or arrangement; and

- (f) in the event of a notice is given by our Company to the Shareholders to convene a general meeting for the purposes of considering, and if thought fit, approving a resolution to voluntarily wind-up our Company, other than for the purposes of a reconstruction, amalgamation or scheme of arrangement, our Company shall on the same date as or soon after it dispatches such notice to convene the shareholders' meeting, give notice thereof to all Grantees. The Grantees (or their respective personal representative(s)) may subject to the provisions of all applicable laws, by notice in writing to our Company (such notice to be received by our Company not later than 2 business days prior to the proposed general meeting) exercise any Option (to the extent that it has become exercisable and has not already been exercised) either to its full extent or to the extent specified in such notice, such notice to be accompanied by a payment for the full amount of the aggregate Subscription Price for our Shares in respect of which the notice is given, whereupon our Company shall as soon as possible and, in any event, no later than the business day immediately prior to the date of the proposed general meeting referred to above, allot the relevant Shares to the Grantee credited as fully paid.

- 7.4 Our Shares to be allotted upon the exercise of an Option will be subject to all the provisions of the memorandum and articles of association of our Company for the time being in force and will rank *pari passu* in all respects with the fully paid Shares in issue on the date of their allotment and issue, and accordingly will entitle the holders to participate in all dividends or other distributions paid or made on or after the date of allotment and issue other than any dividend or other distribution previously declared or recommended or resolved to be paid or made if the record date therefor shall be before the date of allotment and issue.

8. Lapse of Options

An Option shall lapse automatically and not be exercisable (to the extent that it has not already been exercised) on the earliest of:

- (a) the expiry of the Option Period;
- (b) the expiry of the periods referred to in the above sub-paragraphs 7.3(a), (b) or (c), where applicable;
- (c) subject to the scheme of arrangement as referred to in sub-paragraph 7.3(d) becoming effective, the expiry of the period referred to in the above sub-paragraph 7.3(d);
- (d) subject to the compromise or arrangement referred to in sub-paragraph 7.3(e) becoming effective, the expiry of the period referred to in sub-paragraph 7.3(e);
- (e) the date on which the Grantee ceases to be a Participant by reason of the termination of his employment, directorship, appointment or engagement on one or more of the following grounds, namely, that he has been guilty of misconduct or has been in breach of material term of the relevant employment contract or service contract, or has stopped payment to creditors generally or been unable to pay his debts within the meaning of any applicable legislation relating to bankruptcy or insolvency, or has become bankrupt or insolvent, or has been served with a petition for bankruptcy, or has made any arrangements or composition with his creditors generally, or has been convicted of any criminal offense involving his integrity or honesty or (if so determined by the Board or the board of the relevant subsidiary, as the case may be) on any other ground on which any employer or any engaging party would be entitled to terminate his employment, directorship, appointment or engagement at common law or pursuant to any applicable laws or under the Grantee's employment contract or service contract with our Company or the relevant subsidiary (as the case may be). A resolution of our Board or of the board of directors or governing body of the relevant subsidiary of our Company (as the case may be) to the effect that the employment, directorship, appointment or engagement of a Grantee has or has not been terminated on one or more of the grounds specified in this sub-paragraph 8(e) shall be conclusive and binding on the Grantee;
- (f) the close of 2 business days prior to the general meeting of our Company held for the purpose of approving the voluntary winding-up of our Company or the date of the commencement of the winding-up of our Company;
- (g) the date on which the Grantee commits a breach of sub-paragraph 7.1 above;

- (h) the date on which the Option is cancelled by the Committee as provided in paragraph 15 below; or

Our Company shall owe no liability to any Grantee for the lapse of any Option under this paragraph 8.

9. Maximum Number of Shares available for Subscription

9.1 Subject to sub-paragraph 9.2 below:

- (a) the total number of Shares, which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other share option scheme of our Company shall not in aggregate exceed 10% of the total number of Shares in issue on the Adoption Date, unless our Company obtains an approval from our Shareholders pursuant to sub-paragraph 9.1(b) below. The Options lapsed in accordance with the terms of the Share Option Scheme will not be counted for the purpose of calculating such 10% limit;
- (b) Our Company may seek approval of our Shareholders in general meeting for refreshing the 10% limit set out in sub-paragraph 9.1(a) above such that the total number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other share option schemes of our Company under the limit as refreshed shall not exceed 10% of the total number of Shares in issue as at the date of approval to refresh such limit. Options previously granted under the Share Option Scheme and any other share option schemes (including those outstanding, cancelled, lapsed in accordance with the Share Option Scheme or any other share option schemes or exercised options) will not be counted for the purpose of calculating such limit as refreshed. In such a case, our Company shall send a circular to its shareholders containing the information and disclaimer as required under the Listing Rules and the Listing Manual;
- (c) Our Company may seek separate approval of our Shareholders in general meeting for granting Options beyond the 10% limit provided the Options in excess of such limit are granted only to Participants specifically identified by our Company before such approval is sought. In such a case, our Company shall send a circular to our Shareholders containing, amongst other terms, a generic description of the specified Participant(s) who may be granted such Options, the number of Shares subject to the Options to be granted, the terms of the Options to be granted, the purpose of granting Options to the specified Participant(s), an explanation as to how the terms of the Options serve such purpose and such other information and disclaimer(s) as required under the Listing Rules and the Listing Manual.

- 9.2 Notwithstanding any provision in paragraph 9.1 above and subject to paragraph 11 below, the limit on the number of 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 must not exceed 15% of our Shares in issue from time to time. No options may be granted under the Share Option Scheme and any other share option schemes of our Company if this will result in such limit being exceeded.
- 9.3 In addition to paragraphs 9.1 and 9.2 above and subject to sub-paragraph 10.1 below, the aggregate number of Shares which may be offered to all Parent Group Participants shall not exceed 20.0% of the total number of Shares available under the Share Option Scheme.

10. Maximum Entitlement of Shares of Each Participant

- 10.1 (a) Subject to sub-paragraphs 10.1(b) below, the total number of Shares issued and to be issued upon exercise of the Options granted to each Participant (including both exercised and outstanding Options) in any 12-month period shall not exceed 1% of the total number of Shares in issue.
- (b) Notwithstanding sub-paragraph 10.1(a), where any further grant of Options to a Participant would result in the Shares issued and to be issued upon exercise of all options granted and to be granted to such Participant under the Share Option Scheme and any other share option schemes of our Company (including exercised, cancelled and outstanding Options) in the 12-month period up to and including the date of such further grant representing in aggregate over 1% of our Shares in issue, such further grant must be separately approved by our Shareholders in general meeting with such Participant and his associates abstaining from voting. The number and terms of the Options to be granted to such Participant shall be fixed before Shareholders' approval and the date of the Committee meeting for proposing such further grant should be taken as the date of grant for the purpose of calculating the Subscription Price. In such a case, our Company shall send a circular to our Shareholders containing, amongst other terms, the identity of such Participant, the number and the terms of the Options to be granted (and options previously granted to such Participant) and such other information as required under the Listing Rules and the Listing Manual.
- (c) In addition to the above paragraph 9 and sub-paragraphs 10.1(a) and 10.1(b), any grant of Options to a Participant who is a director, chief executive or substantial shareholder of our Company or their respective associates must be approved by the independent non-executive directors of our Company (excluding independent non-executive directors of our Company who are Grantees).

- (d) In addition to the above paragraph 9 and sub-paragraphs 10.1(a) and 10.1(b), where the Committee proposes to grant any Option to a Participant who is a substantial shareholder or an independent non-executive director of our Company, or any of their respective associates, would result in the Shares issued and to be issued upon exercise of all options already granted and to be granted under the Share Option Scheme and any other share option schemes of our Company (including options exercised, cancelled and outstanding) to him in the 12-month period up to and including the proposed Offer Date of such grant (the “Relevant Date”):
- (i) representing in aggregate more than 0.1% of the total number of Shares in issue on the Relevant Date; and
 - (ii) having an aggregate value, based on the closing price of our Shares as stated in the Stock Exchange’s daily quotations sheet on the Relevant Date in excess of HK\$5 million,

such proposed grant of Options must be approved by our Shareholders in general meeting. In such a case, our Company shall send a circular to our Shareholders containing all those terms as required under the Listing Rules and the Listing Manual. All connected persons of our Company must abstain from voting in favor of the resolution at such general meeting (except that any connected person (other than the Participant) may vote against such proposed grant at the general meeting provided that his intention to do so has been stated in the circular issued to our Shareholders). Any vote taken at the meeting to approve the grant of such Options must be taken on a poll.

- (e) Subject to paragraph 9 and sub-paragraphs 10.1(a), 10.1(b), 10.1(c) and 10.1(d), where the Committee proposes to grant any Option to a Parent Group Participant, which together with Options already granted to such Parent Group Participant in his capacity as such under the Share Option Scheme, represents 5.0% or more of the total number of Options available to Parent Group Participants under the Share Option Scheme, a separate resolution of the independent shareholders of our Company must be passed for each such Parent Group Participant and to approve the aggregate number of Options to be made available for grant to all Parent Group Participants, provided that any grant of Options to a Parent Group Participant whose services have been seconded to any member within our Group shall not be subject to the provisions of this paragraph 10.1(e). In such a case, our Company shall send a circular to our Shareholders containing all those terms as required under the Listing Rules and the Listing Manual including the rationale for the grant of Option to the Parent Group Participant.

10.2 Subject to the above sub-paragraphs 9.1, 9.2 and 10.1, in the event of any alteration in the capital structure of our Company whether by way of capitalization issue, rights issue, consolidation, subdivision or reduction of the share capital of our Company or otherwise howsoever (other than as a result of an issue of Shares as consideration in a transaction), the maximum number of Shares referred to in the above sub-paragraphs 9.1, 9.2 and 10.1 will be adjusted in such manner as an independent financial advisor or the auditors for the time being of our Company (acting as experts and not as arbitrators) shall confirm to our Directors in writing to be fair and reasonable.

11. Reorganization of Capital Structure

In the event of any alteration in the capital structure of our Company whilst any Option remains exercisable, whether by way of capitalization issue, rights issue, open offer, subdivision, consolidation, reduction or distribution of the share capital of our Company or otherwise howsoever in accordance with legal requirements and requirements of the Stock Exchange or the SGX-ST (excluding any alteration in the capital structure of our Company as a result of an issue of Shares as consideration in respect of an acquisition by our Company at any time after the date on which dealings in our Shares first commence on the Stock Exchange), such corresponding alterations (if any) shall be made to:

- (i) the number or nominal amount of Shares subject to the Option so far as unexercised; and/or
- (ii) the Subscription Price,

as the auditor for the time being of our Company shall (except in relation to a capitalization issue) certify in writing to our Directors to be in their opinion fair and reasonable and that any such alterations shall satisfy the requirements set out in the note to Rule 17.03(13) of the Listing Rules and shall give a Grantee as nearly as possible (and not exceeding) the same proportion of the issued share capital of our Company as that to which the Grantee was previously entitled, provided that no such alterations shall be made the effect of which would be to enable a Share to be issued at less than its nominal value and/or to cause the Grantee to receive a benefit that Shareholders do not receive and in no event shall adjustments be made to the advantage of a Grantee without specific prior Shareholders' approval. The capacity of the auditors for the time being of our Company in this paragraph is that of experts and not of arbitrators and their certification shall, in the absence of manifest error, be final and binding on our Company and the Grantees. The costs of the auditors for the time being of our Company shall be borne by our Company. Notice of such alterations shall be given to the Grantee by our Company.

Note: Since (i) any alteration or modifications to the advantage of the Participants must be approved by our Shareholders in general meeting (except where the alterations take effect automatically under the existing terms of the Share Option Scheme), (ii) where adjustment is made with respect to the number of shares to which the Grantee is entitled, it should be as nearly as possible (but not exceeding) the proportion of the issued Shares as that to which the Grantee was previously entitled and (iii) no adjustments may be made to the advantage of a Grantee without prior Shareholders' approval, the Share Option Scheme is in compliance with the "Supplementary Guidance on Main Board Listing Rule 17.03(13)/GEM Listing Rule 23.03(13) and the Note immediately after the Rule" as set out in the letter issued by the Stock Exchange dated September 5, 2005.

12. Share Capital

The exercise of any Option shall be subject to our Shareholders in a general meeting approving any necessary increase in the authorized share capital of our Company. Subject thereto, the Committee shall make available sufficient authorized but unissued share capital of our Company to meet subsisting requirements on the exercise of Options.

13. Disputes

Any dispute arising in connection with the Share Option Scheme (whether as to the number of Shares the subject of an Option, the amount of the Subscription Price or otherwise) shall be referred to the decision of the auditors for the time being of our Company or an independent financial advisor appointed by our Company who shall act as experts and not as arbitrators and whose decision shall be final and binding.

14. Alteration of the Share Option Scheme

14.1 The provisions of the Share Option Scheme may be altered in any respect by resolution of the Committee except that the provisions of the Share Option Scheme as to:

- (a) the definitions of "Committee", "Participant", "Grantee" and "Option Period";
- (b) the provisions of the above paragraphs and sub-paragraphs 4, 5.1, 5.2, 5.3, 5.4, 6, 7, 8, 9, 10, 11 and this paragraph 14;
- (c) all such other matters set out in Rule 17.03 of the Listing Rules; and
- (d) all such matters set out in Rules 844 to 849 and Rules 853 to 854 of the Listing Manual,

shall not be altered to the advantage of the Participants except with the prior approval of our Shareholders in general meeting, provided that no such alteration shall operate to affect adversely the terms of issue of any Option granted or agreed to be granted prior to such alteration except with the consent or sanction of such majority of the affected Grantees as would be required of our Shareholders under the articles of association of our Company for the time being for a variation of the rights attached to our Shares.

14.2 Any alterations to the terms and conditions of the Share Option Scheme which are of a material nature or any change to the terms of the Options granted or any alterations or modifications to the advantage of the Participants must be approved by our Shareholders in general meeting, except where the alterations take effect automatically under the existing terms of the Share Option Scheme. In addition, no modification or alteration to the provisions of the Share Option Scheme shall be made without the prior approval of the SGX-ST or (if required) the Stock Exchange or any other stock exchange on which our Shares are quoted and listed, and such other regulatory authorities as may be necessary.

14.3 The amended terms of the Share Option Scheme or the Options must still comply with the relevant requirements of Chapter 17 of the Listing Rules and Chapter 8 of the Listing Manual.

14.4 Any change to the authority of our Directors or scheme administrators in relation to any alteration to the terms of the Share Option Scheme must be approved by our Shareholders in general meeting.

14.5 Written notice of any modification or alteration made in accordance with this paragraph 14 shall be given to all Participants.

15. Cancellation of Options Granted

The Committee may, with the consent of the relevant Grantee, at any time at its absolute discretion cancel any Share Option granted but not exercised. Where our Company cancels Options and makes an Offer of the grant of new Options to the same Grantee, the Offer of the grant of such new Options may only be made under the Share Option Scheme with available Options (to the extent not yet granted and excluding the cancelled Share Options) within the limit approved by our Shareholders as mentioned in the above paragraph 9.

16. Termination of the Share Option Scheme

Our Company may by resolution in general meeting or the Committee may at any time terminate the operation of the Share Option Scheme and in such event no further Options will 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 Options 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.

17. Miscellaneous

17.1 Participants who are our Shareholders are to abstain from voting on any shareholders' resolution relating to the Share Option Scheme (including but not limited to any resolutions regarding the granting of Options to any Participant pursuant to the Share Option Scheme).

17.2 The Parent Company and its associates, and Parent Group Participants who are our Shareholders and eligible to participate in the Share Option Scheme are to abstain from voting on any resolution relating to the participation of, or grant of Options, to Parent Group Participants.

Application has been made to the Listing Committee and the SGX-ST for the listing of, and permission to deal in, our Shares which may be issued pursuant to the exercise of the Options granted under the Share Option Scheme, being 389,480,492 Shares.

As at the date of this document, no Option has been granted or agreed to be granted by our Company under the Share Option Scheme.

OTHER INFORMATION**1. Estate duty**

Our Directors have been advised that no material liability for estate duty is likely to fall on our Company or our subsidiaries in the BVI, Hong Kong or the PRC, being the jurisdictions in which one or more of the companies comprising our Group were incorporated.

2. Litigation

As at the Latest Practicable Date, no member of our Group was engaged in any litigation or arbitration of material importance and no litigation or claim of material importance was known to our Directors to be pending or threatened against any member of our Group.

3. Sponsor

The Sponsor has made an application on behalf of our Company to the Listing Committee for listing of, and permission to deal in, our Shares in issue and our Shares falling to be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme.

4. Preliminary expenses

The preliminary expenses of our Company relating to the Introduction are estimated to be approximately RMB31 million and are payable by our Company.

5. Qualifications of experts

The following are the qualifications of the experts who have given opinion or advice which are contained in this document:

Name	Qualification
Standard Chartered Securities (Hong Kong) Limited	Licensed to conduct type 1 (dealing in securities), type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) of the regulated activities as defined under the SFO
Ernst & Young	Certified public accountants
DTZ Debenham Tie Leung Limited	Property valuers
Real Actuarial Consulting Limited	Valuer
Appleby	BVI lawyers
Jingtian & Gongcheng	PRC lawyers

6. Consents of experts

Each of Standard Chartered Securities (Hong Kong) Limited, Ernst & Young, DTZ Debenham Tie Leung Limited, Real Actuarial Consulting Limited, Appleby and Jingtian & Gongcheng has given and has not withdrawn its written consent to the issue of this document with the inclusion of its report and/or letter and/or opinion and/or valuation certificate and/or the references to its name included herein in the form and context in which they are respectively included.

7. Miscellaneous

- (a) Save as disclosed in this document:
- (i) within the two years preceding the date of this document, no share or loan capital of our Company or any of our subsidiaries has been issued or agreed to be issued fully or partly paid either for cash or for a consideration other than cash;
 - (ii) 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 founders, management or deferred shares of our Company or any of our subsidiaries have been issued or agreed to be issued;
 - (iv) within the two years preceding the date of this document, no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any capital of our Company or any of our subsidiaries;

- (v) there is no arrangement under which future dividends are waived or agreed to be waived;
 - (vi) there has not been any interruption to the business of our Group which may have or has had a significant effect on the financial position of our Group in the 12 months preceding the date of this document; and
 - (vii) our Directors confirm that there has been no material adverse change in the financial or trading position or prospects of our Group since June 30, 2010, being the date to which the accountants' report on the financial information of our Group as set out in Appendix I of this document was prepared.
- (b) None of Standard Chartered Securities (Hong Kong) Limited, Ernst & Young, DTZ Debenham Tie Leung Limited, Real Actuarial Consulting Limited, Appleby or Jingtian & Gongcheng:
- (i) is interested beneficially or non-beneficially in any shares in any member of our Group; or
 - (ii) has any right or option (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for any shares in any member of our Group.
- (c) Save for our Company, no company within our Group is presently listed on any stock exchange or traded on any trading system.
- (d) All necessary arrangements have been made to enable our Shares to be admitted into CCASS for clearing and settlement.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the offices of Woo, Kwan, Lee & Lo at 26th Floor, Jardine House, One Connaught Place, Central, Hong Kong during normal business hours up to and including November 2, 2010:

- (a) the memorandum of association of our Company and the Articles;
- (b) the accountants' report of our Group prepared by Ernst & Young, the text of which is set out in Appendix I to this document;
- (c) the annual reports of our Company for each of the two years ended December 31, 2008 and 2009;
- (d) the valuation report prepared by DTZ Debenham Tie Leung, the text of which is set out in Appendix II to this document;
- (e) the rules of the Share Option Scheme;
- (f) the letter dated October 18, 2010 prepared by Appleby summarizing certain aspects of BVI company law as referred to in Appendix IV to this document;
- (g) the BVI BC Act;
- (h) the material contracts referred to in the paragraph headed "Summary of material contracts" under the section headed "Further information about the business of our Group" in Appendix VI to this document;
- (i) the service agreements and appointment letters referred to in the paragraph headed "Particulars of Directors' Service Agreements" under the section headed "Further Information About Directors, Senior Management and Staff" in Appendix VI to this document;
- (j) the written consents referred to in the paragraph headed "Consents of experts" under the section headed "Other Information" in Appendix VI to this document; and
- (k) the PRC legal opinions dated October 18, 2010 issued by Jingtian & Gongcheng, our PRC legal advisor.

In addition, investors can access copies of the following documents (all of which are very large documents) via the following weblinks:

Companies Act of Singapore

<http://statutes.agc.gov.sg/>

Securities and Futures Act of Singapore

<http://statutes.agc.gov.sg/>

the Singapore Code

http://www.mas.gov.sg/resource/sic/The_Singapore_Code_on_Take_Overs_and_Mergers_1_April_2007.pdf

the Listing Manual

http://www.sgx.com/wps/portal/corporate/cp-en/listing_on_sgx/listing_manual



China New Town Development Company Limited
中國新城鎮發展有限公司