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**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

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If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your licensed securities dealer, registered institution in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Hengli Properties Development (Group) Limited (the “Company”), you should at once hand this circular to the purchaser or the transferee or to the bank, licensed securities dealer, registered institution in securities or other agent through whom the sales or transfer was effected for transmission to the purchaser or the transferee.

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**HL GROUP 恆力房地產集團**  
**恆力房地產發展(集團)有限公司**  
**HENGLI PROPERTIES DEVELOPMENT (GROUP) LIMITED**  
*(Incorporated in Bermuda with limited liability)*  
**(Stock code: 169)**

**VERY SUBSTANTIAL DISPOSAL AND CONNECTED TRANSACTION  
AND  
PROPOSED CHANGE OF COMPANY NAME**

**Financial Adviser to Hengli Properties Development (Group) Limited**



**Independent Financial Adviser to the Independent Board Committee and  
the Independent Shareholders**

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橋  
BRIDGE PARTNERS

BRIDGE PARTNERS CAPITAL LIMITED

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A letter from the board of directors of the Company is set out from pages 5 to 25 of this circular. A letter from the Independent Board Committee containing its advice to the Independent Shareholders in connection with the Disposal is set out on page 26 of this circular. A letter from Bridge Partners Capital Limited, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in connection with the Disposal is set out from pages 27 to 47 of this circular.

A notice convening the special general meeting of the Company to be held at Unit 3401, 34th Floor, Tower Two, Lippo Centre, 89 Queensway, Hong Kong on Wednesday, 20 April 2011 at 11:00 a.m. or any adjournment thereof is set out from pages 111 to 112 of this circular. A form of proxy for use in the SGM is enclosed. Whether or not you are able to attend the meeting in person, you are requested to complete and return the accompanying form of proxy to the branch share registrars of the Company in Hong Kong, Tricor Standard Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the special general meeting of the Company. Completion and return of the form of proxy shall not preclude you from attending and voting at the special general meeting of the Company should you so wish.

28 March 2011

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## DEFINITIONS

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*In this circular, the following terms shall have the meanings set out below unless the context requires otherwise:*

“Agreement”	the conditional sale and purchase agreement in relation to the Disposal entered into between the Company and the Purchaser on 3 March 2011
“Announcement”	the announcement of the Company dated 10 March 2011 in relation to the Disposal and the Change of Company Name
“associate(s)”	shall have the meaning as ascribed to it under the Listing Rules
“Board”	the board of Directors
“Business Day(s)”	a day (not being a Saturday, Sunday or days on which a typhoon signal No. 8 or above or black rainstorm warning is hosted in Hong Kong at 12:00 noon) on which banks are generally open for general banking business in Hong Kong
“BVI”	British Virgin Islands
“Change of Company Name”	the proposed change of the name of the Company from “Hengli Properties Development (Group) Limited” to “Hengli Commercial Properties (Group) Limited” and adoption of the Chinese name “恆力商業地產(集團)有限公司” as its secondary name to replace the existing Chinese name “恆力房地產發展(集團)有限公司”
“Company”	Hengli Properties Development (Group) Limited, a company incorporated in Bermuda with limited liability and the issued shares of which are listed on the Stock Exchange
“Completion”	the completion of the Disposal
“Completion Date”	the third Business Day after all the conditions precedent under the Agreement having been satisfied (or such other time and/or date as the parties to the Agreement may agree)

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## DEFINITIONS

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“connected person(s)”	has the meaning ascribed thereto under the Listing Rules and the word “connected” shall be construed accordingly
“Consideration”	the consideration payable by the Purchaser to the Company for the Disposal pursuant to the Agreement
“Director(s)”	the director(s) of the Company
“Disposal”	the disposal by the Company to the Purchaser of the Sale Shares and the Sale Loans pursuant to the Agreement
“Disposal Group”	Right Strong and its subsidiaries
“Existing Convertible Bonds”	the convertible bonds in the outstanding principal amount of approximately HK\$2,317,000,000 issued by the Company on 21 January 2008 with a conversion price of HK\$0.334 per conversion share, the maturity date of which is 20 January 2018. As at the Latest Practicable Date, the holder of the Existing Convertible Bonds was Mr. Chen Chang Wei, being the executive Director and the chairman of the Company
“Final Payment Date”	the date which is the corresponding date exactly 180 days after the Completion Date (including the Completion Date) or such later date and time as shall be agreed by the parties to the Agreement in writing
“Group”	the Company and its subsidiaries, for the avoidance of doubt, including the Disposal Group prior to the Completion
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	an independent board committee of the Company, comprising all the independent non-executive Directors, for the purpose of advising the Independent Shareholders in respect of the Agreement and the transactions contemplated thereunder

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## DEFINITIONS

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“Independent Financial Adviser”	Bridge Partners Capital Limited, a corporation licensed to carry on Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, being the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the Agreement
“Independent Shareholders”	Shareholders other than those who are required under the Listing Rules to abstain from voting on the resolution to be proposed at the SGM to approve the Agreement and the transactions contemplated thereunder
“Latest Practicable Date”	24 March 2011, being the latest practicable date prior to the printing of this circular for ascertaining certain information herein
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Long Stop Date”	20 April 2011 or such later date and time as shall be determined by the parties to the Agreement in writing
“Mr. So”	Mr. So Peng Gen, the family members of whom are the subjects of a discretionary trust beneficially owning the entire issued capital of the Purchaser and a director of certain subsidiaries of the Disposal Group
“PRC”	the People’s Republic of China, which for the purpose of this circular, excludes Hong Kong, the Macau Special Administrative Region and Taiwan
“Properties”	all those properties owned by all members of the Disposal Group
“Purchaser”	China Fair Land Properties Limited, a company incorporated in the BVI with limited liability and being the purchaser under the Agreement
“Remaining Group”	the Company and its subsidiaries immediately after the Completion
“Right Strong”	Right Strong Holdings Limited, a company incorporated in the BVI with limited liability and is wholly owned by the Company

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## DEFINITIONS

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“RMB”	Renminbi, the lawful currency of the PRC
“Sale Loans”	all indebtedness, obligations and liabilities due, owing or incurred by any member of the Disposal Group to the Company as at 31 December 2010
“Sale Shares”	one share of US\$1.0 each in the issued share capital of Right Strong, representing the entire issued share capital of Right Strong as at the date of the Agreement
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“SGM”	the special general meeting of the Company to be convened on Wednesday, 20 April 2011 to consider and, if thought fit, approve (i) the Agreement and the transactions contemplated thereunder by the Independent Shareholders; and (ii) the Change of Company Name by the Shareholders
“Share(s)”	the ordinary share(s) of HK\$0.10 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Valuation Report”	the valuation report prepared by the Valuer regarding the market value of the Properties as at 31 December 2010
“Valuer”	Savills Valuation and Professional Services Limited, an independent property valuer
“%”	per cent.

*For the purpose of this circular, all amounts denominated in RMB have been translated (for information only) into HK\$ using the exchange rate of RMB\$1.00:HK\$1.1838. No representation is made that any amounts in RMB or HK\$ can be or could have been converted at the relevant dates at the above rate or any other rates at all.*

*If there is any inconsistency between the Chinese names of the PRC entities mentioned in this circular and their English translations, the Chinese names shall prevail.*

*In the event of any inconsistency, the English text of this circular shall prevail over the Chinese text.*

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LETTER FROM THE BOARD

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恆力房地產發展(集團)有限公司  
HENGLI PROPERTIES DEVELOPMENT (GROUP) LIMITED

*(Incorporated in Bermuda with limited liability)*

**(Stock code: 169)**

*Executive Directors:*

Mr. Chen Chang Wei

Ms. Chan Sheung Ni

Ms. Chen Dongxue

*Registered office:*

Canon's Court

22 Victoria Street

Hamilton HM12

Bermuda

*Independent non-executive Directors:*

Ms. Lin Wen Feng

Mr. Ma Ving Lung

Mr. Yip King Keung, Pony

*Head office and principal place  
of business in Hong Kong:*

Unit 3401, 34th Floor

Tower Two, Lippo Centre

89 Queensway, Hong Kong

28 March 2011

*To the Shareholders*

Dear Sir or Madam,

**VERY SUBSTANTIAL DISPOSAL AND CONNECTED TRANSACTION  
AND  
PROPOSED CHANGE OF COMPANY NAME**

**INTRODUCTION**

Reference is made to the Announcement regarding the Disposal and the Change of Company Name.

The purpose of this circular is to provide you with, among other things, (i) further details of the Disposal and the Change of Company Name; (ii) a letter of advice from the Independent Board Committee to the Independent Shareholders in relation to the Agreement; (iii) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to the Agreement; (iv) the financial information of the Disposal Group; (v) the valuation report of the Properties; and (vi) a notice of SGM at which resolutions will be proposed to consider and, if thought fit, approve the Agreement and the transactions contemplated thereunder, and the Change of Company Name.

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## LETTER FROM THE BOARD

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### (I) THE DISPOSAL

#### THE AGREEMENT

On 3 March 2011 (after trading hours), the Company entered into the Agreement with the Purchaser, pursuant to which the Purchaser has conditionally agreed to acquire for and the Company has conditionally agreed to dispose of the Sale Shares and the Sale Loans at the Consideration of HK\$149.9 million (subject to adjustment).

Set out below are the principal terms of the Agreement:

**Date:**

3 March 2011

**Parties involved:**

*Purchaser*

China Fair Land Properties Limited

Since the Purchaser is beneficially owned as to 100% by a company which is entirely held by a trustee under a discretionary trust, the subjects of which are the family members of Mr. So, who is a director of certain members of the Disposal Group, the Purchaser is considered to be a connected person of the Company under Chapter 14A of the Listing Rules.

*Vendor*

The Company

**Assets to be disposed of:**

Pursuant to the Agreement, the Purchaser has conditionally agreed to acquire for and the Company has conditionally agreed to dispose of the Sale Shares and the Sale Loans at the Consideration of HK\$149.9 million (subject to adjustment). The Sale Shares represent the entire issued share capital of Right Strong. The Disposal Group is principally engaged in the development and sale of residential and commercial properties as well as the leasing of properties in Zhejiang Province, the PRC.



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## LETTER FROM THE BOARD

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### The Consideration:

The Consideration was determined between the Company and the Purchaser after arm's length negotiations and is on normal commercial terms. The Consideration shall be equal to the aggregate of:

- (i) 98% of the unaudited net asset value of the Disposal Group as at 31 December 2010 (the "**Unaudited NAV**"), which was calculated and arrived at by deducting the unaudited total liabilities of the Disposal Group and the minority interests (to be calculated where necessary) as at 31 December 2010 from the unaudited total assets of the Disposal Group as at 31 December 2010, after taking into consideration the market value of the Properties as at 31 December 2010. Upon receipt of further in-depth information prior to the Completion, the parties to the Agreement also agreed that the Unaudited NAV shall be adjusted in the following manner on the Completion (the "**Adjusted NAV**"):
  - (a) all the Properties shall be re-valued as at 31 December 2010 by the Valuer and such re-valuation shall serve the purpose of ascertaining the final market value of the Properties as at 31 December 2010; and
  - (b) the Adjusted NAV shall then be calculated and arrived at by deducting the audited total liabilities of the Disposal Group and the minority interests (to be calculated where necessary) as at 31 December 2010 from the audited total assets of the Disposal Group as at 31 December 2010, after taking into consideration the Properties re-valued as mentioned in (a) above. If any tax (or whatsoever form payable to whatsoever tax authority) is payable due to the increase in values of such Properties as a result of such re-valuation, then the amount of such tax shall be deducted from the said values; and
- (ii) 98% of the amount of the unaudited Sale Loans, which shall be adjusted according to the audited Sale Loans.

According to the unaudited management accounts of the Disposal Group, the unaudited net asset value of the Disposal Group attributable to the Group was approximately HK\$67.3 million as at 31 December 2010, the increase in market value of the Properties was approximately HK\$59.9 million and the amount of the unaudited Sale Loans was approximately HK\$25.8 million. Accordingly, the Consideration shall be HK\$149.9 million (subject to adjustment).

The Valuation Report and the audited financial information of the Disposal Group for the year ended 31 December 2010 were subsequently available after the signing of the Agreement. With reference to said document/information, the market value of the Properties attributable to the Group was approximately HK\$262.2 million as at 31 December 2010, which is approximately HK\$59.9 million over the corresponding book value after taking into account the estimated tax effect on the re-valuation; while the audited net asset value of the Disposal Group and the audited Sale Loans amounted to approximately HK\$68.1 million and HK\$25.8

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## LETTER FROM THE BOARD

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million respectively. As such, the Adjusted NAV is equaled to approximately HK\$128.0 million, and the Consideration based on the amount of the Adjusted NAV and the audited Sale Loans shall be HK\$150.7 million (the “**Adjusted Consideration**”).

Pursuant to the Agreement, the Consideration shall be payable in cash in three installments as follows:

- (i) as to HK\$45 million on the Completion Date;
- (ii) as to HK\$45 million within 90 days after the Completion Date; and
- (iii) as to the remaining balance of the Consideration (to be adjusted based on the Adjusted NAV together with the audited Sale Loans) on or before the Final Payment Date.

The Consideration was determined primarily with reference to the independent valuation which represents the prevailing market valuation of the Properties and has taken into account the other net assets of the Disposal Group as well as the Sale Loans. In addition, the Directors have also considered and compared the price to book ratio of the Disposal Group as represented by the Consideration with the price to book ratios of several other listed property developers in Hong Kong as at the date of the Agreement. Those property developers, with market capitalisation of below HK\$10,000 million, are principally engaged in property development and/or investment business in the PRC, and the average of their price to book ratios is approximately 0.7 times. Given the above, the Directors are of the view that the Consideration (with an implied price to book ratio of 0.98 times) is fair and reasonable so far as the Independent Shareholders are concerned and is in the interests of the Company and the Shareholders as a whole.

### **Conditions precedent:**

Completion of the Agreement is subject to the satisfactory fulfillment by the Company of the following conditions:

- (i) the Purchaser, its agent or professional advisers being satisfied with the results of the due diligence review on the Disposal Group (in relation to legal, accounting, finance, operation or any other matters in the Purchaser’s opinion being important);
- (ii) the Independent Shareholders having in the SGM approved the Agreement and all the transactions contemplated thereunder in accordance with the memorandum of associations and by-laws of the Company and the Listing Rules; and
- (iii) the Company and the Disposal Group having obtained all approvals, confirmations, waivers or consents in respect of the Agreement and all transactions contemplated thereunder under applicable laws and regulations from the relevant authorities having jurisdiction over the Purchaser, the Disposal Group or other relevant third parties (if so required by the relevant legislations).

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## LETTER FROM THE BOARD

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The Company undertakes to employ its reasonable endeavours to procure the fulfillment of the conditions set out in (i), (ii) and (iii) above within the time stipulated (as applicable), including but not limited to making all necessary applications and submitting the relevant information to the Stock Exchange and the Securities and Futures Commission (if applicable) on time. In the event that condition (ii) above is not fulfilled, the Company shall not be deemed to have breached the terms of the Agreement.

As at the Latest Practicable Date, condition (i) above had been fulfilled.

All the conditions precedent shall be fulfilled on or before the Long Stop Date. If the Completion is not proceeded which is caused by the Company, the Company shall promise, agree and guarantee that it shall forthwith indemnify the Purchaser for any losses, damages, expenses, debts and related costs (including but not limited to legal service fees) incurred in connection with the breach by the Company upon request from the Purchaser.

If the Completion is not proceeded which is caused by the Purchaser, the Purchaser shall promise, agree and guarantee that it shall forthwith indemnify the Company for any losses, damages, expenses, debts and related costs (including but not limited to legal service fees) incurred in connection with the breach by the Purchaser upon request from the Company.

### **Completion:**

Completion shall take place within three Business Days (or such later date as agreed by the Purchaser and the Company in writing) from the date of the written notice of Completion issued by the Purchaser. Such written notice will only be issued by the Purchaser where the conditions precedent to the Agreement set out above have been satisfied.

In the event that the Completion is not proceeded and there are no breach incurred by any of the parties under the Agreement on or before the Long Stop Date, the Company shall refund the full amount of the Consideration previously paid by the Purchaser (if any) within three days since the Long Stop Date, and the Purchaser shall accept such amount of the Consideration as full and final settlement of each of the parties' liabilities under the Agreement. As such, the Company and the Purchaser shall not request each other for any indemnity of loss or specific performance or other compensation.

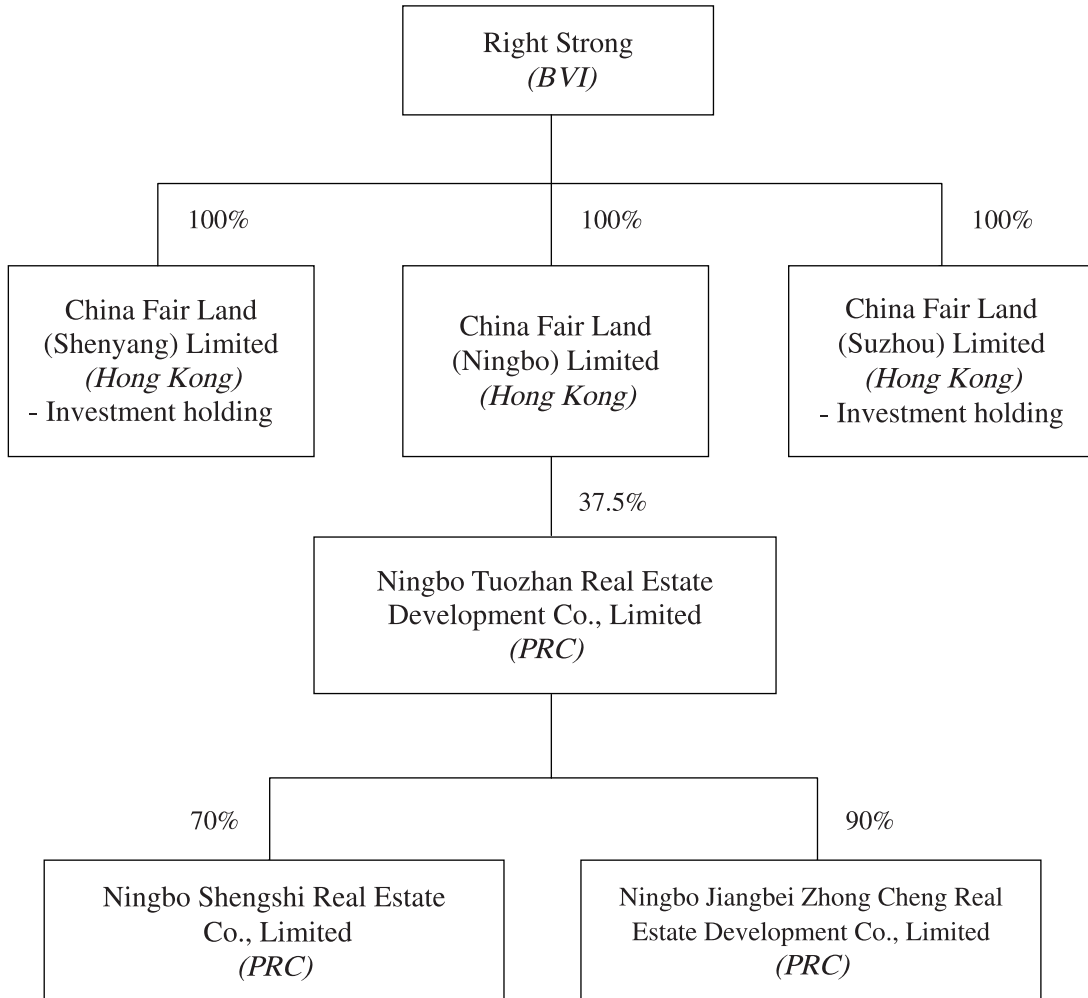
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## LETTER FROM THE BOARD

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### CORPORATE STRUCTURE OF THE DISPOSAL GROUP

The following chart shows the corporate structure of the Disposal Group as at the Latest Practicable Date:



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## LETTER FROM THE BOARD

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### INFORMATION ON THE DISPOSAL GROUP

Right Strong is a direct wholly-owned subsidiary of the Company, the principal assets of which are its direct 100% equity interests in the following subsidiary companies, namely China Fair Land (Shenyang) Limited, China Fair Land (Ningbo) Limited and China Fair Land (Suzhou) Limited. Through China Fair Land (Ningbo) Limited, Right Strong is also indirectly interested in 37.5% shareholding interest in Ningbo Tuozhan Real Estate Development Co., Limited, which holds 70% and 90% shareholding interests in Ningbo Shengshi Real Estate Co., Limited and Ningbo Jiangbei Zhong Cheng Real Estate Development Co., Limited, respectively.

As mentioned in the foregoing, the Disposal Group is principally engaged in the development and sale of residential and commercial properties as well as the leasing of properties in Zhejiang Province, the PRC. The principle assets of the Disposal Group are the Properties, particulars of which are as follows:

	<b>The Properties</b>	<b>Usage</b>	<b>Attributable interests</b>
	<i>Property interests held for owner occupation</i>		
1	House No. 51, Tongfangyuan Baita East Road, Pingjiang District Suzhou, Jiangsu Province PRC	Residential	37.5%
2	Eight office units and a clubhouse Fanjing Garden, 282-286 Yuchai Road Yonghong Village, Wantou County Jiangbei District Ningbo, Zhejiang Province PRC	Office and clubhouse	37.5%
3	A kindergarten in Fanjing Garden 288 Yuchai Road, Yonghong Village Wantou County, Jiangbei District Ningbo, Zhejiang Province PRC	Kindergarten	37.5%
4	Portion of Levels 1 to 3 Nos. 271-1, 273, 275 and 275-1 Fangjiangan Road Jiangbei District, Ningbo Zhejiang Province PRC	Commercial	37.5%

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**LETTER FROM THE BOARD**

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	<b>The Properties</b>	<b>Usage</b>	<b>Attributable interests</b>
5	Shop Nos. 1-12 and 2-12 327 Zhongxing Road Jiangdong District Ningbo, Zhejiang Province PRC	Commercial	65.625%
6	Shop Nos. 1-15 and 2-15 331-1 Zhongxing Road Jiangdong District Ningbo, Zhejiang Province PRC	Commercial	65.625%
7	Shop Nos. 1-21 and 2-21 339 Zhongxing Road Jiangdong District Ningbo, Zhejiang Province PRC	Commercial	65.625%
8	Shop Nos. 1-22 and 2-22 341 Zhongxing Road Jiangdong District Ningbo, Zhejiang Province PRC	Commercial	65.625%
9	Shop Nos. 1-3 and 1-4 341-1 Zhongxing Road Jiangdong District Ningbo, Zhejiang Province PRC	Commercial	65.625%
10	Shop Nos. 1-3, 1-4 and 2-2 to 2-4 361 Zhongxing Road Jiangdong District Ningbo, Zhejiang Province PRC	Commercial	65.625%
11	Shop Nos. 1-1 and 1-2 1 Zhangshu Street Jiangdong District Ningbo, Zhejiang Province PRC	Commercial	65.625%

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**LETTER FROM THE BOARD**

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	<b>The Properties</b>	<b>Usage</b>	<b>Attributable interests</b>
12	Shop Nos. 1-4 to 1-9 and 2-8 to 2-11 111 to 121 Zhangshu Street Jiangdong District Ningbo, Zhejiang Province PRC	Commercial	65.625%
	<i>Property interests held for sale</i>		
13	Unsold portion of Phase I of Shengshi Jiayuan Chengxing Road Hongtang Zhong Venture Centre Jiangbei District, Ningbo Zhejiang Province PRC	Residential	37.5%
14	Unsold portion of Yaojiang Xindu Building Hongtang Zhong Road Jiangbei District, Ningbo Zhejiang Province PRC	Office and commercial	33.75%
15	Unsold portion of Phase III, Fanjing Garden 288 Yuchai Road, Yonghong Village Wantou County, Jiangbei District Ningbo, Zhejiang Province PRC	Residential	37.5%
16	Unsold portion of Jinxiu Garden Fortune Garden (Phases I and II) Zhongxin Road East, Jiangdong District Ningbo, Zhejiang Province PRC	Residential	65.625%
17	Unsold portion of Wenjin Garden Fortune Garden (Phase IV) Zhongxin Road East, Jiangdong District Ningbo, Zhejiang Province PRC	Residential	65.625%

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**LETTER FROM THE BOARD**

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	<b>The Properties</b>	<b>Usage</b>	<b>Attributable interests</b>
18	<p>Unsold portion of Prosperous Age Garden Zhongshan Road Xikou Town, Fenghua Ningbo, Zhejiang Province PRC</p> <p><i>Property interests held for investment</i></p>	Residential	37.5%
19	<p>Shop Nos. 1-15 to 1-18 354-360 Hongtang Zhong Road Jiangbei District, Ningbo, Zhejiang Province PRC</p>	Commercial	37.5%
20	<p>Portion of Levels 1 and 2 Nos. 416, 416-1 and 416-2 Cuibo Road Jiangbei District Ningbo, Zhejiang Province PRC</p>	Commercial	37.5%
21	<p>Portion of Jiangbei Zhongcheng Changyang East Road, Jiangbei District Ningbo, Zhejiang Province PRC</p>	Commercial	33.75%
22	<p>Unit 603, No. 9, Alley No. 49 Jinxu Garden (Phases I and II of Xinfu Court) Zhangshu Street, Jiangdong District Ningbo, Zhejiang Province PRC</p>	Residential	65.625%
23	<p>Portion of Yaojiang Xindu Building Hongtang Zhong Road, Jiangbei District Ningbo, Zhejiang Province PRC</p>	Office	33.75%



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**LETTER FROM THE BOARD**

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<b>The Properties</b>	<b>Usage</b>	<b>Attributable interests</b>
<i>Property interests under development</i>		
24 Phase II of Shengshi Jiayuan Changxing Road Hongtang Zhong Venture Centre Jiangbei District, Ningbo, Zhejiang Province PRC	Residential and commercial	37.5%
<i>Property interests held for future development</i>		
25 Shengshi Zhiye Cidong Industrial Zone Longshan Town, Cixi, Ningbo Zhejiang Province PRC	Office and commercial	26.25%

**Financial information of the Disposal Group**

Set out below is a summary of the unaudited financial information of the Disposal Group for the two years ended 31 December 2009 and 31 December 2010, as extracted from Appendix II to this circular, prepared in accordance with the Hong Kong Financial Reporting Standards:

<b>Consolidated Income Statement</b>	<b>For the year ended 31 December 2009 HK\$'000</b>	<b>For the year ended 31 December 2010 HK\$'000</b>
Turnover	426,086	174,379
Profit before taxation	144,885	63,906
Profit for the year	110,308	37,681
<b>Consolidated Balance Sheet</b>	<b>As at 31 December 2009 HK\$'000</b>	<b>As at 31 December 2010 HK\$'000</b>
Total assets	453,808	542,714
Total liabilities	(317,275)	(365,231)
Net assets	136,533	177,483

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## LETTER FROM THE BOARD

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### BACKGROUND OF AND REASONS FOR THE DISPOSAL

The Group is principally engaged in property letting, properties development, sales of developed properties and investment holdings in the PRC.

Given the increasing demand for high-end residential and commercial properties in the second-tier and third-tier cities in the PRC, the long-term development strategy of the Group has been to develop high-end, high yield commercial properties and commercial and residential complex. In addition, due to the positioning of Fujian Province by the PRC government as the Strait West Coast Economic Zone, the Board expects that the real estate market of Fuzhou, Fujian Province, the PRC would further prosper in the long run. By disposing of the Properties in Zhejiang Province, which are mostly mid-end or low-end residential and commercial properties, through the Disposal, the Board believes that the Company will be able to allocate its resources more effectively in order to focus on the development of its existing high-end property projects in Fujian Province and to achieve its long term strategy to further penetrate into other second-tier and third-tier cities in the PRC.

The property development project of Hengli City (恒力城) is located in the financial district of Fuzhou and will be developed into a residential, office and retail complex with a total gross floor area of approximately 241,600 square meters, involving one block of 40-storey office building and three blocks of 46-storey residential buildings, commonly erected on top of a 8-storey commercial podium accommodating clubhouse facilities and retail spaces as well as three levels of basement car parking spaces. Hengli City (恒力城) was launched for pre-sales in September 2009 and long term lease has been entered into for its commercial podium. The development of the aforesaid properties is expected to be completed by the end of 2011 and would provide the growth engine for the Remaining Group in the next few years. The Company also possesses other two pieces of land for retail and office properties development near to Hengli City (恒力城). Both pieces of land will be developed into high-end commercial properties, namely Hengli Financial Centre (恒力•金融中心) and Hengli Prosperity Centre (恒力•創富中心), with estimated gross floor area of approximately 54,949 and 51,799 square meters respectively. Hengli Financial Centre (恒力•金融中心) has already commenced construction in December 2009 and Hengli Prosperity Centre (恒力•創富中心) is estimated to begin construction in June 2011.

In view of the above, the Directors consider that the terms of the Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned, and the Disposal is in the interests of the Company and the Shareholders as a whole.

### USE OF PROCEEDS

The net proceeds of the Disposal are estimated to be of approximately HK\$148.8 million. The Company intends to apply the net proceeds of the Disposal for (i) reduction of the liabilities of the Company, including but not limited to the repayment of bank borrowings and/or the possible early redemption of part of the Existing Convertible Bonds; and/or (ii) general working capital of the Company.

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## LETTER FROM THE BOARD

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As at the Latest Practicable Date, the Company had not formulated any concrete plan for using the net proceeds of the Disposal. The bank borrowings which the Company may repay by using the net proceeds of the Disposal are in the amount of approximately HK\$124.6 million and will be due for payment no later than the end of January 2012. Taking into account that (i) the Remaining Group had cash at bank and in hand of approximately HK\$199.12 million and restricted bank deposits of approximately HK\$334.6 million as at 31 December 2010; (ii) there would be proceeds from the pre-sales of Hengli City (恒力城) continuously; and (iii) the Company may negotiate with the relevant banks to extend the due dates of its bank borrowings when necessary, the Company does not foresee any financial difficulties in meeting its future loan repayment obligations in the event that the Disposal does not proceed. As for the possible early redemption of the Existing Convertible Bonds, since the Existing Convertible Bonds are in-the-money at present, the Company is of the view that the possible early redemption of the Existing Convertible Bonds by using the net proceeds of the Disposal would reduce the Existing Convertible Bonds' potential dilution effect on the shareholdings of the Shareholders in the Company. The Company shall negotiate with the holder(s) of the Existing Convertible Bonds for the possible early redemption of the Existing Convertible Bonds (if the Company decides to do so) and apply the net proceeds of the Disposal for the said redemption after careful consideration of the then market condition and business and financial position of the Group.

Upon Completion, the Company expects to record a gain of approximately HK\$56.8 million, which is the difference between (i) the Adjusted Consideration of approximately HK\$150.7 million; and (ii) the audited net asset value of the Disposal Group as at 31 December 2010 of approximately HK\$68.1 million and the audited Sale Loans of approximately HK\$25.8 million. Moreover, each of the members of the Disposal Group will cease to be subsidiaries of the Company and the results of the Disposal Group will no longer be consolidated into the accounts of the Remaining Group after the Completion.

### **EFFECT OF THE DISPOSAL ON ASSETS AND LIABILITIES AND EARNINGS OF THE REMAINING GROUP**

Upon Completion, each of the members of the Disposal Group will cease to be subsidiaries of the Company and the results of the Disposal Group will no longer be consolidated into the accounts of the Remaining Group.

#### **Effect on assets/liabilities**

As extracted from the unaudited pro forma financial information of the Remaining Group (the "**Statement**") as contained in Appendix III to this circular, the audited consolidated total assets and total liabilities of the Group were approximately HK\$5,704.0 million and HK\$5,293.6 million, respectively as at 31 December 2010. Based on the Statement, the Remaining Group's total assets and total liabilities would become approximately HK\$5,310.0 million and HK\$4,954.1 million, respectively upon Completion.

#### **Effect on earnings**

Upon Completion, the Company expects to record a gain of approximately HK\$56.8 million which is the difference between (i) the Adjusted Consideration of approximately

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## LETTER FROM THE BOARD

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HK\$150.7 million; and (ii) the audited net asset value of the Disposal Group as at 31 December 2010 of approximately HK\$68.1 million and the audited Sale Loans of approximately HK\$25.8 million.

It should be noted that the aforementioned estimations are for illustrative purpose only and do not purport to represent how the financial position of the Remaining Group will be upon Completion.

### MANAGEMENT DISCUSSION AND ANALYSIS OF THE REMAINING GROUP

The Board believes that the Disposal is in the best interest of the Shareholders after consideration of the reasons for the Disposal though the Company has recorded no turnover from Hengli City (恒力城) in 2010. The Directors expect that from around October 2011 (being the expected construction completion date of Hengli City (恒力城)), Hengli City (恒力城) will start to contribute rental income from the lease of its retail area and revenue from the sales of its residential and office units to the Remaining Group. As at the Latest Practicable Date, the entire retail area of Hengli City (恒力城) had been leased out. Moreover, the revenue from the sales of the residential and office units of Hengli City (恒力城) will also be recorded and reflected in the consolidated financial results of the Remaining Group after the said project has been completed.

The Directors also expect that the other two projects – Hengli Financial Centre (恒力 • 金融中心) and Hengli Prosperity Centre (恒力 • 創富中心) will contribute income of pre-sales to the Remaining Group upon the grant of the pre-sales licenses. Currently, documentation work is in progress for the application of the pre-sales licenses for Hengli Financial Centre (恒力 • 金融中心). The Company expects to make the relevant application for Hengli Financial Centre (恒力 • 金融中心) and Hengli Prosperity Centre (恒力 • 創富中心) by late March/ early April 2011 and the second quarter of 2012 respectively. Normally, the pre-sales license would take around one month to be granted. As such, it is expected that Hengli Financial Centre (恒力 • 金融中心) and Hengli Prosperity Centre (恒力 • 創富中心) would be able to obtain their respective pre-sales licenses in late April/ early May 2011 and the second quarter of 2012 respectively. As at the Latest Practicable Date, there was no fixed date of pre-sales of Hengli Financial Centre (恒力 • 金融中心) and Hengli Prosperity Centre (恒力 • 創富中心). The income from pre-sales of those two projects will only be recorded and reflected in the consolidated financial results of the Remaining Group after the projects have been completed.

Upon Completion, the Remaining Group's major businesses still are property letting, properties development, sales of developed properties and investment holdings in the PRC.

### Financial review

The financials of the Remaining Group for the years ended 31 December 2010, 31 December 2009 and 31 December 2008 were prepared by deducting the unaudited consolidated accounts of the Disposal Group from the audited consolidated accounts of the Group as at 31 December 2010, 31 December 2009 and 31 December 2008 respectively, and are for illustrative purposes only.

#### *Net assets*

As at 31 December 2010, the Remaining Group recorded total assets and total liabilities of approximately HK\$5,161.2 million and HK\$4,928.3 million respectively. The Remaining

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## LETTER FROM THE BOARD

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Group's net assets value as at 31 December 2010 increased by approximately HK\$93.2 million and HK\$33.1 million respectively to approximately HK\$232.9 million as compared to approximately HK\$139.7 million as at 31 December 2009 and HK\$199.8 million as at 31 December 2008. The Directors believe that there will be no significant impacts on the assets and liabilities of the Remaining Group after the Completion.

### *Liquidity and financial ratios*

The Remaining Group had total cash and bank balances of approximately HK\$395.8 million as at 31 December 2010 (31 December 2009: approximately HK\$262.8 million and 31 December 2008: approximately HK\$0.8 million). As at 31 December 2010, the current ratio was approximately 2.0 (31 December 2009: approximately 4.6 and 31 December 2008: approximately 9.7). The gearing ratio was approximately 90.9% as at 31 December 2010 (31 December 2009: approximately 94.2% and 31 December 2008: approximately 91.1%). The bank borrowings to equity was recorded at approximately 874.2% as at 31 December 2010 (31 December 2009: approximately 1,836.8% and 31 December 2008: approximately 592.7%).

### *Borrowings*

The Remaining Group had interest bearing borrowings of approximately HK\$1,348.8 million as at 31 December 2010 (31 December 2009: approximately HK\$1,202.0 million and 31 December 2008: approximately HK\$750.8 million), representing an increase of approximately 12.2% and 79.7% over the amount as at 31 December 2009 and 31 December 2008 respectively. Borrowings were denominated in RMB and HK\$. Approximately 93.7% of the borrowings is repayable within one year of which approximately 20.4% is secured by bank deposits. The rest representing the bank loans repayable after one year of approximately HK\$84.7 million.

The Remaining Group had aggregate net carrying amount of the Existing Convertible Bonds of approximately HK\$1,368.8 million (principal amount of approximately HK\$2,347.7 million) as at 31 December 2010.

### *Foreign currency exposure*

Other than financing activities of borrowings denominated in HK\$, the Remaining Group conducts its business almost exclusively in RMB. Thus, the Remaining Group is exposed to foreign exchange risk arising from the exposure of RMB against HK\$. The Directors do not anticipate any significant foreign exchange loss as a result of changes in exchange rate between RMB and HK\$ in the foreseeable future. The Directors also consider that there will be sufficient cash resources denominated in both RMB and HK\$ for repayment of its borrowings. During the year, the Remaining Group did not use any financial instrument for hedging purposes and the Remaining Group did not have hedging instrument outstanding as at 31 December 2010.

### **Pledge of assets**

As at 31 December 2010, the Remaining Group pledged certain of its property, plant and equipment, prepaid lease payment, properties under developments and restricted bank deposits

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## LETTER FROM THE BOARD

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to banks in the PRC to secure the bank loans of approximately HK\$1,348.8 million (31 December 2009: approximately HK\$1,128.1 million and 31 December 2008: approximately HK\$657.8 million) granted by those banks. The aggregate carrying value of the property, plant and equipment, prepaid lease payments, properties under development and restricted bank deposits as at 31 December 2010 amounted to approximately HK\$1.6 million, HK\$8.1 million, HK\$3,518.6 million and HK\$344.6 million (31 December 2009: approximately HK\$1.5 million, HK\$8.2 million, HK\$3,130.4 million and HK\$198.5 million and 31 December 2008: approximately HK\$1.5 million, HK\$8.2 million, HK\$2,652.2 million and nil) respectively.

### **Contingent liabilities**

As at 31 December 2010, the Remaining Group provided guarantees of approximately HK\$392.3 million (31 December 2009: NIL and 31 December 2008: NIL) to banks in favor of its customers in respect of the mortgage loans provided by the banks to such customers for purchase of the Remaining Group's developed properties. Those guarantees provided by the Remaining Group to the banks would be released upon receiving the building ownership certificates of the respective properties by the banks from the customers as a pledge for security to the mortgage loan granted. At the balance date, no provision for the Remaining Group's obligation under those guarantee contracts had been made as the Directors considered that it was not probable that the repayment of those loans would be in default.

The Directors consider that in case of default in payments, the net realisable value of the related properties can cover the repayment of the outstanding mortgage principals together with the accrued interest and penalty and therefore no provision had been made in the financial statements for the guarantees.

### **Material acquisition and disposal**

For the year ended 31 December 2010, the Remaining Group had no material acquisition or disposal of subsidiaries and affiliated companies.

### **Capital structure**

On 8 December 2010, the rights issue on the basis of one rights share for every existing Share was approved by the then independent shareholders of the Company by way of poll at a special general meeting of the Company. The rights issue was completed on 3 January 2011 and 1,118,507,000 Shares were issued at the subscription price of HK\$0.10 per Share on that date.

During the year ended 31 December 2009, 26,000,000 ordinary Shares of HK\$0.10 each were issued pursuant to the exercise of the conversion rights attaching to the Existing Convertible Bonds at a conversion price of HK\$0.50 per Share.

During the year ended 31 December 2008, 682,000,000 ordinary Shares of HK\$0.10 each were issued pursuant to the exercise of the conversion rights attaching to the Existing Convertible Bonds at a conversion price of HK\$0.50 per Share.

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## LETTER FROM THE BOARD

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On 21 January 2008, the Company issued 114,177,000 ordinary Shares of HK\$0.10 each to Mr. Chen Chang Wei as part of the purchase consideration for acquiring Amazing Wise Limited. The fair value of the Shares issued at the date of acquisition amounted to HK\$55,946,000.

Except the above, for the past three years ended 31 December 2008, 2009 and 2010, there have been no significant changes to the capital structure of the Remaining Group.

### **Segment reporting**

The Group manages its businesses by projects in different region within the PRC. The Group has presented two reportable segments – projects in Fujian Province and projects in Zhejiang Province. The projects in Zhejiang Province will be disposed of upon Completion. The Company will identify reportable segments in the Remaining Group when necessary in a manner consistent with the way in which information is reported internally to the Remaining Group's most senior executive management for the purposes of resource allocation and performance assessment.

### **Employees and remuneration policies**

As at 31 December 2010, the Remaining Group employed around 66 full time staff in the PRC and Hong Kong. (31 December 2009: 61 and 31 December 2008: 30) The Remaining Group remunerates its employees based on their performance, experience and prevailing market price while performance bonuses are granted on a discretionary basis. Other employee benefits include insurance and medical cover, subsidised educational and training programs.

### **FINANCIAL AND TRADING PROSPECTS OF THE REMAINING GROUP**

After the Completion, there will be no change in the major business of the Remaining Group, and the Remaining Group will continue to engage in property letting, properties development, sales of developed properties and investment holdings in the PRC. The current business plan of the Company is to develop its existing high-end commercial properties in Fujian Province and the long-term development strategy of the Group has been to develop high-end, high yield commercial properties and commercial and residential complex in the second-tier and third-tier cities in the PRC.

As at 31 December 2010, the Remaining Group had properties under development of approximately HK\$3,951 million (at carrying value) in Fuzhou, the market value of which was estimated to be over RMB5 billion. As mentioned in the section headed "Background of and reasons for the Disposal" above, the property development project of Hengli City (恒力城) in Fuzhou will be developed into a residential, office and retail complex with a total gross floor area of approximately 241,600 square meters. Hengli City (恒力城) was launched for pre-sales in September 2009. On 18 January 2011, the Group entered into a long-term lease agreement to lease the commercial podium of Hengli City (恒力城) to Beijing Wangfujing Department Store (Group) Co. Ltd., (北京王府井百貨(集團)股份有限公司) a large retail department store group listed on the Shanghai Stock Exchange and is independent to the Company. The development of the aforesaid properties is expected to be completed and will start to generate

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## LETTER FROM THE BOARD

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revenue and rental income for the Remaining Group by the end of 2011. The Directors are confident that the property development project of Hengli City (恒力城) would provide the growth engine for the Remaining Group in the next few years.

Furthermore, the Company also possesses other two pieces of land near to Hengli City (恒力城), both of which will be developed into high-end commercial properties. On 15 March 2011, the Group further acquired the land use right of a parcel of land with an area of approximately 42,125 square meters in Fujian Province. The Company plans to develop the land into high-end commercial properties with residential building projects.

The Directors consider that the above development plans are in line with the current business strategy of the Company as aforementioned. Save as disclosed above, the Remaining Group had no other property development projects as at the Latest Practicable Date.

Upon Completion, the Company will receive the Consideration in cash and hence the financial position of the Remaining Group would be enhanced. Going forward, the Remaining Group will further seize opportunities to develop, sell and lease high-end commercial properties in Fujian Province and in other second-tier and third-tier cities in the PRC.

### IMPLICATION UNDER THE LISTING RULES

Since the relevant percentage ratio (as defined under the Listing Rules) in respect of the Disposal is more than 75%, the Disposal constitutes a very substantial disposal for the Company under Chapter 14 of the Listing Rules and is therefore subject to the reporting, announcement, circular and shareholders' approval requirements under Chapter 14 of the Listing Rules. By virtue of the Purchaser being beneficially owned as to 100% by a company which is entirely held by a trustee under a discretionary trust, the subjects of which are the family members of Mr. So, who is a director of certain subsidiaries of the Disposal Group, the Purchaser is considered to be a connected person of the Company under Chapter 14A of the Listing Rules. Accordingly, the Disposal also constitutes a connected transaction for the Company and is subject to the approval of the Independent Shareholders by way of poll at the SGM.

As at the Latest Practicable Date, Mr. So was interested in 280,000 Shares, representing approximately 0.012% of the issued share capital of the Company. Given that Mr. So is considered to have material interest in the Disposal, Mr. So and his associates are required to abstain from voting in respect of the resolution to approve the Agreement and the transactions contemplated thereunder at the SGM.

None of the Directors has any material interest in the Agreement and the transactions contemplated thereunder. Therefore, none of the Directors abstained from voting in the meeting of the Board in which the Agreement and the transactions contemplated thereunder were approved.



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## LETTER FROM THE BOARD

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### **(II) PROPOSED CHANGE OF COMPANY NAME**

The Board proposes to change the name of the Company from “Hengli Properties Development (Group) Limited” to “Hengli Commercial Properties (Group) Limited” and adopt the Chinese name “恆力商業地產(集團)有限公司” as its secondary name to replace the existing Chinese name “恆力房地產發展(集團)有限公司”. A special resolution will be proposed at the SGM to be convened and held as soon as practicable for the Shareholders to consider and, if thought fit, to approve the Change of Company Name.

#### **Reasons for the Change of Company Name**

The Change of Company Name is to reflect the Company’s long term development strategy to develop high-end, high yield commercial properties and commercial and residential complex. The Board believes that the new company name can provide the Company with a more appropriate identification and image, which will benefit the Company’s future business development and is hence in the interests of the Company and the Shareholders as a whole.

#### **Conditions of the Change of Company Name**

The Change of Company Name is subject to:

- (i) the approval of the Shareholders by way of a special resolution at the SGM; and
- (ii) the approval by the Registrar of Companies in Bermuda having been obtained.

The relevant filing with the Registrar of Companies in Bermuda will be made after passing of the special resolution regarding the Change of Company Name at the SGM.

Subject to satisfactory fulfillment of the conditions set out above, the Change of Company Name will take effect from the date on which the Registrar of Companies in Bermuda enters the new name (together with the secondary name) on the register in place of the existing name. Thereafter, the Company will carry out the necessary filing procedures with the Companies Registry in Hong Kong.

Further announcement will be made by the Company to inform the Shareholders of the effective date of the Change of Company Name and the trading arrangement in respect of the stock short names of the Company.

#### **Effect of the Change of Company Name**

The Change of Company Name will not affect any of the rights of the Shareholders. All existing share certificates in issue bearing the existing name of the Company will, after the Change of Company Name, continue to be evidence of legal title to the Shares and valid for trading, settlement, registration and delivery for the same number of Shares in the new name of the Company. There will not be any arrangements for free exchange of the existing share certificates of the Company for new share certificates under the new name of the Company. Once the Change of Company Name becomes effective, the Shares will be traded under new stock short names of the Company and any issue of share certificates will be under the new name of the Company.

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## LETTER FROM THE BOARD

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### SGM

A notice convening the SGM to be held at Unit 3401, 34th Floor, Tower Two, Lippo Centre, 89 Queensway, Hong Kong on Wednesday, 20 April 2011 at 11:00 a.m. or any adjournment is set out from pages 111 to 112 of this circular.

A form of proxy for use at the SGM is enclosed. Whether or not you are able to attend the meeting in person, you are requested to complete and return the accompanying form of proxy to the branch share registrars of the Company in Hong Kong, Tricor Standard Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not less than 48 hours before the time for holding the SGM or adjourned meeting (as the case may be). Completion and return of the form of proxy shall not preclude you from attending and voting in person at the SGM should you so wish.

### GENERAL

An Independent Board Committee comprising Ms. Lin Wen Feng, Mr. Ma Ving Lung and Mr. Yip King Keung, Pony (all being independent non-executive Directors) has been established to advise the Independent Shareholders (i) as to whether the terms of the Agreement are fair and reasonable so far as the Independent Shareholders are concerned and whether the Disposal is in the interests of the Company and the Shareholders as a whole; and (ii) on how to vote in respect of the Disposal after taking into account the recommendation of the Independent Financial Adviser.

### RECOMMENDATION

Your attention is drawn to the letter from the Independent Board Committee as set out on page 26 of this circular which contains its recommendation to the Independent Shareholders in relation to the Agreement and the transactions contemplated thereunder. Your attention is also drawn to the letter from the Independent Financial Adviser as set out from pages 27 to 47 of this circular which contains its advice and recommendation to the Independent Board Committee and the Independent Shareholders in relation to the Agreement and the transactions contemplated thereunder, and the principal factors and reasons taken into account in arriving at its recommendation.

The Board considers that the terms of the Agreement and the transactions contemplated thereunder are on normal commercial terms, fair and reasonable and are in the interests of the Company and the Shareholders as a whole. Accordingly, the Board recommends the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the SGM.

In addition, the Board also considers the Change of Company Name to be in the interests of the Company and the Shareholders as a whole, and accordingly recommends the Shareholders to vote in favour of the special resolution to be proposed at the SGM.

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## LETTER FROM THE BOARD

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### ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in the appendices to this circular.

By order of the Board  
**Hengli Properties Development (Group) Limited**  
**Chen Chang Wei**  
*Chairman*

**HL GROUP**  **恆力房地產集團**  
**恆力房地產發展(集團)有限公司**  
**HENGLI PROPERTIES DEVELOPMENT (GROUP) LIMITED**  
*(Incorporated in Bermuda with limited liability)*  
**(Stock code: 169)**

28 March 2011

*To the Independent Shareholders*

Dear Sir or Madam,

**VERY SUBSTANTIAL DISPOSAL AND CONNECTED TRANSACTION**

We refer to the circular dated 28 March 2011 issued by the Company (the “**Circular**”), of which this letter forms part. Terms defined in the Circular shall have the same meanings when used herein unless the context otherwise requires.

We have been appointed to advise the Independent Shareholders in connection with the terms of the Agreement and the transactions contemplated thereunder. Bridge Partners Capital Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this respect.

We are of the view that the terms of the Agreement and the transactions contemplated thereunder, after taking into account the advice of the Independent Financial Adviser as set out from pages 27 to 47 of the Circular, are fair and reasonable so far as the Independent Shareholders are concerned, and that the Disposal is in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the resolution to be proposed at the SGM to approve the Agreement and the transactions contemplated thereunder.

Yours faithfully,

**Independent Board Committee**

**Ms. Lin Wen Feng    Mr. Ma Ving Lung    Mr. Yip King Keung, Pony**  
*Independent non-executive Director*

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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*The following is the text of a letter of advice to the Independent Board Committee and the Independent Shareholders from Bridge Partners Capital Limited relating to the terms of the Agreement and the transactions contemplated thereunder, prepared for the purpose of incorporation in this circular:*



### BRIDGE PARTNERS CAPITAL LIMITED

Unit 605, 6/F, Grand Millennium Plaza  
181 Queen's Road Central  
Central, Hong Kong

28 March 2011

*To the independent board committee  
and the independent shareholders of  
Hengli Properties Development (Group) Limited*

Dear Sirs,

### VERY SUBSTANTIAL DISPOSAL AND CONNECTED TRANSACTION

#### INTRODUCTION

We refer to our appointment as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the terms of Agreement and the transactions contemplated thereunder, details of which are set out in the "Letter from the Board" (the "Board Letter") contained in the circular of the Company dated 28 March 2011 (the "Circular"), of which this letter forms part. Terms defined in the Circular shall have the same meanings in this letter unless the context otherwise requires.

On 3 March 2011 (after trading hours), the Company entered into the Agreement with the Purchaser, pursuant to which the Purchaser has conditionally agreed to acquire for and the Company has conditionally agreed to dispose of the Sale Shares and the Sale Loans at the Consideration of HK\$149.9 million (subject to adjustment). The Sale Shares represent the entire issued share capital in Right Strong as at the date of the Agreement.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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By virtue of the fact that the Purchaser being beneficially owned as to 100% by a company which is entirely held by a trustee under a discretionary trust, the subjects of which are the family members of Mr. So, who is a director of certain subsidiaries of the Disposal Group, the Purchaser is considered to be a connected person of the Company under Chapter 14A of the Listing Rules. Accordingly, the Disposal constitutes a connected transaction for the Company and is subject to the approval of the Independent Shareholders by way of poll at the SGM. As at the Latest Practicable Date, Mr. So was interested in 280,000 Shares, representing approximately 0.012% of the issued share capital of the Company. Given that Mr. So is considered to have material interest in the Disposal, Mr. So and his associates are required to abstain from voting in respect of the resolution(s) to approve the Agreement and the transactions contemplated thereunder at the SGM.

The Independent Board Committee, comprising all the independent non-executive Directors, namely, Ms. Lin Wen Feng, Mr. Ma Ving Lung and Mr. Yip King Keung, Pony, has been established to make recommendations to the Independent Shareholders as to whether the terms of the Agreement are on normal commercial terms and the transactions contemplated thereunder are fair and reasonable so far as the Independent Shareholders are concerned and whether the Disposal is in the interests of the Company and the Shareholders as a whole and to advise the Independent Shareholders on how to vote in respect of the Disposal.

### **BASIS OF OUR OPINION**

In arriving at our opinion and recommendation, we have relied on the information supplied, the opinion and representations expressed by the Directors and the management of the Company. We have assumed that the information and representations contained or referred to in the Circular and the information and representations that have been provided by the Company and/or the Directors and/or the management of the Company, for which they are solely and wholly responsible, are true, accurate and complete at the time they were made and continue to be true up to and including the date of this circular. We have also assumed that all statements of belief, opinion, expectation and intention made by the Directors in the Circular were reasonably made after due enquiries and careful considerations. We consider that we have received sufficient information to enable us to reach an informed view and to justify reliance on the accuracy of the information contained in the Circular to provide a reasonable basis for our opinions and recommendations. We have no reason to suspect that any material fact or information has been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in the Circular, or the reasonableness of the opinions expressed by the Company, its advisers and/or the Directors, which have been provided to us.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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The Directors have collectively and individually accepted full responsibility, includes particulars given in compliance with the Listing Rules, for the purpose of giving information with regard to the Group. The Directors have confirmed, having made all reasonable enquiries, which to the best of their knowledge and belief, the information contained in the Circular 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 the Circular misleading.

We consider that we have been provided sufficient information to reach an informed view and to provide a reasonable basis for our recommendation. We have not, however, carried out any independent verification on the information provided by the Directors and/or the management of the Company, nor have we conducted an independent investigation into the business and affairs of the Company, or its subsidiaries or associated companies, nor have we considered the taxation implication on the Group or the Shareholders as a result of the Disposal.

This letter is issued for the information for the Independent Board Committee and the Independent Shareholders solely in connection with their consideration of the Agreement and the transaction contemplated thereunder and, except for its inclusion in the Circular, is not to be quoted or referred to, in whole or in part, nor shall this letter be used for any other purposes, without our prior written consent. Nothing contained in this letter should be construed as a recommendation to hold, sell or buy any Shares or any other securities of the Company.

### **PRINCIPAL FACTORS AND REASONS CONSIDERED**

In arriving at our opinion and recommendation to the Independent Board Committee and the Independent Shareholders in respect of the Disposal, we have taken the following principal factors and reasons into consideration:

#### **I. Background and financial information of the Group**

The Company is an investment holding company. Its subsidiaries are principally engaged in property letting, sales of developed properties and investment holdings in the PRC.

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**LETTER FROM THE INDEPENDENT FINANCIAL ADVISER**

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Set out below is a summary of the audited consolidated financial information of the Group for the two years ended 31 December 2009 as extracted from the annual report of the Company for the year ended 31 December 2009 (the “2009 Annual Report”) and the unaudited consolidated financial information of the Group for the six months ended 30 June 2010 and 30 June 2009 as extracted from the 2010 interim report of the Company (the “2010 Interim Report”):

	<b>Six months ended</b>		<b>Year ended</b>	
	<b>30 June</b>		<b>31 December</b>	
	<b>2010</b>	<b>2009</b>	<b>2009</b>	<b>2008</b>
	(Unaudited)	(Unaudited)	(Audited)	(Audited)
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Turnover	65,602	237,730	426,086	149,029
(Loss)/profit before taxation	(41,353)	16,847	146,546	(555,146)
(Loss)/profit for the period/year	(26,005)	(7,411)	83,476	(530,137)
(Loss)/profit for the period/year attributable to				
– Equity shareholders of the Company	(37,896)	(31,222)	11,217	(503,523)
– Minority interests	11,891	23,811	72,259	(26,614)
		<b>As at</b>		
		<b>30 June</b>		<b>As at 31 December</b>
		<b>2010</b>		<b>2009</b>
		(Unaudited)		(Audited)
		<i>HK\$'000</i>		<i>HK\$'000</i>
				<b>2008</b>
				(Audited)
				<i>HK\$'000</i>
Net asset		279,563	276,200	224,792
Cash and cash equivalents		197,170	137,977	88,915



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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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*Year ended 31 December 2009 vs year ended 31 December 2008*

As shown in the table above, the Group recorded turnover of approximately HK\$426.1 million for the year ended 31 December 2009, representing an increase of approximately 185.9% as compared to the year ended 31 December 2008. As stated in the 2009 Annual Report, the Group's revenue generated from three categories, namely (i) sales of properties; (ii) sales of land use rights and (iii) rental income from investment properties. In 2009, the revenue generated from the sales of developed properties amounted to approximately HK\$423.8 million (representing 99.5% of the Group's total turnover), while the rental income from investment properties were HK\$2.2 million, accounted for the rest of the turnover of the Group. During 2009, the Group sold residential and commercial properties with a total gross floor area of 70,828 sq.m. as compared to a total gross floor area of 234 sq.m in 2008. The properties being sold in 2009 were mainly came from two projects in Ningbo, namely 盛世嘉苑一期 (Phase I of Shengshi Jiayuan<sup>^</sup>) and 姚江新都大厦 (Yaojiang Xindu Building<sup>^</sup>). 盛世嘉苑一期 (Phase I of Shengshi Jiayuan<sup>^</sup>) is a residential property project located in Zhong Xing Road, Jiangbei District, Ningbo with a total gross floor area of 70,615 sq.m. and was completed in March 2009. 姚江新都大厦 (Yaojiang Xindu Building<sup>^</sup>) is a commercial property project located in Hongtang Zhong Road, Jiangbei District, Ningbo with a total gross floor area of 35,809 sq.m., and was completed in July 2009.

The Group recorded profit attributable to equity shareholders of the Company for the year ended 31 December 2009 of approximately HK\$11.2 million as compared to the loss of HK\$503.5 million for 2008. As stated in the 2009 Annual Report, the improvement of the financial result was mainly attributable to (i) the increase in gross profit of HK\$57.9 million, (ii) the reversal of impairment loss on properties under development of HK\$125.0 million due to recovery of market condition, (iii) the gain on changes in fair value of investment properties of HK\$44.5 million, (iv) the decrease in provision for impairment of receivables of subsidiaries disposed in 2008 of HK\$81.6 million; and (v) no further impairment loss on the goodwill, which was written down by HK\$299 million in 2008.

The cash and cash equivalents of the Group increased from approximately HK\$88.9 million as at 31 December 2008 to approximately HK\$138.0 million as at 31 December 2009. According to the 2009 Annual Report, the interest bearing borrowings of the Group had also increased from approximately HK\$893.5 million in 2008 to approximately HK\$1,202.0 million in 2009. As at 31 December 2009, the Group also had aggregate net carrying amount of convertible bonds of approximately HK\$1,267.7 million and promissory note of HK\$60.0 million respectively.

<sup>^</sup> *for English translation only*

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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*Six months ended 30 June 2010 vs six months ended 30 June 2009*

For the six months ended 30 June 2010, the Group recorded the unaudited consolidated turnover of approximately HK\$65.6 million, representing a reduction of approximately 72.4% as compared with that of the corresponding period of the preceding financial year. As stated in 2010 Interim Report, the turnover for the six months ended 30 June 2010 was mainly generated from the sales of developed properties from 盛世嘉苑一期 (Phase I of Shengshi Jiayuan<sup>^</sup>) and 姚江新都大厦 (Yaojiang Xindu Building<sup>^</sup>) and the leasing of the investment properties in Ningbo City, Zhejiang Province.

The Group recorded unaudited consolidated loss attributable to the Shareholders of approximately HK\$37.9 million for the six months ended 30 June 2010, representing an increase in loss of approximately 21.40% as compared with the loss attributable to Shareholders of approximately HK\$31.2 million for the corresponding period in the preceding financial year. As advised by the Company, the increase in loss was mainly due to the decrease in turnover, the increase in finance expense which was consistent with the increase in interest bearing bank borrowing.

The Group had cash and cash equivalents of approximately HK\$197.2 million as at 30 June 2010 as compared with approximately HK\$138.0 million as at 31 December 2009. According to the 2010 Interim Report, the interest bearing borrowings of the Group had also increased from approximately HK\$1,202.0 million as at 31 December 2009 to approximately HK\$1,327.0 million as at 30 June 2010. As at 30 June 2010, the Group also had an aggregate net carrying amount of convertible bonds of approximately HK\$1,317.9 million and promissory note of HK\$30.0 million.

## **II. Background of the Disposal**

### **Information on Disposal Group and the Properties**

As stated in the Board Letter, Right Strong is a direct wholly-owned subsidiary of the Company, the principal assets of which are its direct 100% equity interests in the following subsidiary companies, namely China Fair Land (Shenyang) Limited, China Fair Land (Ningbo) Limited and China Fair Land (Suzhou) Limited. Through China Fair Land (Ningbo) Limited, Right Strong is also indirectly interested in 37.5% shareholding interest in Ningbo Tuozhan Real Estate Development Co., Limited, which holds 70% and 90% shareholding interests in Ningbo Shengshi Real Estate Co., Limited and Ningbo Jiangbei Zhong Cheng Real Estate Development Co., Limited, respectively. The corporate structure of the Disposal Group can be referred in section headed “Corporate structure of the Disposal Group” in the Board Letter.

<sup>^</sup> *for English translation only*

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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As mentioned in the Board Letter, the Disposal Group is principally engaged in the development and sale of residential and commercial properties as well as the leasing of properties in Zhejiang Province, the PRC. The principle assets of the Disposal Group are the Properties.

Set out below is the particulars of the Properties as extracted from the valuation report of the Properties as at 31 December 2010, as extracted from Appendix IV to this circular:

The Properties	Usage	Total gross floor area	Particulars of occupancy	Market value in existing state as at 31 December 2010	Interest attributable to the Group
<i>Property interests held for owner occupation</i>					
1	House No. 51, Tongfangyuan Baita East Road, Pingjiang District, Suzhou, Jiangsu Province, PRC	130.00 sq.m.	The property is currently vacant.	RMB1,640,000	37.500%
2	Eight office units and a clubhouse, Fanjing Garden, 282-286 Yuchai Road, Yonghong Village, Wantou County, Jiangbei District, Ningbo, Zhejiang Province, PRC	1,329.28 sq.m.	The clubhouse is currently occupied by the Group as a clubhouse whilst the office units are currently occupied by the Group as office.	RMB2,120,000	37.500%
3	A kindergarten in Fanjing Garden, 288 Yuchai Road, Yonghong Village, Wantou County, Jiangbei District, Ningbo, Zhejiang Province, PRC	2,254.18 sq.m.	The property is currently occupied by the Group as a kindergarten.	RMB5,670,000	37.500%

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	<b>The Properties</b>	<b>Usage</b>	<b>Total gross floor area</b>	<b>Particulars of occupancy</b>	<b>Market value in existing state as at 31 December 2010</b>	<b>Interest attributable to the Group</b>
4	Portion of Levels 1 to 3, Nos. 271-1, 273, 275 and 275-1 Fangjiangan Road, Jiangbei District, Ningbo, Zhejiang Province, PRC	Commercial	1,726.04 sq.m.	The property is currently occupied by the Group as office and sales office.	RMB10,070,000	37.500%
5	Shop Nos. 1-12 and 2-12, 327 Zhongxing Road, Jiangdong District, Ningbo, Zhejiang Province, PRC	Commercial	146.05 sq.m.	The property is subject to a lease at an annual rental of about RMB70,000.	RMB1,180,000	65.625%
6	Shop Nos. 1-15 and 2-15, 331-1 Zhongxing Road, Jiangdong District, Ningbo, Zhejiang Province, PRC	Commercial	104.63 sq.m.	The property is subject to a lease at an annual rental of about RMB80,000.	RMB960,000	65.625%
7	Shop Nos. 1-21 and 2-21, 339 Zhongxing Road, Jiangdong District, Ningbo, Zhejiang Province, PRC	Commercial	103.21 sq.m.	The property is subject to a lease at an annual rental of about RMB80,000.	RMB1,000,000	65.625%

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	<b>The Properties</b>	<b>Usage</b>	<b>Total gross floor area</b>	<b>Particulars of occupancy</b>	<b>Market value in existing state as at 31 December 2010</b>	<b>Interest attributable to the Group</b>
8	Shop Nos. 1-22 and 2-22, 341 Zhongxing Road, Jiangdong District, Ningbo, Zhejiang Province, PRC	Commercial	92.39 sq.m.	The property is subject to a lease at an annual rental of about RMB75,000.	RMB890,000	65.625%
9	Shop Nos. 1-3 and 1-4, 341-1 Zhongxing Road, Jiangdong District, Ningbo, Zhejiang Province, PRC	Commercial	21.89 sq.m.	The property is subject to a lease at an annual rental of about RMB75,000.	RMB290,000	65.625%
10	Shop Nos. 1-3, 1-4 and 2-2 to 2-4, 361 Zhongxing Road, Jiangdong District, Ningbo, Zhejiang Province, PRC	Commercial	361.59 sq.m.	The property is subject to a lease at an annual rental of about RMB200,000.	RMB2,720,000	65.625%
11	Shop Nos. 1-1 and 1-2, 1 Zhangshu Street, Jiangdong District, Ningbo, Zhejiang Province, PRC	Commercial	51.75 sq.m.	The property is subject to a lease at an annual rental of about RMB85,000.	RMB950,000	65.625%
12	Shop Nos. 1-4 to 1-9 and 2-8 to 2-11, 111 to 121 Zhangshu Street, Jiangdong District, Ningbo, Zhejiang Province, PRC	Commercial	1,141.33 sq.m.	The property is subject to a lease at an annual rental of about RMB240,000.	RMB6,760,000	65.625%

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<b>The Properties</b>	<b>Usage</b>	<b>Total gross floor area</b>	<b>Particulars of occupancy</b>	<b>Market value in existing state as at 31 December 2010</b>	<b>Interest attributable to the Group</b>	
<i>Property interests held for sale</i>						
13	Unsold portion of Phase I of Shengshi Jiayuan, Chengxing Road, Hongtang Zhong Venture Centre, Jiangbei District, Ningbo, Zhejiang Province, PRC	Residential	3,911.00 sq.m.	The property is currently vacant.	RMB30,020,000	37.500%
14	Unsold portion of Yaojiang Xindu Building, Hongtang Zhong Road, Jiangbei District, Ningbo, Zhejiang Province, PRC	Office and commercial	13,174.14 sq.m.	The property is currently vacant.	RMB123,220,000	33.750%
15	Unsold portion of Phase III, Fanjing Garden 288 Yuchai Road, Yonghong Village, Wantou County, Jiangbei District, Ningbo, Zhejiang Province, PRC	Residential	888.30 sq.m.	The property is currently vacant.	RMB9,560,000	37.500%

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	<b>The Properties</b>	<b>Usage</b>	<b>Total gross floor area</b>	<b>Particulars of occupancy</b>	<b>Market value in existing state as at 31 December 2010</b>	<b>Interest attributable to the Group</b>
16	Unsold portion of Jinxiu Garden, Fortune Garden (Phases I and II), Zhongxin Road East, Jiangdong District, Ningbo, Zhejiang Province, PRC	Residential	281.01 sq.m.	The property is currently vacant.	RMB4,070,000	65.625%
17	Unsold portion of Wenjin Garden, Fortune Garden (Phase IV), Zhongxin Road East, Jiangdong District, Ningbo, Zhejiang Province, PRC	Residential	216.63 sq.m.	The property is currently vacant.	RMB1,340,000	65.625%
18	Unsold portion of Prosperous Age Garden, Zhongshan Road, Xikou Town, Fenghua Ningbo, Zhejiang Province, PRC	Residential	1,546.36 sq.m.	The property is currently vacant.	RMB12,370,000	37.500%
<i>Property interests held for investment</i>						
19	Shop Nos. 1-15 to 1-18, 354-360 Hongtang Zhong Road, Jiangbei District, Ningbo, Zhejiang Province, PRC	Commercial	261.41 sq.m.	The property is currently vacant.	RMB1,560,000	37.500%

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**LETTER FROM THE INDEPENDENT FINANCIAL ADVISER**

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	<b>The Properties</b>	<b>Usage</b>	<b>Total gross floor area</b>	<b>Particulars of occupancy</b>	<b>Market value in existing state as at 31 December 2010</b>	<b>Interest attributable to the Group</b>
20	Portion of Levels 1 and 2, Nos. 416, 416-1 and 416-2 Cuibo Road, Jiangbei District, Ningbo, Zhejiang Province, PRC	Commercial	3,111.41 sq.m.	The property is subject to a lease at an annual rental of about RMB1,130,000.	RMB22,190,000	37.500%
21	Portion of Jiangbei Zhongcheng, Changyang East Road, Jiangbei District, Ningbo, Zhejiang Province, PRC	Commercial	4,018.40 sq.m.	The property is subject to two leases. The retail portion is subject to a turnover rent whilst the office unit has an annual rental of about RMB37,500.	RMB59,680,000	33.750%
22	Unit 603, No. 9, Alley No. 49 Jinxiu Garden (Phases I and II of Xinfu Court), Zhangshu Street, Jiangdong District, Ningbo, Zhejiang Province, PRC	Residential	93.67 sq.m.	The property is subject to a tenancy at an annual rental of about RMB8,400.	RMB1,360,000	65.625%
23	Portion of Yaojiang Xindu Building, Hongtang Zhong Road, Jiangbei District, Ningbo, Zhejiang Province, PRC	Office	188.35 sq.m.	The property is subject to various tenancies with a total annual rental of about RMB39,720.	RMB1,180,000	33.750%



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<b>The Properties</b>	<b>Usage</b>	<b>Total gross floor area</b>	<b>Particulars of occupancy</b>	<b>Market value in existing state as at 31 December 2010</b>	<b>Interest attributable to the Group</b>
<i>Property interests under development</i>					
24	Phase II of Shengshi Jiayuan, Changxing Road, Hongtang Zhong Venture Centre, Jiangbei District, Ningbo, Zhejiang Province, PRC	Residential and commercial 58,983.49 sq.m.	The property is currently under construction.	RMB264,000,000	37.500%
<i>Property interests held for future development</i>					
25	Shengshi Zhiye, Cidong Industrial Zone, Longshan Town, Cixi, Ningbo, Zhejiang Province, PRC	Office and commercial 28,976.00 sq.m.	The property is currently vacant.	RMB40,000,000	26.250%

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### Financial information of the Disposal Group

Set out below is a summary of the unaudited financial information of the Disposal Group for the two years ended 31 December 2010, as extracted from Appendix II to this circular, prepared in accordance with the Hong Kong Financial Reporting Standards:

	<b>For the year ended</b>	
	<b>31 December</b>	
	<b>2010</b>	<b>2009</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Turnover	174,379	426,086
Profit before taxation	63,906	144,885
Profit for the year	37,681	110,308
Profit attributable to:		
– Equity shareholders of Right Strong	14,432	42,091
– Non-controlling interests	23,249	68,217
	<b>As at 31 December</b>	
	<b>2010</b>	<b>2009</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Total assets	542,714	453,808
Total liabilities	(365,231)	(317,275)
Net assets	177,483	136,533

For the year ended 31 December 2010, the Disposal Group recorded the unaudited consolidated turnover of approximately HK\$174.4 million, representing a reduction of approximately 59.1% as compared with that of the corresponding period of the preceding financial year. The unaudited net profit before and after taxation of the Disposal Group for the year ended 31 December 2010 were approximately HK\$63.9 million and HK\$37.7 million respectively. The unaudited net assets of the Disposal Group was approximately HK\$177.5 million as at 31 December 2010.

### Reasons for and benefits of the Disposal

According to 2010 Interim Report, we note that the Group's property portfolio were mainly located in Zhejiang Province and Fujian Province. With reference to the Board Letter, the Group's long-term development strategy has been to develop high-end commercial properties and commercial and residential complex given the increasing demand anticipated for high-end residential and commercial properties in the second-tier and third-tier cities in the PRC. In addition, as advised by the Board, it is expected that the real estate market of Fuzhou would be further prosper in the long run as a result of the positioning of Fujian Province as the Strait West Coast Economic Zone by the PRC government.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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As noted from the Board Letter, the Group had properties under development of approximately HK\$3,951 million (at carrying value) in Fuzhou as at 31 December 2010. The Group owned several property development projects which consist of (i) property development project of Hengli City (恒力城), a residential, office and retail complex located in the financial district of Fuzhou with a total gross floor area of approximately 241,600 square meters. Hengli City (恒力城) was launched for pre-sales in September 2009 and long term lease has been entered into for its commercial podium. As advised by the Directors, the development of the aforesaid properties is expected to be completed by the end of 2011; (ii) two other pieces of land for retail and office properties development near to Hengli City (恒力城) will be developed into high-end commercial properties, namely Hengli Financial Centre (恒力•金融中心) and Hengli Prosperity Centre (恒力•創富中心), with estimated gross floor area of approximately 54,949 and 51,799 square meters respectively. Hengli Financial Centre (恒力•金融中心) has already been commenced construction in December 2009 and Hengli Prosperity Centre (恒力•創富中心) is estimated to commence construction in June 2011. Moreover, as we noted from the announcement dated 15 March 2011, the Group had successfully acquired the land use right of a parcel of land with an area of approximately 42,125 square meters in Fujian Province at the price of RMB1,200 million. The Group plans to develop the land into high-end commercial properties with residential building projects. Considering the above development which require substantial amount of capital, we concur with the view of the Directors that by disposing of the Properties in Zhejiang Province, which are mostly mid-end or low-end residential and commercial properties, the Company will be able to allocate its resources more effectively in order to focus on the development of its existing high-end property projects in Fujian Province and to achieve its long term strategy to further penetrate into other second-tier and third-tier cities in the PRC.

Furthermore, we noted that the Group had recorded substantial loss for the year ended 31 December 2008 and would have recorded net loss for the year ended 31 December 2009 should the one-off reversal of impairment loss on properties under development of HK\$125.0 million be excluded. For the six months ended 30 June 2010, the Group had also recorded a net loss of HK\$26.0 million. In addition, as at 30 June 2010, the Group has total liabilities of HK\$4,696.5 million and total equity of HK\$279.6 million. As such, the debt to equity ratio of the Group was 16.8 times. As we noted from the Board Letter, the Group would record an estimated gain of HK\$56.8 million if the Disposal was completed. Having considered the current profitability and the financial position of the Company, we are of the view that the Disposal would be an opportunity to the Group to realize profit from its investment and would improve and strengthen the operation and the financial performance of the Group.

In light of the above reasons and benefits for the Disposal as well as the Company's long-term strategy to develop high-end commercial properties and commercial and residential complex, we concur with the Directors that the Disposal is in the interests of the Company and the Shareholders as a whole.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### Principal terms of the Agreement

Pursuant to the Agreement, the Purchaser has conditionally agreed to acquire for and the Company has conditionally agreed to dispose of the Sale Shares and the Sale Loans at the Consideration of HK\$149.9 million (subject to adjustment). The Sale Shares represent the entire issued share capital of Right Strong.

(a) *Basis of the Consideration*

The Consideration shall be equal to the aggregate of:

- (i) 98% of the unaudited net asset value of the Disposal Group as at 31 December 2010 (the “Unaudited NAV”), which was calculated and arrived at by deducting the unaudited total liabilities of the Disposal Group and the minority interests as at 31 December 2010 from the unaudited total assets of the Disposal Group as at 31 December 2010, after taking into consideration the market value of the Properties as at 31 December 2010. Afterwards, the Unaudited NAV shall be adjusted in the following manner on the Completion (the “Adjusted NAV”):
  - (a) all the Properties shall be re-valued as at 31 December 2010 by the Valuer and such re-valuation shall serve the purpose of ascertaining the final market value of the Properties as at 31 December 2010; and
  - (b) the Adjusted NAV shall then be calculated and arrived at by deducting the audited total liabilities of the Disposal Group and the minority interests (to be calculated where necessary) as at 31 December 2010 from the audited total assets of the Disposal Group as at 31 December 2010, after taking into consideration the Properties re-valued as mentioned in (a) above. If any tax (or whatsoever form payable to whatsoever tax authority) is payable due to the increase in values of such Properties as a result of such re-valuation, then the amount of such tax shall be deducted from the said values; and
- (ii) 98% of the amount of the unaudited Sale Loans as at 31 December 2010, which shall be adjusted according to the audited Sale Loans as at 31 December 2010.

As at the Latest Practicable Date, the valuation report of the Properties and the audited financial information of the Disposal Group for the year ended 31 December 2010 were available. With reference to said document/information, the market value of the Properties attributable to the Group was approximately HK\$262.2 million as at 31 December 2010, which is approximately HK\$59.9 million over corresponding book value after taking into account the estimated tax effect on the re-valuation; while the audited net asset value of the Disposal Group and the audited Sale Loans were amounted to approximately HK\$68.1 million and HK\$25.8 million respectively. As such, the Adjusted NAV is equal to approximately HK\$128.0 million, and the Consideration based on the amount of the Adjusted NAV and the audited Sale Loans should be HK\$150.7 million (the “Adjusted Consideration”).

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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As stated in the Board Letter, the Consideration was determined primarily with reference to the independent valuation which represents the prevailing market valuation of the Properties and has taken into account the other net assets of the Disposal Group as well as the Sale Loans. As confirmed by the Company, the Directors have also considered and compared the price to book ratio of the Disposal Group as represented by the Consideration with the price to book ratios of several other listed property developers in Hong Kong as at the date of the Agreement.

*(b) Valuation of the Properties*

In assessing the fairness and reasonableness of the Consideration, we have reviewed the valuation report of the Properties prepared by Savills Valuation and Professional Services Limited (the “Savills”), a qualified valuer which is an independent third party, in relation to, among others the valuation (the “Valuation”) of the Properties as at 31 December 2010 which is set out in Appendix IV to the Circular. We have reviewed and discussed with Savills on the methodology adopted and assumptions used in arriving at the Valuation. According to the Valuation Report, Savills has valued the Properties at its market value which means “the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm’s-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion”.

We understand that Savills has valued the Properties by direct comparison approach by making reference to comparable sales evidence as available in the relevant market, which in our opinion, is a normal approach in establishing the market value of the Properties. As confirmed by Savills, the abovementioned direct comparison approach is a commonly adopted approach for valuation of properties and it is also consistent with normal market practice. Further details of the basis and assumptions of the Valuation are included in Appendix IV to the Circular. During the course of our discussion with Savills, we have not identified any major factors which cause us to doubt the fairness and reasonableness of the principal basis and assumptions used by Savills in arriving at the Valuation. As the Consideration was determined primarily with reference to the independent valuation which represents the prevailing market valuation of the Properties and has taken into account the other net assets of the Disposal Group, we are of the opinion that the basis of determining the Consideration is fair and reasonable.

Taking into account of the above, we are of the view that the terms contemplated under the Agreement are on commercial terms negotiated between the Company and the Purchaser and are fair and reasonable so far as the Independent Shareholders are concerned.

*(c) Trading multiples analysis*

In order to assess the fairness and reasonableness of the Consideration, we have performed a trading multiples analysis which includes the price to book ratio (“PBR”) analysis. Although common means of the price comparable analyses include also the price to earnings ratio (“PER”), the principle assets of the Disposal Group are the Properties and many of them are held by the Group for owner-occupation or still under development. As such, we consider the PER analysis to be inapplicable.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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To perform the PBR analysis, we have searched for companies listed on the Stock Exchange which are (i) principally engaged in the business of property development and/or property investment in the PRC; (ii) have market capitalization of less than HK\$10,000 million; and (iii) shares are listed on the main board of the Stock Exchange. To the best of our knowledge and endeavor, we identified 13 companies (the “Comparables”) which met the said criteria and we consider such Comparables to be exhaustive based on the criteria. It should be noted that the businesses, operations and prospects of the Disposal Group are not exactly the same as the Comparables, and we have not conducted any in-depth investigation into the businesses and operations of the Comparables. The Comparables may or may not serve as direct comparables to the Disposal Group.

Set out below are the implied PBRs of the Comparables based on their closing prices as at 3 March 2011, being the date of the Agreement:

<b>Company Name</b>	<b>Stock Code</b>	<b>Market Capitalization (HK\$ million)</b>	<b>PBR (times)</b>
Tomson Group Ltd.	258	4,159	0.44
Zhong An Real Estate Ltd.	672	3,660	0.72
Coastal Greenland Limited	1124	1,535	0.46
SRE Group Limited	1207	2,595	0.31
C C Land Holdings Limited	1224	6,707	0.57
Powerlong Real Estate Holdings Ltd.	1238	9,927	0.96
Yuzhou Properties Company Limited	1628	5,448	1.24
Fantasia Holdings Group Co., Ltd.	1777	5,897	1.21
China Properties Group Limited	1838	4,649	0.13
China SCE Property Holdings Limited	1966	5,735	0.13
Shanghai Forte Land Co. Ltd.	2337	8,676	1.02
Beijing Capital Land Ltd.	2868	4,983	0.89
China Aoyuan Property Group Limited	3883	3,449	0.51
Average			0.66
Maximum			1.24
Minimum			0.13
The Disposal Group			0.98 (note 1)

Source: Bloomberg

Note:

1. Calculated based on the amount of Adjusted Consideration (being about HK\$150.7 million) over HK\$153.8 million (being the aggregate of the Adjusted NAV and the amount of the audited Sale Loans as at 31 December 2010)

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As shown in the table set out above, the average PBR of the Comparables is approximately 0.66 times. The implied PBR of the Disposal Group calculated by the Consideration over the aggregate of the Adjusted NAV and the audited Sale loans of approximately 0.98 times, which was above the average and within the range of the Comparables.

We have also identified, to our best of our knowledge and as far as we are aware of, 11 other transactions involving the acquisition or disposal of certain property companies by the Comparables for the period of 18 months prior to the date of the Agreement (the “Comparable Transactions”), which the adjusted net asset values of the Comparable Transactions have been disclosed. The table below summarised our relevant findings:

Company Name	Stock Code	Date of announcement	Consideration	Adjusted net asset values	Premium/ (discount) to adjusted net asset values
Tomson Group Ltd.	258	4-Jun-10	RMB1,218.81 million	RMB1,218.80 million	0.0%
Tomson Group Ltd.	258	4-Jun-10	RMB506.30 million	RMB506.30 million	0.0%
Coastal Greenland Limited	1124	4-Jan-10	HK\$738.60 million	HK\$943.1 million	(21.7%)
SRE Group Limited	1207	10-Feb-10	HK\$323.76 million	HK\$316.13 million	2.4%
Shanghai Forte Land Co. Ltd.	2337	26-Mar-10	RMB153.88 million	RMB192.99 million	(20.3%)
Beijing Capital Land Ltd.	2868	25-Feb-10	RMB10.00 million	RMB10.51 million	(5.0%)
Beijing Capital Land Ltd.	2868	25-Feb-10	RMB12.50 million	RMB13.14 million	(5.0%)
Beijing Capital Land Ltd.	2868	18-Dec-09	RMB43.49 million	RMB43.13 million	0.8%
Beijing Capital Land Ltd.	2868	25-Nov-09	US\$20 million (note 2)	RMB136.68 million	(2.4%)
Beijing Capital Land Ltd.	2868	20-Nov-09	RMB369.50 million	RMB368.90 million	0.2%
Beijing Capital Land Ltd.	2868	29-Oct-09	RMB123.50 million	RMB125.26 million	(1.4%)
Average					(4.8%)
Maximum					2.4%
Minimum					(21.7%)
The Disposal					(2.0%) (note 1)

Source: the website of the Stock Exchange

Notes:

- The Consideration shall be equal to the aggregate of 98% of the Adjusted NAV and 98% of the audited Sale Loans
- US\$ has been translated into RMB at the exchange rate of USD1 = RMB6.67

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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As shown in the table set out above, the average ratio of the consideration to the adjusted net asset value of the Comparable Transactions amounted to the discount of approximately 4.8%. The discount of the Consideration over the Adjusted NAV and the audited Sale loans was 2%, and it was above the average and within the range of the Comparables.

Given that (i) PBR of the Disposal Group is above the average and within the range of the Comparables; (ii) the Consideration determined based on the Adjusted NAV of the Disposal Group being more favourable when compared to the average ratio of the consideration to the adjusted net asset value of the Comparable Transactions amounted to the discount of approximately 4.8%; we consider that the Consideration is fair and reasonable so far as the Independent Shareholders are concerned.

*(d) Other terms of the Agreement*

We have also reviewed the other major terms of the Agreement and are not aware of any terms which are uncommon. Consequently, we are of the view that the terms of the Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned.

### **Financial effects of the Disposal**

As stated in the Board Letter, immediately after Completion, Right Strong and its subsidiaries will cease to be subsidiaries of the Company. Therefore, the results of the Right Strong and its subsidiaries will no longer be consolidated into the financial statements of the Group after Completion.

*Effects on earnings*

As set out in the section headed “Background of the Disposal” above, the Disposal Group has recorded an unaudited consolidated turnover and the unaudited net profit after taxation for the year ended 31 December 2010 of approximately HK\$174.4 million and HK\$37.7 million respectively.

According to the unaudited pro forma financial information of the Remaining Group as set out in Appendix III to the Circular, assuming the Disposal took place on 1 January 2010, the unaudited consolidated pro forma loss of the Remaining Group for the year ended 31 December 2010 would be narrowed from approximately HK\$79.8 million to approximately HK\$42.8 million after taking into account of the expected gain on the Disposal.



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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### *Effects on working capital*

As stated in the Board Letter, the final consideration for the Disposal of HK\$150.7 million will be paid in cash in three installments and such proceeds will be used by the Company for the (i) reduction of the liabilities of the Company, including but not limited to the repayment of bank borrowings and/or the possible early redemption of part of the Existing Convertible Bonds; and/or (ii) general working capital of the Company. According to 2010 Interim Report, the Group had outstanding bank borrowings of approximately HK\$1,327.0 million and outstanding Existing Convertible Bonds with carrying value of approximately HK\$1,318.0 million in the principal amount of approximately HK\$2,347.7 million.

According to the unaudited consolidated pro forma financial information of the Remaining Group as set out in Appendix III to the Circular, assuming the Disposal took place on 31 December 2010, the current assets and net current assets of the Remaining Group would decrease from approximately HK\$5,448.5 million and approximately HK\$2,648.1 million to approximately HK\$5,182.5 million and approximately HK\$2,628.0 million respectively whilst the cash at bank and in hand of the Remaining Group would decrease from approximately HK\$209.8 million to approximately HK\$199.9 million.

### *Effects on net asset value*

According to the unaudited pro forma financial information of the Remaining Group as set out in Appendix III to the Circular, assuming the Disposal took place on 31 December 2010, the unaudited pro forma net assets of the Remaining Group would decrease from approximately HK\$410.4 million to approximately HK\$355.9 million whilst the total equity attributable to shareholders of the Company would increase from approximately HK\$222.3 million to approximately HK\$277.3 million. The increase in total equity attributable to shareholders of the Company is resulted from the net proceeds received from the Disposal.

## RECOMMENDATION

Having considered the above principal factors and reasons, we are of the view that (i) the terms of the Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; and (ii) the Disposal is in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders, as well as the Independent Board Committee to advise the Independent Shareholders, to vote in favour of the ordinary resolution(s) to be proposed at the SGM to approve the Agreement and the transactions contemplated thereunder and we recommend the Independent Shareholders to vote in favour of the resolution(s) in this regard.

Yours faithfully,  
For and on behalf of  
**Bridge Partners Capital Limited**  
**Monica Lin**  
*Managing Director*

**A. THREE-YEARS FINANCIAL INFORMATION**

The audited consolidated financial statements of the Group (i) for the year ended 31 December 2010 is disclosed in the 2010 annual results announcement of the Company published on 28 March 2011; (ii) for the year ended 31 December 2009 is disclosed in the 2009 annual report of the Company published on 29 April 2010, from pages 27 to 97; and (iii) for the year ended 31 December 2008 is disclosed in the 2008 annual report of the Company published on 29 April 2009, from pages 26 to 101, all of which have been published on the website of the Stock Exchange ([www.hkex.com.hk](http://www.hkex.com.hk)) and the website of the Company (<http://www.hlgrou.com.hk>).

**B. INDEBTEDNESS STATEMENT****Bank borrowings**

As at the close of business on 28 February 2011, being the latest practicable date for the purpose of this statement of indebtedness prior to the printing of this circular, the Group had outstanding secured bank borrowing of approximately HK\$1,491 million.

**Convertible bonds**

At the close of business on 28 February 2011, the Group had outstanding Existing Convertible Bonds with carrying value of approximately HK\$1,368 million in the principal amount of HK\$2,317 million.

The Existing Convertible Bonds were issued on 21 January 2008 and could be converted into the Shares from 21 January 2008 to 20 January 2018. The current conversion price is HK\$0.334 per conversion share. The Existing Convertible Bonds bear zero coupon and are secured by the pledge of the entire share capital of Amazing Wise Limited, a wholly-owned subsidiary of the Company.

**Contingent liabilities**

As at 28 February 2011, the Group provided guarantees of approximately HK\$600 million to banks in favor of our customers in respect of the mortgage loans provided by the banks to such customers for purchase of the Group's developed properties. Those guarantees provided by the Group to the banks would be released upon receiving the building ownership certificates of the respective properties by the banks from the customers as pledges for security to the mortgage loans granted.

Save as the aforesaid and apart from intra-group liabilities, the Group did not have any outstanding loans, mortgages, charges, debentures, loan capital, debt securities, term loans and overdrafts or other similar indebtedness, finance lease or hire purchase commitments, liabilities under acceptances (other than normal trade bills) or acceptance credits, other borrowings or indebtedness in the nature of borrowings or any guarantees or other material contingent liabilities as at the close of business on 28 February 2011.

As at the date of this circular, the Directors were not aware of any material change in respect of the indebtedness or other contingent liabilities of the Group since 28 February 2011.

**C. MATERIAL ADVERSE CHANGE**

As at the Latest Practicable Date, the Directors confirmed that there had been no material adverse change in the financial or trading position of the Group since 31 December 2010, the date to which the latest published audited financial statements of the Group were made up.

**D. WORKING CAPITAL STATEMENT**

The Directors, after due and carefully enquiry, are of the opinion that following the Completion, after taking into account the financial resources available to the Remaining Group, including internally generated funds and the available banking facilities, the Remaining Group has sufficient working capital for its present requirements for at least the next 12 months from the date of this circular, in the absence of unforeseeable circumstances.

Set out below are the unaudited consolidated balance sheets of the Disposal Group as at 31 December 2008, 2009 and 2010, and the unaudited consolidated income statements, consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated cash flow statements of the Disposal Group for each of the years ended 31 December 2008, 2009 and 2010, which have been reviewed by the Group's auditors, KPMG, in accordance with the Hong Kong Standard on Review Engagements 2400 "Engagements to Review Financial Statements" issued by the Hong Kong Institute of Certified Public Accountants.

### CONSOLIDATED INCOME STATEMENTS

for the years ended 31 December 2008, 2009 and 2010

(Expressed in Hong Kong dollars)

	For the year ended 31 December		
	2008	2009	2010
	\$'000	\$'000	\$'000
<b>Turnover</b>	3,545	426,086	174,379
Cost of properties sold	(787)	(294,902)	(102,816)
Other revenue and net income	6,503	6,210	6,695
Valuation (deficit)/gain on investment properties	(681)	44,497	9,152
Selling expenses	(3,277)	(20,550)	(9,544)
Administrative expenses	(10,187)	(11,824)	(12,882)
<b>(Loss)/profit from operations</b>	(4,884)	149,517	64,984
Finance costs	–	(4,632)	(1,078)
<b>(Loss)/profit before taxation</b>	(4,884)	144,885	63,906
Income tax credit/(expense)	32	(34,577)	(26,225)
<b>(Loss)/profit for the year</b>	<u>(4,852)</u>	<u>110,308</u>	<u>37,681</u>
<b>Attributable to:</b>			
Equity shareholders of the Company	(778)	42,091	14,432
Non-controlling interests	(4,074)	68,217	23,249
<b>(Loss)/profit for the year</b>	<u>(4,852)</u>	<u>110,308</u>	<u>37,681</u>

**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME***for the years ended 31 December 2008, 2009 and 2010**(Expressed in Hong Kong dollars)*

	<b>For the year ended 31 December</b>		
	<b>2008</b>	<b>2009</b>	<b>2010</b>
	\$'000	\$'000	\$'000
<b>(Loss)/profit for the year</b>	(4,852)	110,308	37,681
<b>Other comprehensive income for the year</b> <b>(after tax adjustments):</b>			
Exchange differences on translation of financial statements of subsidiaries in the mainland of People's Republic of China (the "PRC")	2,251	(366)	5,869
(Deficit)/surplus on revaluation of fixed assets	(5,160)	1,609	321
	(2,909)	1,243	6,190
<b>Total comprehensive income for the year</b>	<u>(7,761)</u>	<u>111,551</u>	<u>43,871</u>
<b>Attributable to:</b>			
Equity shareholders of the Company	(2,039)	42,206	16,579
Non-controlling interests	(5,722)	69,345	27,292
<b>Total comprehensive income for the year</b>	<u>(7,761)</u>	<u>111,551</u>	<u>43,871</u>

**CONSOLIDATED BALANCE SHEETS***at 31 December 2008, 2009 and 2010**(Expressed in Hong Kong dollars)*

	<b>31 December</b>		
	<b>2008</b>	<b>2009</b>	<b>2010</b>
	\$'000	\$'000	\$'000
<b>Non-current assets</b>			
Investment properties	23,794	88,105	101,771
Property, plant and equipment	10,336	15,109	15,882
Prepaid lease payments	2,446	3,471	3,520
Available-for-sale investment	2,265	2,272	2,368
Deferred tax assets	9,358	8,838	4,397
	<u>48,199</u>	<u>117,795</u>	<u>127,938</u>
	-----	-----	-----
<b>Current assets</b>			
Properties under development	398,085	81,135	139,775
Properties held for sales	21,232	167,439	108,229
Trade and other receivables	42,145	11,400	7,991
Tax prepayments	11,763	2,359	81
Cash at bank and in hand	88,084	73,680	158,700
	<u>561,309</u>	<u>336,013</u>	<u>414,776</u>
	-----	-----	-----
<b>Current liabilities</b>			
Trade and other payables	140,770	167,974	192,479
Receipts in advance	216,761	50,230	1,823
Bank loans	142,695	-	-
Current taxation	81,703	84,790	77,443
	<u>581,929</u>	<u>302,994</u>	<u>271,745</u>
	-----	-----	-----
<b>Net current (liabilities)/assets</b>	<u>(20,620)</u>	<u>33,019</u>	<u>143,031</u>
	-----	-----	-----
<b>Total assets less current liabilities</b>	<u>27,579</u>	<u>150,814</u>	<u>270,969</u>
	-----	-----	-----
<b>Non-current liabilities</b>			
Bank loans	-	-	82,866
Deferred tax liabilities	2,597	14,281	10,620
	<u>2,597</u>	<u>14,281</u>	<u>93,486</u>
	-----	-----	-----
<b>NET ASSETS</b>	<u>24,982</u>	<u>136,533</u>	<u>177,483</u>
	-----	-----	-----
<b>CAPITAL AND RESERVES</b>			
Share capital	-	-	-
Retained profits	4,771	46,862	61,294
Other reserves	4,491	4,606	6,753
	<u>9,262</u>	<u>51,468</u>	<u>68,047</u>
	-----	-----	-----
<b>Total equity attributable to equity shareholders of the Company</b>	<u>9,262</u>	<u>51,468</u>	<u>68,047</u>
Non-controlling interests	15,720	85,065	109,436
	<u>24,982</u>	<u>136,533</u>	<u>177,483</u>
	-----	-----	-----
<b>TOTAL EQUITY</b>	<u>24,982</u>	<u>136,533</u>	<u>177,483</u>
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## CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

for the years ended 31 December 2008, 2009 and 2010

(Expressed in Hong Kong Dollars)

	Attributable to equity shareholders of the Company							Total equity \$'000
	Share capital \$'000	Capital reserve \$'000	Exchange reserve \$'000	Property revaluation reserve \$'000	Retained profits \$'000	Total \$'000	Non-controlling interests \$'000	
<b>Balance at 1 January 2008</b>	10	–	2,859	2,883	58,549	64,301	28,838	93,139
<b>Changes in equity for 2008:</b>								
Loss for the year	–	–	–	–	(778)	(778)	(4,074)	(4,852)
Other comprehensive income for the year	–	–	755	(2,016)	–	(1,261)	(1,648)	(2,909)
Total comprehensive income	–	–	755	(2,016)	(778)	(2,039)	(5,722)	(7,761)
Reorganisation under common control	(10)	10	–	–	–	–	–	–
Dividend paid	–	–	–	–	(53,000)	(53,000)	(7,396)	(60,396)
<b>Balance at 31 December 2008 and 1 January 2009</b>	–	10	3,614	867	4,771	9,262	15,720	24,982
<b>Changes in equity for 2009:</b>								
Profit for the year	–	–	–	–	42,091	42,091	68,217	110,308
Other comprehensive income for the year	–	–	(489)	604	–	115	1,128	1,243
Total comprehensive income for the year	–	–	(489)	604	42,091	42,206	69,345	111,551
<b>Balance at 31 December 2009 and 1 January 2010</b>	–	10	3,125	1,471	46,862	51,468	85,065	136,533
<b>Changes in equity for 2010:</b>								
Profit for the year	–	–	–	–	14,432	14,432	23,249	37,681
Other comprehensive income for the year	–	–	2,002	145	–	2,147	4,043	6,190
Total comprehensive income	–	–	2,002	145	14,432	16,579	27,292	43,871
Dividend approved	–	–	–	–	–	–	(2,921)	(2,921)
<b>Balance at 31 December 2010</b>	–	10	5,127	1,616	61,294	68,047	109,436	177,483

**CONSOLIDATED CASH FLOW STATEMENTS***for the years ended 31 December 2008, 2009 and 2010**(Expressed in Hong Kong dollars)*

	<b>For the year ended 31 December</b>		
	<b>2008</b>	<b>2009</b>	<b>2010</b>
	\$'000	\$'000	\$'000
<b>Operating activities</b>			
Cash (used in)/generated from operations	(4,425)	144,176	33,063
Income tax paid	(7,053)	(10,384)	(32,613)
<b>Net cash (used in)/generated from operating activities</b>	<u>(11,478)</u>	<u>133,792</u>	<u>450</u>
<b>Investing activities</b>			
Payment for the purchase of property, plant and equipment	(135)	(143)	–
Proceeds from sale of property, plant and equipment	171	714	–
Dividends received from available-for-sale investment	–	610	478
Interest received	914	740	640
<b>Net cash generated from investing activities</b>	<u>950</u>	<u>1,921</u>	<u>1,118</u>
<b>Financing activities</b>			
Interest paid	(8,432)	(7,221)	(2,177)
Proceeds from new bank loans	103,780	–	82,866
Repayment of bank loans	(24,915)	(142,695)	–
Net advance from related parties	2,653	2,826	–
Net advances from non-controlling equity shareholders of a subsidiary	11,625	287	4,301
Dividends paid to non-controlling equity holders of a subsidiary	(7,396)	(2,728)	(4,771)
<b>Net cash generated from/(used in) financing activities</b>	<u>77,315</u>	<u>(149,531)</u>	<u>80,219</u>
<b>Net increase/(decrease) in cash and cash equivalents</b>	66,787	(13,818)	81,787
<b>Cash and cash equivalents at 1 January</b>	22,277	88,084	73,680
<b>Effect of foreign exchange rate changes</b>	(980)	(586)	3,233
<b>Cash and cash equivalents at 31 December</b>	<u>88,084</u>	<u>73,680</u>	<u>158,700</u>



**1. GENERAL**

On 3 March 2011, Hengli Properties Development (Group) Limited (the “Company”) entered into an equity transfer agreement for the disposal of the entire equity interest in Right Strong Holdings Limited and its subsidiaries (the “Disposal Group”) to China Fair Land Properties Limited (the “Purchaser”) at a consideration of HK\$149.9 million (subject to adjustment) (the “Disposal”). Upon completion of the Disposal, members of the Disposal Group will cease to be subsidiaries of the Company.

**2. BASIS OF PRESENTATION OF THE UNAUDITED FINANCIAL INFORMATION**

The unaudited financial information of the Disposal Group has been prepared in accordance with Rule 14.68(2)(a)(i) of The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, and solely for the purpose of inclusion in the circular to be issued by the Company in connection with the Disposal.

The amounts included in the unaudited financial information for each of the years ended 31 December 2008, 2009 and 2010 have been recognised and measured in accordance with the relevant accounting policies of the Company and its subsidiaries adopted in the preparation of its consolidated financial statements, which conform with the Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants.

The unaudited financial information does not contain sufficient information to constitute a complete set of financial statements as defined in Hong Kong Accounting Standard 1 “Presentation of Financial Statements”.



KPMG  
8th Floor  
Prince's Building  
10 Chater Road  
Central  
Hong Kong

The Directors  
Hengli Properties Development (Group) Limited

28 March 2011

Dear Sirs,

**Hengli Properties Development (Group) Limited (the “Company”)**

We report on the unaudited pro forma financial information (the “Pro Forma Financial Information”) of the Company and its subsidiaries (the “Group”) set out on pages 58 to 66 in Appendix III of the circular dated 28 March 2011 (the “Circular”), which has been prepared by the directors of the Company solely for illustrative purposes to provide information about how the disposal of the entire equity interest in Right Strong Holdings Limited (the “Disposal Group”) might have affected the financial information presented. The basis of preparation of the unaudited Pro Forma Financial Information is set out on page 58 to 66 of the Circular.

**Responsibilities**

It is the responsibility solely of the directors of the Company to prepare the unaudited Pro Forma Financial Information in accordance with Paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) and with reference to Accounting Guideline 7 “Preparation of Pro Forma Financial Information for inclusion in Investment Circulars” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”).

It is our responsibility to form an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

**Basis of opinion**

We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 300 “Accountants’ Reports on Pro Forma Financial Information in Investment Circulars” issued by the HKICPA. Our work consisted primarily of comparing the

unadjusted financial information with source documents, considering the evidence supporting the adjustments and discussing the unaudited Pro Forma Financial Information with the directors of the Company. The engagement did not involve independent examination of any of the underlying financial information.

Our work did not constitute an audit or review performed in accordance with Hong Kong Standards on Auditing or Hong Kong Standards on Review Engagements issued by the HKICPA, and accordingly, we do not express any such audit or review assurance on the unaudited Pro Forma Financial Information.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated, that such basis is consistent with the accounting policies of the Group and that the adjustments are appropriate for the purposes of the unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

The unaudited Pro Forma Financial Information is for illustrative purposes only, based on the judgements and assumptions of the directors of the Company, and because of its hypothetical nature, it does not provide any assurance or indication that any event will take place in the future and may not be indicative of:

- the financial position of the Group as at 31 December 2010 or any future date; or
- the results and cashflows of the Group for the year ended 31 December 2010 or any future periods.

### **Opinion**

In our opinion:

- a) the unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated;
- b) such basis is consistent with the accounting policies of the Group, and
- c) the adjustments are appropriate for the purposes of the unaudited Pro Forma Financial Information as disclosed pursuant to Paragraph 4.29(1) of the Listing Rules.

Yours faithfully

**KPMG**  
*Certified Public Accountants*  
Hong Kong

**THE UNAUDITED PRO FORMA INFORMATION****(I) Unaudited pro forma consolidated balance sheet of the Remaining Group****A Introduction**

The unaudited pro forma consolidated balance sheet of the Remaining Group has been prepared to illustrate the effect of the very substantial disposal of the Group's entire equity interest in Right Strong Holding Limited ("Disposal Group"). On 3 March 2011, the Group entered into an equity transfer agreement to dispose of its entire equity interest in the Disposal Group at a consideration of HK\$149,888,000 (subject to adjustment) (final agreed consideration of HK\$150,656,000) (the "Disposal").

The unaudited pro forma consolidated balance sheet of the Remaining Group has been prepared in accordance with Rule 4.29 of the Listing Rules for the purposes of illustrating the effect of the Disposal as if the Disposal took place on 31 December 2010.

The unaudited pro forma consolidated balance sheet of the Remaining Group is based upon the consolidated balance sheet of the Group as at 31 December 2010, which has been extracted from the announcement of annual results of the Group for the year ended 31 December 2010 (the "Results Announcement"), after making pro forma adjustments relating to the Disposal that are (i) directly attributable to the Disposal and not relating to future events or decisions; and (ii) factually supportable.

The unaudited pro forma consolidated balance sheet of the Remaining Group is based on a number of assumptions, estimates, uncertainties and currently available information. Accordingly, the accompanying unaudited pro forma consolidated balance sheet of the Remaining Group does not purport to describe the actual financial position of the Remaining Group that would have been attained had the Disposal been completed on 31 December 2010 or any future date. The unaudited pro forma consolidated balance sheet of the Remaining Group does not purport to give a true picture of the Remaining Group's financial position or predict the Remaining Group's future financial position.

The unaudited pro forma consolidated balance sheet of the Remaining Group should be read in conjunction with the historical information of the Group as set out in the Results Announcement and other financial information included elsewhere in this Circular.

**B Unaudited pro forma consolidated balance sheet**

	<b>The Group as at 31 December 2010 HK\$'000</b>	<b>Pro forma adjustments</b>		<b>Unaudited pro forma of the Remaining Group as at 31 December 2010 HK\$'000</b>
		<i>HK\$'000</i>	<i>HK\$'000</i>	
		<i>Note (a)</i>	<i>Note (b)</i>	
<b>Non-current assets</b>				
Fixed assets				
– Investment properties	101,771	(101,771)		–
– Property, plant and equipment	18,540	(15,882)		2,658
Prepaid lease payments	28,492	(3,520)		24,972
Goodwill	99,861	–		99,861
Available-for-sale investment	2,368	(2,368)		–
Deferred tax assets	4,397	(4,397)		–
	<u>255,429</u>			<u>127,491</u>
<b>Current assets</b>				
Properties under development	4,090,776	(139,775)		3,951,001
Properties held for sales	108,229	(108,229)		–
Deposits for land use right	222,554	–		222,554
Trade and other receivables	93,216	(7,991)		85,225
Loan to a director	324,543	–		324,543
Tax prepayment	54,736	(81)		54,655
Restricted bank deposits	344,637	–		344,637
Cash at bank and in hand	209,835	(158,700)	148,756	199,891
	<u>5,448,526</u>			<u>5,182,506</u>
<b>Current liabilities</b>				
Trade and other payables	374,261	(192,479)	25,785	207,567
Receipts in advance	1,082,012	(1,823)		1,080,189
Bank loans	1,264,082	–		1,264,082
Current taxation	80,082	(77,443)		2,639
	<u>2,800,437</u>			<u>2,554,477</u>
Net current assets	<u>2,648,089</u>			<u>2,628,029</u>
Total assets less current liabilities	<u>2,903,518</u>			<u>2,755,520</u>

**APPENDIX III**
**UNAUDITED PRO FORMA FINANCIAL  
INFORMATION OF THE REMAINING GROUP**

	<b>The Group as at 31 December 2010 HK\$'000</b>	<b>Pro forma adjustments</b>		<b>Unaudited pro forma of the Remaining Group as at 31 December 2010 HK\$'000</b>
		<i>HK\$'000 Note (a)</i>	<i>HK\$'000 Note (b)</i>	
<b>Non-current liabilities</b>				
Bank loans	167,584	(82,866)		84,718
Convertible bonds	1,368,839	–		1,368,839
Deferred tax liabilities	956,717	(10,620)		946,097
	<u>2,493,140</u>			<u>2,399,654</u>
<b>Net assets</b>	<u>410,378</u>			<u>355,866</u>
<b>Capital and reserves:</b>				
Share capital	111,851			111,851
Accumulated losses	(484,779)		60,051	(424,728)
Other reserves	595,259		(5,127)	590,132
Total equity attributable to shareholders of the Company	222,331		54,924	277,255
Non-controlling interests	188,047	(109,436)		78,611
<b>Total equity</b>	<u>410,378</u>			<u>355,866</u>

*Notes:*

- (a) Adjustments to reflect the exclusion of the assets and liabilities of the Disposal Group as at 31 December 2010, assuming that the Disposal had taken place on 31 December 2010.

- (b) Adjustments to reflect the estimated gain arising from the Disposal based on the estimated total consideration of HK\$150.7 million less legal and professional fees of approximately HK\$1.9 million was presented. It is assumed that the net proceeds of HK\$148.8 million (being HK\$150.7 of gross proceeds less HK\$1.9 million of legal and professional fees) were received/paid on 31 December 2010. The adjusted net asset values represent the total of the net asset value of each of the Disposal Group as reflected in their management accounts on the date of completion.

Sale loans represented amounts due from Disposal Group of approximately HK\$33.9 million less amounts due to Disposal Group of approximately HK\$8.1 million, totalling net amount of HK\$25.8 million. The amounts were added back to the Group upon Disposal.

	<i>HK\$'000</i>
Total consideration	150,656
Net assets of the Disposal Group as at 31 December 2010 attributable to the Group	(68,047)
Sale loans	(25,785)
Legal and professional fees	(1,900)
Reclassification adjustment of the cumulative exchange gain on translation of the Disposal Group from their respective functional currencies to HK\$ to consolidated income statement on disposal of the Disposal Group	5,127
	<hr/>
Gain on disposal	<u>60,051</u>

**(II) Unaudited pro forma consolidated income statement and unaudited pro forma consolidated cash flow statement of the Remaining Group****A Introduction**

The unaudited pro forma consolidated income statement and unaudited pro forma consolidated cash flow statement of the Remaining Group have been prepared to illustrate the effect of the Disposal.

The unaudited pro forma consolidated income statement and unaudited pro forma consolidated cash flow statement of the Remaining Group have been prepared in accordance with Rule 4.29 of the Listing Rules for the purposes of illustrating the effect of the Disposal as if the Disposal took place on 1 January 2010.

The unaudited pro forma consolidated income statement and unaudited pro forma consolidated cash flow statement of the Remaining Group are based upon the consolidated income statement and consolidated cash flow statement of the Group for the year ended 31 December 2010, which have been extracted from the announcement of annual results of the Group for the year ended 31 December 2010 (the “Results Announcement”), after making pro forma adjustments relating to the Disposal that are (i) directly attributable to the Disposal and not relating to future events; (ii) expected to have a continuing impact on the Remaining Group; and (iii) factually supportable.

The unaudited pro forma consolidated income statement and unaudited pro forma consolidated cash flow statement of the Remaining Group are based on a number of assumptions, estimates, uncertainties and currently available information. Accordingly, the accompanying unaudited pro forma consolidated income statement and unaudited pro forma consolidated cash flow statement of the Remaining Group do not purport to describe the actual results and cash flows of the Remaining Group that would have been attained had the Disposal been completed on 1 January 2010 or to predict the future results and cash flows of the Remaining Group.

The unaudited pro forma consolidated income statement and unaudited pro forma consolidated cash flow statement of the Remaining Group should be read in conjunction with the historical information of the Group as set out in the Results Announcement and other financial information included elsewhere in this Circular.

The statements have been prepared by the Directors for illustrative purposes only and because of their nature, they may not give a true picture of the results and cash flows of the Remaining Group had the Disposals actually occurred on 1 January 2010 or for any future period.



**B Unaudited pro forma consolidated income statement**

	The Group for the year ended 31 December		Unaudited pro forma of the Remaining Group for the year ended 31 December	
	2010 HK\$'000	Pro forma adjustments HK\$'000 Note (c)	HK\$'000 Note (d)	2010 HK\$'000
<b>Turnover</b>	174,379	(174,379)		–
Cost of properties sold	<u>(102,816)</u>	<u>102,816</u>		<u>–</u>
Gross profit	71,563	(71,563)		–
Other revenue and net income	25,685	(6,695)		18,990
Valuation gain on investment properties	9,152	(9,152)		–
Selling expenses	(18,882)	9,544		(9,338)
Administrative expenses	<u>(36,353)</u>	<u>12,882</u>		<u>(23,471)</u>
Profit/(loss) from operations	51,165	(64,984)		(13,819)
Finance costs	<u>(120,689)</u>	<u>1,078</u>		<u>(119,611)</u>
Loss before taxation	(69,524)	(63,906)		(133,430)
Income tax	<u>(10,256)</u>	<u>26,225</u>		<u>15,969</u>
	(79,780)	(37,681)		(117,461)
Gain on sale of the Disposal Group	<u>–</u>	<u>–</u>	74,628	<u>74,628</u>
Loss for the year	<u>(79,780)</u>	<u>(37,681)</u>		<u>(42,833)</u>
Attributable to:				
Equity shareholders of the Company	(102,911)	(14,432)	74,628	(42,715)
Non-controlling interests	<u>23,131</u>	<u>(23,249)</u>		<u>(118)</u>
Loss for the year	<u>(79,780)</u>	<u>(37,681)</u>		<u>(42,833)</u>

*Notes:*

- (c) Adjustments to reflect the exclusion of the results of the Disposal Group for the year ended 31 December 2010, assuming that the Disposal had taken place on 1 January 2010.
- (d) Adjustments to reflect the estimated gain arising from the Disposal based on the estimated total consideration of HK\$150.7 million less legal and professional fees of approximately HK\$1.9 million was presented. It is assumed that the net proceeds of HK\$148.8 million (being HK\$150.7 of gross proceeds less HK\$1.9 million of legal and professional fees) were received/paid on 31 December 2010. The adjusted net asset values represent the total of the net asset value of each of the Disposal Group as reflected in their management accounts on the date of completion.

Sale loans represented amounts due from Disposal Group of approximately HK\$33.9 million less amounts due to Disposal Group of approximately HK\$8.1 million, totalling net amount of HK\$25.8 million. The amounts were added back to the Group upon Disposal.

	<i>HK\$'000</i>
Total consideration	150,656
Net assets of the Disposal Group as at 1 January 2010 attributable to the Group	(51,468)
Sale loans	(25,785)
Legal and professional fees	(1,900)
Reclassification adjustment of the cumulative exchange gain on translation of the Disposal Group from their respective functional currencies to HK\$ to consolidated income statement on disposal of the Disposal Group	3,125
	<hr/>
Gain on disposal	<u><u>74,628</u></u>

## C Unaudited pro forma consolidated cash flow statement

	The Group for the year ended 31 December 2010 <i>HK\$'000</i>	Pro forma adjustments <i>HK\$'000</i>		Unaudited pro forma of the Remaining Group for the year ended 31 December 2010 <i>HK\$'000</i>
		<i>Note (e)</i>	<i>Note (f)</i>	
<b>Net cash used in operating activities</b>	(52)	(450)		(502)
<b>Investing activities</b>				
Payment for the purchase of property, plant and equipment	(58)	–		(58)
Proceeds from sale of the Disposal Group	–	–	148,756	148,756
Proceeds from sale of property, plant and equipment	261	–		261
Dividends received from available-for-sale investment	478	(478)		–
Interest received	5,160	(640)		4,520
Increase in restricted bank deposits	(146,129)	–		(146,129)
<b>Net cash (used in)/generated from investing activities</b>	(140,288)			7,350
<b>Financing activities</b>				
Issue of shares net of directly attributable expenses	108,025	–		108,025
Interest paid	(67,332)	2,177		(65,155)
Advances from non-controlling equity holders of subsidiaries	4,325	(4,301)		24
Repayment of promissory notes	(60,000)	–		(60,000)
Proceeds from bank loans	306,806	(82,866)		223,940
Repayment of bank loans	(77,158)	–		(77,158)
Dividends paid to non-controlling equity holders of a subsidiary	(4,771)	4,771		–
<b>Net cash generated from financing activities</b>	209,895			129,676

	The Group for the year ended 31 December 2010 <i>HK\$'000</i>	Pro forma adjustments		Unaudited pro forma of the Remaining Group for the year ended 31 December 2010 <i>HK\$'000</i>
		<i>HK\$'000</i>	<i>HK\$'000</i>	
		<i>Note (e)</i>	<i>Note (f)</i>	
Net increase in cash and cash equivalents	69,555			136,524
Cash and cash equivalents at 1 January 2010	137,977	(73,680)		64,297
Effect of foreign exchange rate changes	<u>2,303</u>	(3,233)		<u>(930)</u>
Cash and cash equivalents at 31 December 2010	<u><u>209,835</u></u>			<u><u>199,891</u></u>

*Notes:*

- (e) Adjustments to reflect the exclusion of the cash flows of the Disposal Group for the year ended 31 December 2010, assuming that the Disposal had taken place on 1 January 2010.
- (f) Adjustments to reflect the cash inflow less expenses arising from the Disposal, assuming that the Disposal had taken place on 1 January 2010.

*The following is the text of the letter, summary of values and valuation certificates, prepared for inclusion in this circular, received from Savills Valuation and Professional Services Limited, an independent property valuer, in connection with their valuations as of 31 December 2010 of the properties held by Hengli Properties Development (Group) Limited.*



Savills Valuation and  
Professional Services Limited  
23/F Two Exchange Square  
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Hengli Properties Development (Group) Limited  
Unit 3401, 34th Floor  
Tower Two  
Lippo Centre  
89 Queensway  
Hong Kong

28 March 2011

Dear Sirs,

**RE: VALUATION OF VARIOUS PROPERTIES IN THE PEOPLE'S REPUBLIC OF  
CHINA**

In accordance with your instructions to value the properties in the People's Republic of China (the "PRC") held by Hengli Properties Development (Group) Limited (the "Company") and or its subsidiaries (hereinafter together referred to as the "Group"), we confirm that we have carried out inspections, made relevant searches and enquiries and obtained such further information as we consider necessary for the purpose of providing the Group with our opinion of values of such properties as at 31 December 2010 for inclusion in a circular issued by the Company.

Our valuation of each of the properties is our opinion of its market value which we would define as intended to mean "the estimated amount for which a property should exchange on the

date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion”.

The market value is the best price reasonably obtainable in the market by the seller and the most advantageous price reasonably obtainable in the market by the buyer. This estimate specifically excludes an estimated price inflated or deflated by special terms or circumstances such as atypical financing, sale and leaseback arrangements, joint ventures, management agreements, special considerations or concessions granted by anyone associated with the sale, or any element of special value. The market value of a property is also estimated without regard to costs of sale and purchase, and without offset for any associated taxes.

In valuing the properties in Groups I, II, and V which are held by the Group for owner-occupation, sale or future development in the PRC, we have adopted the direct comparison approach by making reference to comparable sales evidences as available on the market.

In valuing the properties in Group III which are held by the Group for investment in the PRC, we have adopted the direct comparison approach by making reference to comparable sales evidences as available on the market and where appropriate on the basis of capitalisation of the net income shown on the documents handed to us. We have allowed for outgoings and, in appropriate cases, made provisions for reversionary income potential.

In valuing the property in Group IV which is held by the Group under development in the PRC, we have valued the property on the basis that it will be developed and completed in accordance with the latest development proposals as provided to us. We have assumed that all consents, approvals and licenses from relevant government authorities for the development proposal have been obtained. In arriving at our opinion of value, we have adopted the direct comparison approach by making reference to comparable sales evidences as available on the market and have also taken into account the expended construction costs as well as the costs that will be expended to complete the development. The capital value when completed represents our opinion of the aggregate values of the development assuming it would have been completed at the date of valuation.

Unless otherwise stated, in the course of valuation of the properties in the PRC, we have assumed that transferable land use rights in respect of the properties for respective specific terms at nominal land use fee have been granted and that all requisite land premium payable has been fully settled. We have also assumed that the owners of the properties have enforceable titles to their properties and have free and uninterrupted rights to use, occupy or assign the properties for the respective whole of the unexpired term as granted. We have been provided with copies of extracts of title documents relating to the properties in the PRC. However, we have not inspected the original documents to verify ownership or to verify any amendments that may not appear on the copies handed to us. We have relied on the advice given by the Group and the Group's legal adviser, Zhejiang Heyi Law Firm (浙江和義律師事務所), on the PRC laws, regarding the title to each of the properties in the PRC.

We have relied to a very considerable extent on information given by the Group and have accepted advice given to us on such matters as planning approvals, statutory notices, easements, tenure, particulars of occupancy, development proposals, spent and outstanding construction costs, identification of the properties, site and floor areas and all other relevant matters. Dimensions, measurements and areas included in the valuation certificate are based on information contained in the documents provided to us and are therefore only approximations. No on-site measurements have been made. We have had no reason to doubt the truth and accuracy of the information provided to us by you which is material to our valuation. We have also advised by you that no material facts have been omitted from the information provided.

We have inspected the exterior of the properties. During the course of our inspection, we did not note any serious defects. However, no structural survey has been made, we are therefore unable to report that the properties are free from rot, infestation or any other structural defect. No tests were carried out to any of the services. Moreover, we have not carried out investigations on site to determine the suitability of soil conditions and services for any future development. Our valuations are prepared on the assumption that these aspects are satisfactory and that no unexpected costs or delays will be incurred during the construction period.

No allowance has been made in our valuation for any charges, mortgages or amounts owing on any property nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the properties are free from encumbrances, restrictions and outgoings of an onerous nature which could affect their values.

Our valuations have been prepared in accordance with The HKIS Valuation Standards on Properties (First Edition 2005) published by the Hong Kong Institute of Surveyors, and the relevant provisions in the Companies Ordinance, Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (Main Board) and all requirements contained in Rule 11 of the Code on Takeovers and Mergers and Shares Repurchases.

For the purpose of compliance with the Rule 11.3 of the Code on Takeovers and Mergers and Shares Repurchases and as advised by the Group, the potential tax liabilities which may arise from the sale of the properties include:

- (a) profits tax on the profit from the sale of the properties at rates of 25% for properties in the PRC; and
- (b) land value appreciation tax on properties in the PRC at progressive tax rates ranging from 30% to 60% on the appreciation in property value in the range from not more than 50% to more than 200%.

Unless otherwise stated, all money amounts stated are in Renminbi (“RMB”) for properties situated in the PRC. The exchange rate adopted in our valuations is RMB1=HK\$1.1752 which was the approximate exchange rate prevailing as at the date of valuation.

We have issued a valuation report (“Another Report”) on 28 March 2011 for the valuation of market value of all the properties in Group I and Group III as included in this report as at 31 December 2010 for the year end auditing purpose to the Company. We confirmed that we have valued all the properties in the Another Report by using the same valuation bases, assumptions and methodologies as adopted in this report and arrived at the same market values as stated in this report.

Our summary of values and valuation certificate are attached.

Yours faithfully,  
For and on behalf of  
**Savills Valuation and Professional Services Limited**  
**Anthony C K Lau**  
*MHKIS MRICS RPS(GP)*  
*Director*

*Note:* Mr. Anthony C K Lau is a qualified valuer and has over 18 years’ experience in the valuation of properties in Hong Kong and the PRC.



## SUMMARY OF VALUES

No.	Property	Market value	Interest	Market value
		in existing state as at 31 December 2010 <i>RMB</i>	attributable to the Group %	attributable to the Group as at 31 December 2010 <i>RMB</i>
<b>Group I – Properties held by the Group for owner occupation in the PRC</b>				
1	House No. 51, Tongfangyuan, Baita East Road, Pingjiang District, Suzhou, Jiangsu Province, The PRC	1,640,000	37.5	615,000
2	Eight office units and a clubhouse, Fanjing Garden, 282 to 286 Yuchai Road, Yonghong Village, Wantou County, Jiangbei District, Ningbo, Zhejiang Province, The PRC	2,120,000	37.5	795,000
3	A kindergarten in Fanjing Garden, 288 Yuchai Road, Yonghong Village, Wantou County, Jiangbei District, Ningbo, Zhejiang Province, The PRC	5,670,000	37.5	2,126,250

No.	Property	Market value	Interest	Market value
		in existing state as at 31 December 2010 <i>RMB</i>	attributable to the Group <i>%</i>	attributable to the Group as at 31 December 2010 <i>RMB</i>
4	Portion of Levels 1 to 3, Nos. 271-1, 273, 275 and 275-1 Fangjiangan Road, Jiangbei District, Ningbo, Zhejiang Province, The PRC	10,070,000	37.5	3,776,250
5	Shop Nos. 1-12 and 2-12, 327 Zhongxing Road, Jiangdong District, Ningbo, Zhejiang Province, PRC	1,180,000	65.625	774,375
6	Shop Nos. 1-15 and 2-15, 331-1 Zhongxing Road, Jiangdong District, Ningbo, Zhejiang Province, PRC	960,000	65.625	630,000
7	Shop Nos. 1-21 and 2-21, 339 Zhongxing Road, Jiangdong District, Ningbo, Zhejiang Province, PRC	1,000,000	65.625	656,250
8	Shop Nos. 1-22 and 2-22, 341 Zhongxing Road, Jiangdong District, Ningbo, Zhejiang Province, PRC	890,000	65.625	584,063

No.	Property	Market value	Interest	Market value
		in existing state as at 31 December 2010 <i>RMB</i>	attributable to the Group <i>%</i>	attributable to the Group as at 31 December 2010 <i>RMB</i>
9	Shop Nos. 1-3 and 1-4, 341-1 Zhongxing Road, Jiangdong District, Ningbo, Zhejiang Province, PRC	290,000	65.625	190,313
10	Shop Nos. 1-3, 1-4 and 2-2 to 2-4, 361 Zhongxing Road, Jiangdong District, Ningbo, Zhejiang Province, PRC	2,720,000	65.625	1,785,000
11	Shop Nos. 1-1 and 1-2, 1 Zhangshu Street, Jiangdong District, Ningbo, Zhejiang Province, PRC	950,000	65.625	623,438
12	Shop Nos. 1-4 to 1-9 and 2-8 to 2-11, 111 to 121 Zhangshug Street, Jiangdong District, Ningbo, Zhejiang Province, PRC	6,760,000	65.625	4,436,250
			<i>Sub-total:</i>	<u>16,992,189</u>

No.	Property	Market value	Interest	Market value
		in existing state as at 31 December 2010 <i>RMB</i>	attributable to the Group %	attributable to the Group as at 31 December 2010 <i>RMB</i>

**Group II – Properties held by the Group for sale in the PRC**

13	Unsold portion of Phase I of Shengshi Jiayuan Chengxing Road, Hongtang Zhong Venture Centre, Jiangbei District, Ningbo, Zhejiang Province, PRC	30,020,000	37.5	11,257,500
14	Portion of Yaojiang Xindu Building, Hongtang Zhong Road, Jiangbei District, Ningbo, Zhejiang Province, PRC	123,220,000	33.75	41,586,750
15	Unsold portion of Phase III, Fanjing Garden, 288 Yuchai Road, Yonghong Village, Wantou County, Jiangbei District, Ningbo, Zhejiang Province, PRC	9,560,000	37.5	3,585,000

No.	Property	Market value	Interest	Market value
		in existing state as at 31 December 2010 RMB	attributable to the Group %	attributable to the Group as at 31 December 2010 RMB
16	Unsold portion of Jinxiu Garden, Fortune Garden (Phases I and II), Zhongxin Road East, Jiangdong District, Ningbo, Zhejiang Province, PRC	4,070,000	65.625	2,670,938
17	Unsold portion of Wenjin Garden, Fortune Garden (Phase IV), Zhongxin Road East, Jiangdong District, Ningbo, Zhejiang Province, PRC	1,340,000	65.625	879,375
18	Unsold portion of Prosperous Age Garden, Zhongshan Road, Xikou Town, Fenghua, Ningbo, Zhejiang Province, PRC	12,370,000	37.5	4,638,750
			<i>Sub-total:</i>	<u>64,618,313</u>

No.	Property	Market value	Interest	Market value
		in existing state as at 31 December 2010 <i>RMB</i>	attributable to the Group <i>%</i>	attributable to the Group as at 31 December 2010 <i>RMB</i>

**Group III – Properties held by the Group for investment purpose in the PRC**

19	Shop Nos. 1-15 to 1-18, 354-360 Hongtang Zhong Road, Jiangbei District, Ningbo, Zhejiang Province, The PRC	1,560,000	37.5	585,000
20	Portion of Levels 1 and 2, Nos. 416, 416-1 and 416-2 Cuibo Road, Jiangbei District, Ningbo, Zhejiang Province, PRC	22,190,000	37.5	8,321,250
21	Portion of Jiangbei Zhongcheng, Changyang East Road, Jiangbei District, Ningbo, Zhejiang Province, PRC	59,680,000	33.75	20,142,000
22	Unit 603, No. 9, Alley No. 49, Jinxu Garden (Phases I and II of Xinfu Court), Zhangshu Street, Jiangdong District, Ningbo, Zhejiang Province, PRC	1,360,000	65.625	892,500

No.	Property	Market value in existing state as at 31 December 2010 RMB	Interest attributable to the Group %	Market value attributable to the Group as at 31 December 2010 RMB
23	Portion of Yaojiang Xindu Building, Hongtang Zhong Road, Jiangbei District, Ningbo, Zhejiang Province, PRC	1,180,000	33.75	398,250
			<i>Sub-total:</i>	<u>30,339,000</u>
<b>Group IV – Property held by the Group under development in the PRC</b>				
24	Phase II of Shengshi Jiayuan, Changxing Road, Hongtang Zhong Venture Centre, Jiangbei District, Ningbo, Zhejiang Province, PRC	264,000,000	37.5	99,000,000
			<i>Sub-total:</i>	<u>99,000,000</u>
<b>Group V – Property held by the Group for future development in the PRC</b>				
25	Shengshi Zhiye, Cidong Industrial Zone, Longshan Town, Cixi, Ningbo, Zhejiang Province, PRC	40,000,000	26.25	10,500,000
			<i>Sub-total:</i>	<u>10,500,000</u>
			<b>Grand-total:</b>	<b><u>221,449,502</u></b>

## VALUATION CERTIFICATE

## Group I – Properties held by the Group for owner occupation in the PRC

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 December 2010
1	House No. 51, Tongfangyuan, Baita East Road, Pingjiang District, Suzhou, Jiangsu Province, PRC	The property comprises a two-storey villa in a large scale luxury residential development completed in 1995.  The gross floor area of the property is approximately 130.00 sq.m. (1,399 sq.ft.).	The property is currently vacant.	RMB1,640,000  (37.5% interest attributable to the Group: RMB615,000)

*Notes:*

- (1) Pursuant to the information provided by the Company, the Ningbo Tuozhan Real Estate Development Co., Ltd. (寧波市拓展房地產有限公司) (the “Ningbo Tuozhan”), a joint venture company in which the Company owns 37.5% of interest, is formed between China Fair Land (Ningbo) Limited (37.5% of shares), Geyung (Real Estates) Company Limited (37.5% of shares) and 4 individual shareholders (25% of shares) with a registered capital of RMB20,000,000. The profit sharing of Ningbo Tuozhan is in accordance to the share ratio and co-operating conditions.
- (2) Pursuant to the Realty Title Certificate No. Su Fang Quan Zheng Shi Qu Zi Di 00098091 issued by Suzhou Real Estate Administration Bureau on 19 September 2001, the building ownership to the property with a gross floor area of 130.00 sq.m. is held by Ningbo Tuozhan.
- (3) We have been provided with legal opinion on the title to the property issued by the Group’s legal advisers, which contains, inter alia, the following information:

Ningbo Tuozhan is established on 21 November 1989 and has obtained all necessary licences to operate with an operation period of 30 years for a scope of business of real estate development, sale of housing and after sale services, and has acquired the title certificate of the property and is entitled to transfer, mortgage, lease or dispose of the property by other means.



## VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 December 2010														
2	Eight office units and a clubhouse, Fanjing Garden, 282 and 286 Yuchai Road, Yonghong Village, Wantou County, Jiangbei District, Ningbo, Zhejiang Province, PRC	<p>The property comprises eight office units and a clubhouse in a large scale residential/commercial composite development completed in various stages between 1993 and 1997.</p> <p>The total gross floor area of the property is approximately 1,329.28 sq.m. (14,311 sq.ft.), the breakdown of which is listed as follows:</p> <table border="1"> <thead> <tr> <th rowspan="2">Types</th> <th colspan="2">Approximate Gross Floor Area</th> </tr> <tr> <th>(sq.m.)</th> <th>(sq.ft.)</th> </tr> </thead> <tbody> <tr> <td>Office</td> <td>369.28</td> <td>3,975</td> </tr> <tr> <td>Clubhouse</td> <td>960.00</td> <td>10,333</td> </tr> <tr> <td>Total</td> <td><u>1,329.28</u></td> <td><u>14,311</u></td> </tr> </tbody> </table> <p>The land use rights of the property were granted for the terms of 70 years expiring on 26 October 2060, 28 October 2060 and 24 May 2063 respectively for construction of residential estates and villas and residential and ancillary facilities uses respectively.</p>	Types	Approximate Gross Floor Area		(sq.m.)	(sq.ft.)	Office	369.28	3,975	Clubhouse	960.00	10,333	Total	<u>1,329.28</u>	<u>14,311</u>	<p>The clubhouse is currently occupied by the Group as a clubhouse whilst the office units are currently occupied by the Group as office.</p>	<p>RMB2,120,000</p> <p>(37.5% interest attributable to the Group: RMB795,000)</p>
Types	Approximate Gross Floor Area																	
	(sq.m.)	(sq.ft.)																
Office	369.28	3,975																
Clubhouse	960.00	10,333																
Total	<u>1,329.28</u>	<u>14,311</u>																

## Notes:

- Pursuant to the information provided by the Company, the Ningbo Tuozhan Real Estate Development Co., Ltd. (寧波市拓展房地產開發有限公司) (the "Ningbo Tuozhan"), a joint venture company in which the Company owns 37.5% of interest, is formed between China Fair Land (Ningbo) Limited (37.5% of shares), Geyung (Real Estates) Company Limited (37.5% of shares) and 4 individual shareholders (25% of shares) with a registered capital of RMB20,000,000. The profit sharing of Ningbo Tuozhan is in accordance to the share ratio and co-operating conditions.
- Pursuant to the State-owned Land Use Rights Certificate Yong Bei Guo Yong (2003) Zi Di No. 5576 issued by Ningbo Municipal Government and the Ningbo Land Administration Bureau, the land use rights of the land of the property were granted to the Ningbo Tuozhan for a term expiring on 26 October 2060 for residential uses.
- Pursuant to the Building Ownership Certificate Yong Fang Quan Zheng Zi Xin Zi No. J200300843, the building ownership of portion of the property with a gross floor area of 369.28 sq.m. is held by Ningbo Tuozhan.

- (4) According to the information provided by the Group, the construction of portion of the property with a gross floor area of 960 sq.m. for club house uses (the “Club House”) has not been inspected and accepted by the relevant PRC government authority. It follows that the Ningbo Tuozhanshall not be able to obtain the building ownership certificate in respect of the Club House, nor is the Ningbo Tuozhan entitled to sell or transfer the Club House. Given that the title to the Club House is not transferable, we have not ascribed any commercial value to the Club House and the market value of the property as set out in this property valuation have not included the Club House.
- (5) We have been provided with legal opinion on the title to the property issued by the Group’s legal advisers, which contains, inter alia, the following information:

Ningbo Tuozhan is established on 21 November 1989 and has obtained all necessary licences to operate with an operation period of 30 years for a scope of business of real estate development, sale of housing and after sale services, and has acquired the title certificate of the office portion of the property with a gross floor area of 369.28 sq.m. and is entitled to transfer, mortgage, lease or dispose of such portion of the property. Ningbo Tuozhan has obtained the Sales Permit of the office portion of the property and can transfer the office portion of the property. If Ningbo Tuozhan lease or occupy such portion of the property, it has to apply for a Building Ownership Certificate. There is no legal impediment for Ningbo Tuozhan to obtain the Building Ownership Certificate.

## VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 December 2010
3	A kindergarten in Fanjing Garden, 288 Yuchai Road, Yonghong Village, Wantou County, Jiangbei District, Ningbo, Zhejiang Province, PRC	The property comprises a 4-storey kindergarten with a total gross floor area of approximately 2,254.18 sq.m. (24,264 sq.ft.) in a large-scale residential/commercial composite development. The building is of reinforced concrete structure completed in 1993.  The land use rights of the property were rented for the terms of 70 years expiring on 26 October 2060, 28 October 2060 and 24 May 2063 respectively for the construction of residential estates and villas and residential and ancillary facilities uses respectively.	The property is currently occupied by the Group as a kindergarten.	RMB5,670,000  (37.5% interest attributable to the Group: RMB2,126,250)

*Notes:*

- (1) Pursuant to the information provided by the Company, the Ningbo Tuozhan Real Estate Development Co., Ltd. (寧波市拓展房地產開發有限公司) (the "Ningbo Tuozhan"), a joint venture company in which the Company owns 37.5% of interest, is formed between China Fair Land (Ningbo) Limited (37.5% of shares), Geyung (Real Estates) Company Limited (37.5% of shares) and 4 individual shareholders (25% of shares) with a registered capital of RMB20,000,000. The profit sharing of Ningbo Tuozhan is in accordance to the share ratio and co-operating conditions.
- (2) Pursuant to the State-owned Land Use Rights Certificate No. Yong Guo Yong (93) Zi Di 122 issued by Ningbo Municipal Government and the Ningbo Land Administration Bureau on 24 May 1993, the land use rights of the land with site areas of 45,789.60 sq.m. were granted to the Ningbo Tuozhan for the term of 70 years expiring on 24 May 2063, for construction of ancillary facilities uses.
- (3) Pursuant to two Building Ownership Certificates Yong Fang Quan Zheng Zi Xin Zi Di No. 200300507 and Yong Fang Quan Zheng Jiang Bei Zi Di No. 200847108, the building ownership of the property is held by Ningbo Tuozhan.
- (4) We have been provided with legal opinion on the title to the property issued by the Group's legal advisers, which contains, inter alia, the following information:

Ningbo Tuozhan is established on 21 November 1989 and has obtained all necessary licences to operate with an operation period of 30 years for a scope of business of real estate development, sale of housing and after sale services, and is the legal owner of the property. If Ningbo Tuozhan transfer, lease or mortgage the property, it has to apply for a State-owned Land Use Rights Certificate. There is no legal impediment for Ningbo Tuozhan to obtain a separate State-owned Land Use Rights Certificate.

## VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 December 2010
4	Portion of Levels 1 to 3, Nos. 271-1, 273, 275 and 275-1 Fangjiangan Road, Jiangbei District, Ningbo, Zhejiang Province, PRC	<p>The property comprises a portion of the 1st to 3rd levels of a 9-storey residential/commercial composite building completed in 1997.</p> <p>The property has a total gross floor area of approximately 1,726.04 sq.m. (18,579 sq.ft.).</p> <p>The land use rights of the property were granted for a term expiring on 24 May 2033 for commercial uses.</p>	The property is currently occupied by the Group as office and sales office.	RMB10,070,000 (37.5% interest attributable to the Group: RMB3,776,250)

*Notes:*

- (1) Pursuant to the information provided by the Company, the Ningbo Tuozhan Real Estate Development Co., Ltd. (寧波市拓展房地產開發有限公司) (the "Ningbo Tuozhan"), a joint venture company in which the Company owns 37.5% of interest, is formed between China Fair Land (Ningbo) Limited (37.5% of shares), Geyung (Real Estates) Company Limited (37.5% of shares) and 4 individual shareholders (25% of shares) with a registered capital of RMB20,000,000. The profit sharing of Ningbo Tuozhan is in accordance to the share ratio and co-operating conditions.
- (2) Pursuant to the State-owned Land Use Rights Certificate Yong Guo Yong (2006) No. 0500462, the land use rights of the property were granted to the Ningbo Tuozhan for a term expiring on 24 May 2033 for commercial uses.
- (3) Pursuant to the Building Ownership Certificate Yong Fang Quan Zheng Jiang Bei Zi No. 200500462 issued by Ningbo Real Estate Administration Bureau on 10 January 2005, the building ownership of the property is held by Ningbo Tuozhan for commercial use.
- (4) We have been provided with legal opinion on the title to the property issued by the Group's legal advisers, which contains, inter alia, the following information:

Ningbo Tuozhan is established on 21 November 1989 and has obtained all necessary licences to operate with an operation period of 30 years for a scope of business of real estate development, sale of housing and after sale services and has acquired the title certificate of the property and is entitled to transfer, mortgage, lease or dispose of the property by other means.

## VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 December 2010
5	Shop Nos. 1-12 and 2-12, 327 Zhongxing Road, Jiangdong District, Ningbo, Zhejiang Province, PRC	<p>The property comprises a portion of the 1st to 2nd levels of a 9-storey residential/commercial composite building completed in 2002.</p> <p>The property has a total gross floor area of approximately 146.05 sq.m. (1,572 sq.ft.).</p> <p>The land use rights of the property were granted for a term expiring on 24 March 2033 for commercial uses.</p>	The property is subject to a lease at an annual rental of about RMB70,000.	RMB1,180,000  (65.625% interest attributable to the Group: RMB774,375)

*Notes:*

- (1) Pursuant to the information provided by the Company, the Ningbo Tuozhan Real Estate Development Co., Ltd. (寧波市拓展房地產開發有限公司) (the "Ningbo Tuozhan"), a joint venture company in which the Company owns 37.5% of interest, is formed between China Fair Land (Ningbo) Limited (37.5% of shares), Geyung (Real Estates) Company Limited (37.5% of shares) and 4 individual shareholders (25% of shares) with a registered capital of RMB20,000,000. The profit sharing of Ningbo Tuozhan is in accordance to the share ratio and co-operating conditions.
- (2) Pursuant to the State-owned Land Use Rights Certificate No. Yong Guo Yong (2009) Zi No. 2400971 issued by the People's Government of Ningbo on 24 February 2009, the land use rights of the land of the property were granted to Ningbo Tuozhan, for a term expiring on 24 March 2033 for commercial uses.
- (3) Pursuant to the Building Ownership Certificate Yong Fang Quan Zheng Jiang Dong Zi No. 200902702 issued by Ningbo Real Estate Administration Bureau in 2009, the building ownership of the property is held by Ningbo Tuozhan for commercial use.
- (4) We have been provided with legal opinion on the title to the property issued by the Group's legal advisers, which contains, inter alia, the following information:

Ningbo Tuozhan is established on 21 November 1989 and has obtained all necessary licences to operate with an operation period of 30 years for a scope of business of real estate development, sale of housing and after sale services and has acquired the title certificate of the property and is entitled to transfer, mortgage, lease or dispose of the property by other means.

## VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 December 2010
6	Shop Nos. 1-15 and 2-15, 331-1 Zhongxing Road, Jiangdong District, Ningbo, Zhejiang Province, PRC	<p>The property comprises a portion of the 1st to 2nd levels of a 9-storey residential/commercial composite building completed in 2002.</p> <p>The property has a total gross floor area of approximately 104.63 sq.m. (1,126 sq.ft.).</p> <p>The land use rights of the property were granted for a term expiring on 24 March 2033 for commercial uses.</p>	The property is subject to a lease at an annual rental of about RMB80,000.	RMB960,000  (65.625% interest attributable to the Group: RMB630,000)

*Notes:*

- (1) Pursuant to the information provided by the Company, the Ningbo Tuozhan Real Estate Development Co., Ltd. (寧波市拓展房地產開發有限公司) (the "Ningbo Tuozhan"), a joint venture company in which the Company owns 37.5% of interest, is formed between China Fair Land (Ningbo) Limited (37.5% of shares), Geyung (Real Estates) Company Limited (37.5% of shares) and 4 individual shareholders (25% of shares) with a registered capital of RMB20,000,000. The profit sharing of Ningbo Tuozhan is in accordance to the share ratio and co-operating conditions.
- (2) Pursuant to the State-owned Land Use Rights Certificate Yong Guo Yong (2009) Zi No. 2400970 issued by the People's Government of Ningbo on 24 February 2009, the land use rights of the land of the property were granted to Ningbo Tuozhan for a term expiring on 24 March 2033 for commercial uses.
- (3) Pursuant to the Building Ownership Certificate Yong Fang Quan Zheng Jiang Dong Zi No. 200902706 issued by Ningbo Real Estate Administration Bureau in 2009, the building ownership of the property is held by Ningbo Tuozhan for commercial uses.
- (4) We have been provided with legal opinion on the title to the property issued by the Group's legal advisers, which contains, inter alia, the following information:

Ningbo Tuozhan is established on 21 November 1989 and has obtained all necessary licences to operate with an operation period of 30 years for a scope of business of real estate development, sale of housing and after sale services and has acquired the title certificate of the property and is entitled to transfer, mortgage, lease or dispose of the property by other means.

## VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 December 2010
7	Shop Nos. 1-21 and 2-21, 339 Zhongxing Road, Jiangdong District, Ningbo, Zhejiang Province, PRC	<p>The property comprises a portion of the 1st to 2nd levels of a 9-storey residential/commercial composite building completed in 2002.</p> <p>The property has a total gross floor area of approximately 103.21 sq.m. (1,111 sq.ft.).</p> <p>The land use rights of the property were granted for a term expiring on 24 March 2033 for commercial uses.</p>	The property is subject to a lease at an annual rental of about RMB80,000.	RMB1,000,000  (65.625% interest attributable to the Group: RMB656,250)

*Notes:*

- (1) Pursuant to the information provided by the Company, the Ningbo Tuozhan Real Estate Development Co., Ltd. (寧波市拓展房地產開發有限公司) (the "Ningbo Tuozhan"), a joint venture company in which the Company owns 37.5% of interest, is formed between China Fair Land (Ningbo) Limited (37.5% of shares), Geyung (Real Estates) Company Limited (37.5% of shares) and 4 individual shareholders (25% of shares) with a registered capital of RMB20,000,000. The profit sharing of Ningbo Tuozhan is in accordance to the share ratio and co-operating conditions.
- (2) Pursuant to the State-owned Land Use Rights Certificate No. Yong Guo Yong (2009) Zi No. 2401275 issued by the People's Government of Ningbo on 2 March 2009, the land use rights of the land of the property were granted to Ningbo Tuozhan for a term expiring on 24 March 2033 for commercial uses.
- (3) Pursuant to the Building Ownership Certificate Yong Fang Quan Zheng Jiang Dong Zi No. 200904881 issued by Ningbo Real Estate Administration Bureau in 2009, the building ownership of the property is held by Ningbo Tuozhan for commercial use.
- (4) We have been provided with legal opinion on the title to the property issued by the Group's legal advisers, which contains, inter alia, the following information:

Ningbo Tuozhan is established on 21 November 1989 and has obtained all necessary licences to operate with an operation period of 30 years for a scope of business of real estate development, sale of housing and after sale services and has acquired the title certificate of the property and is entitled to transfer, mortgage, lease or dispose of the property by other means.

## VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 December 2010
8	Shop Nos. 1-22 and 2-22, 341 Zhongxing Road, Jiangdong District, Ningbo, Zhejiang Province, PRC	<p>The property comprises a portion of the 1st to 2nd levels of a 9-storey residential/commercial composite building completed in 2002.</p> <p>The property has a total gross floor area of approximately 92.39 sq.m. (994 sq.ft.).</p> <p>The land use rights of the property were granted for a term expiring on 24 March 2033 for commercial uses.</p>	The property is subject to a lease at an annual rental of about RMB75,000.	RMB890,000  (65.625% interest attributable to the Group: RMB584,063)

*Notes:*

- (1) Pursuant to the information provided by the Company, the Ningbo Tuozhan Real Estate Development Co., Ltd. (寧波市拓展房地產開發有限公司) (the "Ningbo Tuozhan"), a joint venture company in which the Company owns 37.5% of interest, is formed between China Fair Land (Ningbo) Limited (37.5% of shares), Geyung (Real Estates) Company Limited (37.5% of shares) and 4 individual shareholders (25% of shares) with a registered capital of RMB20,000,000. The profit sharing of Ningbo Tuozhan is in accordance to the share ratio and co-operating conditions.
- (2) Pursuant to the State-owned Land Use Rights Certificate No. Yong Guo Yong (2009) Zi No. 2401274 issued by the People's Government of Ningbo on 2 March 2009, the land use rights of the land of the property were granted to Ningbo Tuozhan for a term expiring on 24 March 2033 for commercial uses.
- (3) Pursuant to the Building Ownership Certificate Yong Fang Quan Zheng Jiang Dong Zi No. 200904880 issued by Ningbo Real Estate Administration Bureau in 2009, the building ownership of the property is held by Ningbo Tuozhan for commercial use.
- (4) We have been provided with legal opinion on the title to the property issued by the Group's legal advisers, which contains, inter alia, the following information:

Ningbo Tuozhan is established on 21 November 1989 and has obtained all necessary licences to operate with an operation period of 30 years for a scope of business of real estate development, sale of housing and after sale services and has acquired the title certificate of the property and is entitled to transfer, mortgage, lease or dispose of the property by other means.



## VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 December 2010
9	Shop Nos. 1-3 and 1-4, 341-1 Zhongxing Road, Jiangdong District, Ningbo, Zhejiang Province, PRC	<p>The property comprises a portion of the 1st level of a 9-storey residential/commercial composite building completed in 2002.</p> <p>The property has a total gross floor area of approximately 21.89 sq.m. (236 sq.ft.).</p> <p>The land use rights of the property were granted for a term expiring on 24 March 2033 for commercial uses.</p>	The property is subject to a lease at an annual rental of about RMB75,000.	RMB290,000  (65.625% interest attributable to the Group: RMB190,313)

*Notes:*

- (1) Pursuant to the information provided by the Company, the Ningbo Tuozhan Real Estate Development Co., Ltd. (寧波市拓展房地產開發有限公司) (the "Ningbo Tuozhan"), a joint venture company in which the Company owns 37.5% of interest, is formed between China Fair Land (Ningbo) Limited (37.5% of shares), Geyung (Real Estates) Company Limited (37.5% of shares) and 4 individual shareholders (25% of shares) with a registered capital of RMB20,000,000. The profit sharing of Ningbo Tuozhan is in accordance to the share ratio and co-operating conditions.
- (2) Pursuant to the State-owned Land Use Rights Certificate No. Yong Guo Yong (2009) No. 2400980 issued by the People's Government of Ningbo on 2 March 2009, the land use rights of the land of the property were granted to Ningbo Tuozhan for a term expiring on 24 March 2033 for commercial uses.
- (3) Pursuant to the Building Ownership Certificate Yong Fang Quan Zheng Jiang Dong Zi No. 200902725 issued by Ningbo Real Estate Administration Bureau in 2009, the building ownership of the property is held by Ningbo Tuozhan for commercial use.
- (4) We have been provided with legal opinion on the title to the property issued by the Group's legal advisers, which contains, inter alia, the following information:

Ningbo Tuozhan is established on 21 November 1989 and has obtained all necessary licences to operate with an operation period of 30 years for a scope of business of real estate development, sale of housing and after sale services and has acquired the title certificate of the property and is entitled to transfer, mortgage, lease or dispose of the property by other means.

## VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 December 2010
10	Shop Nos. 1-3, 1-4 and 2-2 to 2-4, 361 Zhongxing Road, Jiangdong District, Ningbo, Zhejiang Province, PRC	<p>The property comprises a portion of the 1st and 2nd levels of a 9-storey residential/commercial composite building completed in 2002.</p> <p>The property has a total gross floor area of approximately 361.59 sq.m. (3,892 sq.ft.).</p> <p>The land use rights of the property were granted for a term expiring on 24 March 2033 for commercial uses.</p>	The property is subject to a lease at an annual rental of about RMB200,000.	RMB2,720,000  (65.625% interest attributable to the Group: RMB1,785,000)

*Notes:*

- (1) Pursuant to the information provided by the Company, the Ningbo Tuozhan Real Estate Development Co., Ltd. (寧波市拓展房地產開發有限公司) (the "Ningbo Tuozhan"), a joint venture company in which the Company owns 37.5% of interest, is formed between China Fair Land (Ningbo) Limited (37.5% of shares), Geyung (Real Estates) Company Limited (37.5% of shares) and 4 individual shareholders (25% of shares) with a registered capital of RMB20,000,000. The profit sharing of Ningbo Tuozhan is in accordance to the share ratio and co-operating conditions.
- (2) Pursuant to the State-owned Land Use Rights Certificate No. Yong Guo Yong (2009) No. 2400968 issued by the People's Government of Ningbo on 2 March 2009, the land use rights of the land of the property were granted to Ningbo Tuozhan for a term expiring on 24 March 2033 for commercial uses.
- (3) Pursuant to the Building Ownership Certificate Yong Fang Quan Zheng Jiang Dong Zi No. 200902701 issued by Ningbo Real Estate Administration Bureau in 2009, the building ownership of the property is held by Ningbo Tuozhan for commercial use.
- (4) We have been provided with legal opinion on the title to the property issued by the Group's legal advisers, which contains, inter alia, the following information:

Ningbo Tuozhan is established on 21 November 1989 and has obtained all necessary licences to operate with an operation period of 30 years for a scope of business of real estate development, sale of housing and after sale services and has acquired the title certificate of the property and is entitled to transfer, mortgage, lease or dispose of the property by other means.

## VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 December 2010
11	Shop Nos. 1-1 and 1-2, 1 Zhangshug Street, Jiangdong District, Ningbo, Zhejiang Province, PRC	<p>The property comprises a portion of the 1st level of a 9-storey residential/commercial composite building completed in 2002.</p> <p>The property has a total gross floor area of approximately 51.75 sq.m. (557 sq.ft.).</p> <p>The land use rights of the property were granted for a term expiring on 24 March 2033 for commercial uses.</p>	The property is subject to a lease at an annual rental of about RMB85,000.	RMB950,000  (65.625% interest attributable to the Group: RMB623,438)

*Notes:*

- (1) Pursuant to the information provided by the Company, the Ningbo Tuozhan Real Estate Development Co., Ltd. (寧波市拓展房地產開發有限公司) (the "Ningbo Tuozhan"), a joint venture company in which the Company owns 37.5% of interest, is formed between China Fair Land (Ningbo) Limited (37.5% of shares), Geyung (Real Estates) Company Limited (37.5% of shares) and 4 individual shareholders (25% of shares) with a registered capital of RMB20,000,000. The profit sharing of Ningbo Tuozhan is in accordance to the share ratio and co-operating conditions.
- (2) Pursuant to the State-owned Land Use Rights Certificate No. Yong Guo Yong (2009) No. 2400974 issued by the People's Government of Ningbo on 2 March 2009, the land use rights of the land of the property were granted to Ningbo Tuozhan for a term expiring on 24 March 2033 for commercial uses.
- (3) Pursuant to the Building Ownership Certificate Yong Fang Quan Zheng Jiang Dong Zi No. 200902704 issued by Ningbo Real Estate Administration Bureau in 2009, the building ownership of the property is held by Ningbo Tuozhan, for commercial use.
- (4) We have been provided with legal opinion on the title to the property issued by the Group's legal advisers, which contains, inter alia, the following information:

Ningbo Tuozhan is established on 21 November 1989 and has obtained all necessary licences to operate with an operation period of 30 years for a scope of business of real estate development, sale of housing and after sale services and has acquired the title certificate of the property and is entitled to transfer, mortgage, lease or dispose of the property by other means.

## VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 December 2010
12	Shop Nos. 1-4, 1-9 and 2-8 to 2-11, 111-121 Zhangshug Street, Jiangdong District, Ningbo, Zhejiang Province, PRC	The property comprises a portion of the 1st and 2nd level of a 9-storey residential/commercial composite building completed in 2002.  The property has a total gross floor area of approximately 1,141.33 sq.m. (12,285 sq.ft.).  The land use rights of the property were granted for a term expiring on 24 March 2033 for commercial uses.	The property is subject to a lease at an annual rental of about RMB240,000.	RMB6,760,000  (65.625% interest attributable to the Group: RMB4,436,250)

*Notes:*

- (1) Pursuant to the information provided by the Company, the Ningbo Tuozhan Real Estate Development Co., Ltd. (寧波市拓展房地產開發有限公司) (the "Ningbo Tuozhan"), a joint venture company in which the Company owns 37.5% of interest, is formed between China Fair Land (Ningbo) Limited (37.5% of shares), Geyung (Real Estates) Company Limited (37.5% of shares) and 4 individual shareholders (25% of shares) with a registered capital of RMB20,000,000. The profit sharing of Ningbo Tuozhan is in accordance to the share ratio and co-operating conditions.
- (2) Pursuant to the State-owned Land Use Rights Certificate No. Yong Guo Yong (2009) Zi No. 2400966 issued by the People's Government of Ningbo on 2 March 2009, the land use rights of the land of the property were granted to Ningbo Tuozhan for a term expiring on 24 March 2033 for commercial uses.
- (3) Pursuant to the Building Ownership Certificate Yong Fang Quan Zheng Jiang Dong Zi Di No. 200632145 issued by Ningbo Real Estate Administration Bureau in 2006, the building ownership of the property is held by Ningbo Tuozhan for commercial use.
- (4) We have been provided with legal opinion on the title to the property issued by the Group's legal advisers, which contains, inter alia, the following information:

Ningbo Tuozhan is established on 21 November 1989 and has obtained all necessary licences to operate with an operation period of 30 years for a scope of business of real estate development, sale of housing and after sale services and has acquired the title certificate of the property and is entitled to transfer, mortgage, lease or dispose of the property by other means.

## VALUATION CERTIFICATE

## Group III – Properties held by the Group for sale in the PRC

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 December 2010
13	Unsold portion of Phase I of Shengshi Jiayuan Chengxing Road, Hongtang Zhong Venture Centre, Jiangbei District, Ningbo, Zhejiang Province, PRC	Shengshi Jiayuan (the “development”) is a residential/commercial development to be developed in two phases with a site area of approximately 44,698.00 sq.m. (481,129 sq.ft.).  The property comprises the unsold portion of Phase I of the development completed in 2009.  The property comprises various residential units, commercial units and car parking spaces with a total gross floor area of approximately 3,911.00 sq.m. (42,098 sq.ft.)  The land use rights of the property were granted for residential and ancillary facilities uses.	The property is currently vacant.	RMB30,020,000  (37.5% interest attributable to the Group: RMB11,257,500)

*Notes:*

- (1) Pursuant to the information provided by the Company, the Ningbo Tuozhan Real Estate Development Co., Ltd. (寧波市拓展房地產開發有限公司) (the “Ningbo Tuozhan”), a joint venture company in which the Company owns 37.5% of interest, is formed between China Fair Land (Ningbo) Limited (37.5% of shares), Geyung (Real Estates) Company Limited (37.5% of shares) and 4 individual shareholders (25% of shares) with a registered capital of RMB20,000,000. The profit sharing of Ningbo Tuozhan is in accordance to the share ratio and co-operating conditions.
- (2) Pursuant to the State-owned Land Use Rights Certificate Yong Guo Yong (2006) No. 0591732, the land use rights of a parcel of land with a site area of 44,698 sq.m. have been granted to Ningbo Tuozhan for residential and ancillary facilities uses.
- (3) Pursuant to two Pre-sale Permits Jiang Bei Qu Fang Yu Xu Zi (2008) Nos. 001 and 005, Phase I of the development is permitted for pre-sale and sale.
- (4) We have been provided with legal opinion on the title to the property issued by the Group’s legal advisers, which contains, inter alia, the following information:

Ningbo Tuozhan is established on 21 November 1989 and has obtained all necessary licences to operate with an operation period of 30 years for a scope of business of real estate development, sale of housing and after sale services and has acquired the Sales Permit for the property and is entitled to transfer the property. Upon Ningbo Tuozhan has acquire the Building Ownership Certificate of the property, Ningbo Tuozhan is entitled to lease the property to other party. There is no legal impediment for Ningbo Tuozhan to acquire the Building Ownership Certificate.

## VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 December 2010
14	Unsold portion of Yaojiang Xindu Building, Hongtang Zhong Road, Jiangbei District, Ningbo, Zhejiang Province, PRC	<p>Yaojiang Xindu Building (the "development") is an office/commercial development erected on a parcel of land with a site area of approximately 12,634.00 sq.m. (135,992 sq.ft.)</p> <p>The development comprises a 14-storey office tower erected upon a 3-level commercial podium plus a 2-level car park basement completed in 2009.</p> <p>The property comprises various office units, commercial units and car parking spaces of the development with a total gross floor area of approximately 13,174.14 sq.m. (141,806 sq.ft.)</p> <p>The land use rights of the property were granted for a term expiring on 30 December 2044 for commercial and services industry uses.</p>	The property is currently vacant.	<p>RMB123,220,000</p> <p>(33.75% interest attributable to the Group: RMB41,586,750)</p>

*Notes:*

- (1) Pursuant to the State-owned Land Use Rights Certificate Yong Bei Guo Yong (2005) No. 02696, the land use rights of a parcel of land with a site area of 12,634 sq.m. have been granted to Ningbo Jiangbei Zhongcheng Real Estate Development Company Limited (寧波市江北翠城房地產開發有限公司) ("Jiangbei Zhongcheng"), in which the Company has an attributable interest of 33.75%, for a term expiring on 30 December 2044 for commercial and services industry uses.
- (2) We have been provided with legal opinion on the title to the property issued by the Group's legal advisers, which contains, inter alia, the following information:
  - (i) Jiangbei Zhongcheng has acquired the title certificates of 4,113.74 sq.m. of the property and is entitled to use, lease, mortgage such portion of the property;
  - (ii) Jiangbei Zhongcheng has to apply for a separate land use rights certificate before transferring such portion of the property and there is no legal impediment for Jiangbei Zhongcheng to acquire the land use rights certificate; and
  - (iii) Jiangbei Zhongcheng has acquired the Sales Permit of the remaining portion of the property and is entitled to transfer such portion of the property. Upon Jiangbei Zhongcheng has acquired the Building Ownership Certificate of such portion of the property, Jiangbei Zhongcheng is entitled to lease such portion of the property to other party. There is no legal impediment for Jiangbei Zhongcheng to acquire the Building Ownership Certificate.

## VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 December 2010
15	Unsold portion of Phase III, Fanjing Garden, 288 Yuchai Road, Yonghong Village, Wantou County, Jiangbei District, Ningbo, Zhejiang Province, PRC	Fanjing Garden (the "development") is a residential development completed in various stages between 1993 and 1997.  The property comprises various residential units and commercial units of the development with a total gross floor area of approximately 888.30 sq.m. (9,562 sq.ft.)  The land use rights of the property were granted for terms expiring on 26 October 2060, 28 October 2060 and 24 May 2063 for construction of residential estates, villa and residential and ancillary facilities uses respectively.	The property is currently vacant.	RMB9,560,000  (37.5% interest attributable to the Group: RMB3,585,000)

*Notes:*

- (1) Pursuant to the information provided by the Company, the Ningbo Tuozhan Real Estate Development Co., Ltd. (寧波市拓展房地產開發有限公司) (the "Ningbo Tuozhan"), a joint venture company in which the Company owns 37.5% of interest, is formed between China Fair Land (Ningbo) Limited (37.5% of shares), Geyung (Real Estates) Company Limited (37.5% of shares) and 4 individual shareholders (25% of shares) with a registered capital of RMB20,000,000. The profit sharing of Ningbo Tuozhan is in accordance to the share ratio and co-operating conditions.
- (2) Pursuant to three State-owned Land Use Rights Certificates Yong Guo Yong (90 Yao) Zi Di No. 003, Yong Guo Yong (92) Zi Di No.102 and Yong Guo Yong (93) Zi Di No. 122, the land use rights of the land (of which the sites of the property forms parts) with site areas of 53,477.10 sq.m., 1,680 sq.m. and 45,789.60 sq.m. respectively have been granted to Ningbo Tuozhan for terms expiring on 26 October 2060, 28 October 2060 and 24 May 2063 for construction of residential estates, villa and residential and ancillary facilities uses respectively.
- (3) We have been provided with legal opinion on the title to the property issued by the Group's legal advisers, which contains, inter alia, the following information:

Ningbo Tuozhan is established on 21 November 1989 and has obtained all necessary licences to operate with an operation period of 30 years for a scope of business of real estate development, sale of housing and after sale services and has acquired the Sales Permit for the property and is entitled to transfer the property. Upon Ningbo Tuozhan has acquire the Building Ownership Certificate of the property, Ningbo Tuozhan is entitled to lease the property to other party. There is no legal impediment for Ningbo Tuozhan to acquire the Building Ownership Certificate.

## VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 December 2010
16	Unsold portion of Jinxiu Garden, Fortune Garden (Phases I and II), Zhongxin Road East, Jiangdong District, Ningbo, Zhejiang Province, PRC	Jinxiu Garden (the “development”) is a residential development completed in about 1996.  The property comprises various residential units and commercial units of the development with a total gross floor area of approximately 281.01 sq.m. (3,025 sq.ft.)  The land use rights of the property were granted for a term expiring on 1 November 2064 for residential uses.	The property is currently vacant.	RMB4,070,000  (65.625% interest attributable to the Group: RMB2,670,938)

*Notes:*

- (1) Pursuant to the information provided by the Company, the Ningbo Tuozhan Real Estate Development Co., Ltd. (寧波市拓展房地產開發有限公司) (the “Ningbo Tuozhan”), a joint venture company in which the Company owns 37.5% of interest, is formed between China Fair Land (Ningbo) Limited (37.5% of shares), Geyung (Real Estates) Company Limited (37.5% of shares) and 4 individual shareholders (25% of shares) with a registered capital of RMB20,000,000. The profit sharing of Ningbo Tuozhan is in accordance to the share ratio and co-operating conditions.
- (2) Pursuant to the State-owned Land Use Rights Certificate Yong Guo Yong (93) Zi Di No.118, the land use rights of the land with site area of 170,508.90 sq.m. have been granted to Ningbo Tuozhan for a term expiring on 1 November 2064 for residential uses.
- (3) We have been provided with legal opinion on the title to the property issued by the Group’s legal advisers, which contains, inter alia, the following information:

Ningbo Tuozhan is established on 21 November 1989 and has obtained all necessary licences to operate with an operation period of 30 years for a scope of business of real estate development, sale of housing and after sale services and has acquired the Sales Permit for the property and is entitled to transfer the property. Upon Ningbo Tuozhan has acquire the Building Ownership Certificate of the property, Ningbo Tuozhan is entitled to lease the property to other party. There is no legal impediment for Ningbo Tuozhan to acquire the Building Ownership Certificate.



## VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 December 2010
17	Unsold portion of Wenjin Garden, Fortune Garden (Phase IV), Zhongxin Road East, Jiangdong District, Ningbo, Zhejiang Province, PRC	Wenjin Garden (the "development") is a residential development completed in about 2001.  The property comprises various residential units and commercial units of the development with a total gross floor area of approximately 216.63 sq.m. (2,332 sq.ft.)  The land use rights of the property were granted for a term expiring on 1 November 2064 for residential uses.	The property is currently vacant.	RMB1,340,000  (65.625% interest attributable to the Group: RMB879,375)

*Notes:*

- (1) Pursuant to the information provided by the Company, the Ningbo Tuozhan Real Estate Development Co., Ltd. (寧波市拓展房地產開發有限公司) (the "Ningbo Tuozhan"), a joint venture company in which the Company owns 37.5% of interest, is formed between China Fair Land (Ningbo) Limited (37.5% of shares), Geyung (Real Estates) Company Limited (37.5% of shares) and 4 individual shareholders (25% of shares) with a registered capital of RMB20,000,000. The profit sharing of Ningbo Tuozhan is in accordance to the share ratio and co-operating conditions.
- (2) Pursuant to the State-owned Land Use Rights Certificate Yong Guo Yong (93) Zi Di No.118, the land use rights of the land with site area of 170,508.90 sq.m. have been granted to Ningbo Tuozhan for a term expiring on 1 November 2064 for residential uses.
- (3) We have been provided with legal opinion on the title to the property issued by the Group's legal advisers, which contains, inter alia, the following information:

Ningbo Tuozhan is established on 21 November 1989 and has obtained all necessary licences to operate with an operation period of 30 years for a scope of business of real estate development, sale of housing and after sale services and has acquired the Sales Permit for the property and is entitled to transfer the property. Upon Ningbo Tuozhan has acquire the Building Ownership Certificate of the property, Ningbo Tuozhan is entitled to lease the property to other party. There is no legal impediment for Ningbo Tuozhan to acquire the Building Ownership Certificate.

## VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 December 2010
18	Unsold portion of Prosperous Age Garden, Zhongshan Road, Xikou Town, Fenghua, Ningbo, Zhejiang Province, PRC	Prosperous Age Garden (the "development") is a residential development completed in about 2003.  The property comprises various residential units of the development with a total gross floor area of approximately 1,546.36 sq.m. (16,645 sq.ft.)	The property is currently vacant.	RMB12,370,000  (37.5% interest attributable to the Group: RMB4,638,750)

*Notes:*

- (1) Pursuant to the information provided by the Company, the Ningbo Tuozhan Real Estate Development Co., Ltd. (寧波市拓展房地產開發有限公司) (the "Ningbo Tuozhan"), a joint venture company in which the Company owns 37.5% of interest, is formed between China Fair Land (Ningbo) Limited (37.5% of shares), Geyung (Real Estates) Company Limited (37.5% of shares) and 4 individual shareholders (25% of shares) with a registered capital of RMB20,000,000. The profit sharing of Ningbo Tuozhan is in accordance to the share ratio and co-operating conditions.
- (2) Pursuant to four State-owned Land Use Rights Certificates Feng Guo Yong (2002) Zi Di No.2-8074, (2003) Zi Di No. 2-9\*034, (2006) Di 2-12086 and (2006) Di 2-12087, the land use rights of the land of Prosperous Age Garden have been granted to Ningbo Tuozhan.
- (3) We have been provided with legal opinion on the title to the property issued by the Group's legal advisers, which contains, inter alia, the following information:

Ningbo Tuozhan is established on 21 November 1989 and has obtained all necessary licences to operate with an operation period of 30 years for a scope of business of real estate development, sale of housing and after sale services and has acquired the Sales Permit for the property and is entitled to transfer the property. Upon Ningbo Tuozhan has acquire the Building Ownership Certificate of the property, Ningbo Tuozhan is entitled to lease the property to other party. There is no legal impediment for Ningbo Tuozhan to acquire the Building Ownership Certificate.

## VALUATION CERTIFICATE

## Group III – Properties held by the Group for investment purpose in the PRC

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 December 2010
19	Shop Nos. 1-15 to 1-18, 354-360 Hongtang Zhong Road, Jiangbei District, Ningbo, Zhejiang Province, PRC	<p>The property comprises 4 shop units on the 1st level in a residential/commercial composite development completed in 2004.</p> <p>The property has a total gross floor area of approximately 261.41 sq.m. (2,814 sq.ft.).</p> <p>The land use rights of the property were granted for a term expiring on 14 May 2043 for commercial services uses.</p>	The property is currently vacant.	<p>RMB1,560,000</p> <p>(37.5% interest attributable to the Group: RMB585,000)</p>

*Notes:*

- (1) Pursuant to the information provided by the Company, the Ningbo Tuozhan Real Estate Development Co., Ltd. (寧波市拓展房地產開發有限公司) (the “Ningbo Tuozhan”), a joint venture company in which the Company owns 37.5% of interest, is formed between China Fair Land (Ningbo) Limited (37.5% of shares), Geyung (Real Estates) Company Limited (37.5% of shares) and 4 individual shareholders (25% of shares) with a registered capital of RMB20,000,000. The profit sharing of Ningbo Tuozhan is in accordance to the share ratio and co-operating conditions.
- (2) Pursuant to the State-owned Land Use Rights Certificate No. Yong Bei Guo Yong (2004) Di 06231 issued by Ningbo Jiangbei District Land Administration Bureau on 16 November 2004, the land use rights of the land of the property were granted to Ningbo Tuozhan for a term expiring on 14 May 2043 for commercial services uses.
- (3) Pursuant to the Building Ownership Certificate Fang Quan Zheng Rong Bei Hong Zi Di 2004090 issued by Ningbo Real Estate Administration Bureau on 28 September 2004, the building ownership to the property is held by Ningbo Tuozhan.
- (4) We have been provided with legal opinion on the title to the property issued by the Group’s legal advisers, which contains, inter alia, the following information:

Ningbo Tuozhan is established on 21 November 1989 and has obtained all necessary licences to operate with an operation period of 30 years for a scope of business of real estate development, sale of housing and after sale services and has acquired the title certificate of the property and is entitled to transfer, mortgage, lease or dispose of the property by other means.

## VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 December 2010
20	Portion of Levels 1 and 2, Nos. 416, 416-1 and 416-2 Cuibo Road, Jiangbei District, Ningbo, Zhejiang Province, PRC	<p>The property comprises portion of Levels 1 and 2 of a 2-storey commercial podium of a residential building completed in 2004.</p> <p>The property has a total gross floor area of approximately 3,111.41 sq.m. (33,491 sq.ft.).</p> <p>The land use rights of the property were granted for a term expiring on 23 May 2033 for commercial uses.</p>	The property is subject to a lease at an annual rental of about RMB1,130,000.	RMB22,190,000  (37.5% interest attributable to the Group: RMB8,321,250)

*Notes:*

- (1) Pursuant to the information provided by the Company, the Ningbo Tuozhan Real Estate Development Co., Ltd. (寧波市拓展房地產開發有限公司) (the "Ningbo Tuozhan"), a joint venture company in which the Company owns 37.5% of interest, is formed between China Fair Land (Ningbo) Limited (37.5% of shares), Geyung (Real Estates) Company Limited (37.5% of shares) and 4 individual shareholders (25% of shares) with a registered capital of RMB20,000,000. The profit sharing of Ningbo Tuozhan is in accordance to the share ratio and co-operating conditions.
- (2) Pursuant to the State-owned Land Use Rights Certificate No. Yong Bei Guo Yong (2003) Zi No. 2460 issued by Ningbo Land Resource Bureau on 27 June 2003, the land use rights of the land of the property were granted to Ningbo Tuozhan for a term expiring on 23 May 2033 for commercial uses.
- (3) Pursuant to the Building Ownership Certificate Yong Fang Quan Zheng Zi Xin Zi No. J200201089 issued by Ningbo Real Estate Administration Bureau on 29 November 2003, the building ownership to the property is held by Ningbo Tuozhan.
- (4) We have been provided with legal opinion on the title to the property issued by the Group's legal advisers, which contains, inter alia, the following information:

Ningbo Tuozhan is established on 21 November 1989 and has obtained all necessary licences to operate with an operation period of 30 years for a scope of business of real estate development, sale of housing and after sale services and has acquired the title certificate of the property and is entitled to transfer, mortgage, lease or dispose of the property by other means.

## VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 December 2010
21	Portion of Jiangbei Zhongcheng, Changyang East Road, Jiangbei District, Ningbo, Zhejiang Province, PRC	<p>The property comprises portion of Levels 1 and 2 of a 2-storey commercial podium and an office unit on Level 9 of a 17-storey commercial building completed in 2009.</p> <p>The property has a total gross floor area of approximately 4,018.40 sq.m. (43,254 sq.ft.).</p> <p>The land use rights of the property were granted for a term expiring on 30 December 2044 for commercial services uses.</p>	<p>The property is subject to two leases. The retail portion is subject to a turnover rent whilst the office unit has an annual rental of about RMB37,500.</p>	<p>RMB59,680,000</p> <p>(33.75% interest attributable to the Group: RMB20,142,000)</p>

*Notes:*

- (1) Pursuant to the State-owned Land Use Rights Certificate No. Yong Bei Guo Yong (2005) Zi No. 02696 issued by the People's Government of Ningbo in 2005, the land use rights of the land of the property were granted to Ningbo Jiangbei Zhongcheng Real Estate Development Co., Ltd. (寧波市江北眾城房地產開發有限公司) ("Jiangbei Zhongcheng"), in which the Company has an attributable interest of 33.75%, for a term expiring on 30 December 2044 for commercial services uses.
- (2) Pursuant to three Building Ownership Certificates Yong Fang Quan Zheng Jiang Bei Zi Di Nos. 20091055187, 20091055194 and 20091055199 issued by Ningbo Real Estate Administration Bureau, the building ownership to the retail portion of the property is held by Jiangbei Zhongcheng.
- (3) We have been provided with legal opinion on the title to the property issued by the Group's legal advisers, which contains, inter alia, the following information:
  - (i) Jiangbei Zhongcheng has acquired the title certificates of the property and is entitled to use, lease, mortgage the property; and
  - (ii) Jiangbei Zhongcheng has to apply for a separate land use rights certificate for the property before transferring the property and there is no legal impediment for Jiangbei Zhongcheng to acquire the Building Ownership Certificate of the property.

## VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 December 2010
22	Unit 603, No. 9, Alley No. 49, Jinxiu Garden, Fortune Garden (Phases I and II), Zhongxin Road East, Jiangdong District, Ningbo, Zhejiang Province, PRC	Jinxiu Garden (the “development”) is a residential development completed in about 1996.  The property comprises various residential units and commercial units of the development with a total gross floor area of approximately 93.67 sq.m. (1,008 sq.ft.)  The land use rights of the property were granted for a term expiring on 1 November 2064 for residential uses.	The property is subject to a tenancy at an annual rental of about RMB8,400.	RMB1,360,000  (65.625% interest attributable to the Group: RMB892,500)

*Notes:*

- (1) Pursuant to the information provided by the Company, the Ningbo Tuozhan Real Estate Development Co., Ltd. (寧波市拓展房地產開發有限公司) (the “Ningbo Tuozhan”), a joint venture company in which the Company owns 37.5% of interest, is formed between China Fair Land (Ningbo) Limited (37.5% of shares), Geyung (Real Estates) Company Limited (37.5% of shares) and 4 individual shareholders (25% of shares) with a registered capital of RMB20,000,000. The profit sharing of Ningbo Tuozhan is in accordance to the share ratio and co-operating conditions.
- (2) Pursuant to the State-owned Land Use Rights Certificate Yong Guo Yong (93) Zi Di No.118, the land use rights of the land with site area of 170,508.90 sq.m. have been granted to Ningbo Tuozhan for a term expiring on 1 November 2064 for residential uses.
- (3) We have been provided with legal opinion on the title to the property issued by the Group’s legal advisers, which contains, inter alia, the following information:

Ningbo Tuozhan is established on 21 November 1989 and has obtained all necessary licences to operate with an operation period of 30 years for a scope of business of real estate development, sale of housing and after sale services and has acquired the Sales Permit for the property and is entitled to transfer the property. Upon Ningbo Tuozhan has acquire the Building Ownership Certificate of the property, Ningbo Tuozhan is entitled to lease the property to other party. There is no legal impediment for Ningbo Tuozhan to acquire the Building Ownership Certificate.

## VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 December 2010
23	Portion of Yaojiang Xindu Building, Hongtang Zhong Road, Jiagbei District, Ningbo, Zhejiang Province, PRC	<p>Yaojiang Xindu Building (the "development") is an office/commercial development erected on a parcel of land with a site area of approximately 12,634.00 sq.m. (135,992 sq.ft.)</p> <p>The development comprises a 14-storey office tower erected upon a 3-level commercial podium plus a 2-level car park basement completed in 2009.</p> <p>The property comprises two office units and five car parking spaces of the development with a total gross floor area of approximately 188.35 sq.m. (2,027 sq.ft.)</p> <p>The land use rights of the property were granted for a term expiring on 30 December 2044 for commercial and services industry uses.</p>	The property is subject to various tenancies with a total annual rental of about RMB39,720.	RMB1,180,000  (33.75% interest attributable to the Group: RMB398,250)

*Notes:*

- (1) Pursuant to the State-owned Land Use Rights Certificate Yong Bei Guo Yong (2005) No. 02696, the land use rights of a parcel of land with a site area of 12,634 sq.m. have been granted to Ningbo Jiangbei Zhongcheng Real Estate Development Company Limited (寧波市江北翠城房地產開發有限公司) ("Jiangbei Zhongcheng"), in which the Company has an attributable interest of 33.75%, for a term expiring on 30 December 2044 for commercial and services industry uses.
- (2) We have been provided with legal opinion on the title to the property issued by the Group's legal advisers, which contains, inter alia, the following information:
  - (i) Jiang Zhongcheng has acquired the title certificates of 4,113.74 sq.m. of the property and is entitled to use, lease, mortgage such portion of the property;
  - (ii) Jiangbei Zhongcheng has to apply for a separate land use rights certificate before transferring such portion of the property and there is no legal impediment for Jiangbei Zhongcheng to acquire the land use rights certificate; and
  - (iii) Jiangbei Zhongcheng has acquired the Sales Permit of the remaining portion of the property and is entitled to transfer such portion of the property. Upon Jiangbei Zhongcheng has acquired the Building Ownership Certificate of such portion of the property, Jaingbei Zhongcheng is entitled to lease such portion of the property to other party. There is no legal impediment for Jiangbei Zhongcheng to acquire the Building Ownership Certificate.

## VALUATION CERTIFICATE

## Group V – Properties held by the Group under development in the PRC

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 December 2010
24	Phase II of Shengshi Jiayuan, Changxing Road, Hongtang Zhong Venture Centre, Jiangbei District, Ningbo, Zhejiang Province, PRC	Shengshi Jiayuan is a residential/commercial development to be developed into two phases.  The property comprises Phase II of the development which is to be erected on a parcel of land with a site area of approximately 33,136.00 sq.m. (356,676 sq.ft.) and is scheduled to be completed in 2011.  The total planned gross floor area of the property approximately 58,983.49 sq.m. (634,898 sq.ft.).  The land use rights of the property have been granted for residential and ancillary facilities uses.	The property is currently under construction.	RMB264,000,000  (37.5% interest attributable to the Group: RMB99,000,000)

*Notes:*

- (1) Pursuant to the information provided by the Company, the Ningbo Tuozhan Real Estate Development Co., Ltd. (寧波市拓展房地產開發有限公司) (the “Ningbo Tuozhan”), a joint venture company in which the Company owns 37.5% of interest, is formed between China Fair Land (Ningbo) Limited (37.5% of shares), Geyung (Real Estates) Company Limited (37.5% of shares) and 4 individual shareholders (25% of shares) with a registered capital of RMB20,000,000. The profit sharing of Ningbo Tuozhan is in accordance to the share ratio and co-operating conditions.
- (2) Pursuant to the State-owned Land Use Rights Certificate Yong Gou Yong (2009) No. 0507480 dated 15 October 2009, the land use rights of a parcel of land with a site area of 33,136 sq.m. have been granted to Ningbo Tuozhan for residential and ancillary uses respectively.
- (3) Pursuant to the Construction Land Planning Permit (2009) Zhe Gui Di Zi No. 0201007, the land of the property with a site area of 33,136 sq.m. is permitted for construction works.
- (4) Pursuant to the Construction Works Planning Permit (2009) Zhe Gui Jian Zi No. 0201005, the construction scale of the property is 58,983.49 sq.m.
- (5) Pursuant to the Construction Works Commencement Permit No. 330203201003180201, the construction works for a total gross floor area of 58,984 sq.m. are permitted to commence.
- (6) Pursuant to the Mortgage contract Ning Bo 2010 Ren Di No. 0028, the land use rights of the property were subject to mortgage in favour of Bank of China Ningbo Branch.
- (7) As advised by the Company, the construction cost incurred and the estimated outstanding construction cost to be spent to complete the property as at 31 December 2010 were approximately RMB54,660,000 and RMB109,880,000 respectively, which have been taken into account in our valuation.
- (8) The market value of the property as if completed as at 31 December 2010 was RMB533,000,000.



- (9) We have been provided with legal opinion on the title to the property issued by the Group's legal advisers, which contains, inter alia, the following information:
- (i) Ningbo Tuozhan is established on 21 November 1989 and has obtained all necessary licences to operate with an operation period of 30 years for a scope of business of real estate development, sale of housing and after sale services;
  - (ii) Ningbo Tuozhan is entitled to transfer, lease, mortgage or dispose of the property by other means; and
  - (iii) Ningbo Tuozhan has obtained the relevant approvals and permits for the development of the property.

## VALUATION CERTIFICATE

## Group VI – Property held by the Group for future development in the PRC

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 December 2010
25	Shengshi Zhiye, Cidong Industrial Zone, Longshan Town, Cixi, Ningbo, Zhejiang Province, PRC	<p>The property comprises a parcel of land with a site area of approximately 17,514.00 sq.m. (188,521 sq.ft.).</p> <p>The property is planned to be developed into an office/ commercial development and is scheduled to be completed in 2012.</p> <p>Upon completion, the property will provide a total gross floor area of approximately 28,976.00 sq.m. (311,898 sq.ft.)</p> <p>The land use rights of the property has been granted for a term of 40 years expiring on 21 July 2045 for commercial use.</p>	The property is currently vacant.	<p>RMB40,000,000</p> <p>(26.25% interest attributable to the Group: RMB10,500,000)</p>

*Notes:*

- (1) Pursuant to the State-owned Land Use Certificate Ci Guo Yong (2006) No. 051056 dated 24 May 2006, the land use rights of a parcel of land with a site area of 17,514 sq.m. have been granted to Ningbo Shengshi Zhiye Company Limited (寧波盛世置業有限公司) (“Shengshi Zhiye”), in which the Company has an attributable interest of 26.25%, for commercial use.
- (2) Pursuant to the Construction Land Planning Permit (2009) Zhe Gui (Di) Zi No. 0220559, the land of the property with a site area of 17,514 sq.m. is permitted for construction works.
- (3) We have been provided with legal opinion on the title to the property issued by the Group’s legal advisers, which contains, inter alia, the following information:

Shengshi Zhiye has acquired the land use rights certificate of the property and is entitled to transfer, mortgage, lease or dispose the property by other means.

**RESPONSIBILITY STATEMENT**

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular 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 circular misleading.

**1. DISCLOSURE OF INTERESTS BY DIRECTORS AND CHIEF EXECUTIVE OF THE COMPANY**

As at the Latest Practicable Date, the interests or short position of the Directors and the chief executive of the Company and each of their respective associates, in the Shares, underlying Shares and debentures of the Company or any associated corporations (within the meaning of Part XV of the SFO) which are required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions in which they are deemed or taken to have under such provisions of the SFO); or (b) pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (c) pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules to be notified to the Company and the Stock Exchange, were as follows:

<b>Name of Shareholder</b>	<b>Capacity and nature of interest</b>	<b>Number of Shares held</b>	<b>Approximate percentage of the Company's issued share capital</b>
Mr. Chen Chang Wei ("Mr. Chen")	Beneficial owner and held by controlled corporation ( <i>Note 1</i> )	1,380,231,507	59.3%
Ms. Chan Sheung Ni ("Mrs. Chen")	Beneficial owner ( <i>Note 2</i> )	12,346,000	0.5%
Ms. Chen Dongxue ("Ms. Chen")	Beneficial owner ( <i>Note 3</i> )	43,774,000	1.9%

*Notes:*

- (i) As at the latest Practicable Date, Mr. Chen was deemed to be interested in 1,380,231,507 Shares, of which (1) 12,962,000 Shares were directly held by Mr. Chen; (2) 172,000,000 Shares were held in trust for him by Ever Good Luck Limited (a company incorporated in the BVI of which the entire issued share capital is beneficially owned by Mr. Chen); and (3) 1,195,269,507 Shares were beneficially owned by Ever Good Luck Limited.
- (ii) Mrs. Chen is the spouse of Mr. Chen and sister-in-law of Ms. Chen.
- (iii) Ms. Chen is the sister of Mr. Chen and sister-in-law of Mrs. Chen.

**2. DISCLOSURE OF INTERESTS BY SUBSTANTIAL SHAREHOLDERS**

So far as is known to the Directors and the chief executive of the Company, as at the Latest Practicable Date, the following persons (other than a Director or chief executive of the Company) and an interest or short position in the Shares and underlying Shares which fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who are, directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at a general meeting of any member of the Group, or held any option in respect of such capital:

Name of Shareholder	Capacity and nature of interest	Number of Shares held	Approximate percentage of the Company's issued share capital
Ever Good Luck Limited	Beneficial owner ( <i>Note 1</i> )	1,195,269,507	51.3%
New Double Good Limited	Beneficial owner ( <i>Note 2</i> )	200,000,000	8.6%
Glories Structure Limited	Beneficial owner ( <i>Note 3</i> )	170,000,000	7.3%

*Notes:*

- (i) Ever Good Luck Limited is a company incorporated in the BVI, the entire issued share capital of which is ultimately held by Mr. Chen.
- (ii) New Double Good Limited is a company incorporated in the BVI; the entire issued share capital of which is ultimately held by Mr. Lin Zheng.
- (iii) Glories Structure Limited is a company incorporated in the BVI; the entire issued share capital of which is ultimately held by Mr. Wu Huishun.

All the interests disclosed above represent long positions in the Shares.

Save as disclosed above, so far as is known to the Directors, there is no other person who had an interest or short position in the Shares and underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, had a direct or indirect interests amounting to 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group.

### **3. DIRECTORS' SERVICE CONTRACTS**

As at the Latest Practicable Date, none of the Directors nor proposed Directors had any existing or proposed service contracts with any member of the Group which will not expire or is not determinable by the Company within one year without payment of compensation (other than statutory compensation).

### **4. DIRECTORS' INTERESTS IN THE GROUP'S ASSETS OR CONTRACTS OR ARRANGEMENTS SIGNIFICANT TO THE GROUP**

As at the Latest Practicable Date, none of the Directors, directly or indirectly, had any interest in any assets which had since 31 December 2010 (being the date to which the latest published audited financial statements of the Group were made up) been acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group.

As at the Latest Practicable Date, Mr. Chen was indebted in Fujian Zhonglu Real Estate Development Co., Ltd. for an aggregate amount of approximately HK\$342.5 million with the repayment date on 31 December 2011. Saved as disclosed above, as at the Latest Practicable Date, there was no contract or arrangement subsisting in which any Director was materially interested, directly or indirectly, and which was significant in relation to the business of the Group.

## 5. COMPETING INTERESTS

Save as disclosed below, as at the Latest Practicable Date, none of the Directors and their respective associates had any interest in a business which competes or may compete with the businesses of the Group (as would be required to be disclosed under Rule 8.10 of the Listing Rules if each of them was a controlling shareholder of the Company).

<b>Entity whose business(es) may compete or are likely to compete with the business of the Group</b>	<b>Description of business of the Entity</b>	<b>Name of Director</b>	<b>Nature of interest of the Director in the Entity</b>
Hunan Zhonglu Real Estate Development Co., Ltd. (the “Entity”)	Principally engaged in the property development in Changsha City, Hunan Province, the PRC	Chen Chang Wei	100% of the equity interest of the Entity is beneficially owned by Mr. Chen Chang Wei

## 6. QUALIFICATIONS AND CONSENTS OF EXPERTS

The followings are the qualifications of the experts who have given opinion or advice which are contained in this circular:

<b>Name</b>	<b>Qualification</b>
Bridge Partners Capital Limited	A corporation licensed to carry on Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO
KPMG	Certified Public Accountants
Savills Valuation and Professional Services Limited	Independent property valuer

Each of the above experts has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and/or reference to its name or opinion in the form and context in which it appears.

As at the Latest Practicable Date, all the experts above were not beneficially interested in the share capital of any member of the Group nor did they have any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

As at the Latest Practicable Date, all the experts above did not, directly or indirectly, had any interest in any assets which had since 31 December 2010 (being the date to which the latest published audited financial statements of the Group were made up) been acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group.

## 7. MATERIAL CONTRACTS

As at the Latest Practicable Date, the following contracts (not being contracts in the ordinary course of business of the Group) had been entered into by the Group within two years immediately preceding the date of this circular which are or may be material:

- (a) The underwriting agreement dated 29 September 2010 entered into between Ever Good Luck Limited as the underwriter (the “**Underwriter**”) and the Company regarding the rights issue of the Company on the basis of one rights share for every existing Share held on the record date (the “**Rights Issue**”);
- (b) The supplementary underwriting agreement dated 9 November 2010 entered into between the Underwriter and the Company to amend certain terms of the Rights Issue; and
- (c) the Agreement.

## 8. LITIGATION

As at the Latest Practicable Date, no member of the Group was engaged in any litigation or claims of material importance known to the Directors to be pending or threatened against any member of the Group.

## 9. GENERAL

- (a) The registered address of the Company is at Canon’s Court, 22 Victoria Street, Hamilton HM12, Bermuda.
- (b) The head office and principal place of business of the Company in Hong Kong is at Unit 3401, 34/F., Tower Two Lippo Centre, 89 Queensway, Hong Kong.
- (c) The principal share registrar and transfer office of the Company is at Butterfield Fulcrum Group (Bermuda) Limited, Rosebank Centre, 4th Floor, 11 Bermudiana Road, Pembroke, HM 08 Bermuda.

- (d) The Hong Kong branch share registrar and transfer office of the Company is at Tricor Standard Limited, 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong.
- (e) The company secretary of the Company is Ms. Hui Wai Man, Shirley. Ms. Hui joined the Group in December 2000. She is responsible for the company secretarial affairs of the Group. Ms. Hui has over 20 years of professional experience in public accounting and corporate finance. She is a fellow member of The Association of Chartered Certified Accountants, Hong Kong Institute of Certified Public Accountants, The Institute of Chartered Secretaries and Administrators and The Hong Kong Institute of Chartered Secretaries. She is also a member of Hong Kong Securities Institute.
- (f) In the event of any inconsistency, the English text of this circular shall prevail over the Chinese text.

#### 10. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection during business hours at the head office and principal place of business of the Company at Unit 3401, 34/F., Tower Two Lippo Centre, 89 Queensway, Hong Kong from the date of this circular up to and including the date of the SGM:

- (a) the memorandum of association and bye-law of the Company;
- (b) the Agreement;
- (c) the written consents from the experts as referred to in the section headed "Qualifications and consents of experts" in this appendix;
- (d) the letter from the Independent Financial Adviser as set out from pages 27 to 47 of this circular;
- (e) the valuation report of the Properties as set out in Appendix IV to this circular;
- (f) the report on unaudited pro forma financial information of the Remaining Group as set out in Appendix III to this circular;
- (g) all the agreements/contracts as referred to in this circular;
- (h) the annual results announcement of the Company for the year ended 31 December 2010, the interim report of the Company for the six months ended 30 June 2010 and the annual reports of the Company for each of the two years ended 31 December 2009 and 31 December 2008; and
- (i) this circular.



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## NOTICE OF SGM

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**恆力房地產發展(集團)有限公司**  
**HENGLI PROPERTIES DEVELOPMENT (GROUP) LIMITED**

*(Incorporated in Bermuda with limited liability)*

**(Stock code: 169)**

**NOTICE IS HEREBY GIVEN THAT** the special general meeting of Hengli Properties Development (Group) Limited (the “**Company**”) will be held at Unit 3401, 34th Floor, Tower Two, Lippo Centre, 89 Queensway, Hong Kong on Wednesday, 20 April 2011 at 11:00 a.m. for the purpose of considering and, if thought fit, passing, with or without modification, the following resolutions as ordinary resolution and special resolution of the Company respectively:

### **ORDINARY RESOLUTION**

“**THAT:**

- (a) the conditional sale and purchase agreement dated 3 March 2011 (the “**Agreement**”) between China Fair Land Properties Limited (the “**Purchaser**”) and the Company, a copy of which has been signed by the chairman of SGM and for the purpose of identification marked “A”, pursuant to which, inter alia, the Company agrees to sell or procure the sale of, and the Purchaser agrees to purchase or procure the purchase of, the Sale Shares and the Sale Loans (each as defined in the Agreement) on terms and conditions as set out in the Agreement, be and is hereby generally and unconditionally approved; and
- (b) the authority to the Directors of the Company to do all such further acts and things and execute such further documents and take all such steps which in their opinion may be necessary, desirable or expedient to implement and/or give effect to the terms of the Agreement be and is hereby approved.”

### **SPECIAL RESOLUTION**

“**THAT** subject to and conditional upon the approval of the Registrar of Companies in Bermuda, the name of the Company be changed from “Hengli Properties Development (Group) Limited” to “Hengli Commercial Properties (Group) Limited” and “恆力商業地產(集團)有限公司” be adopted as secondary name of the Company to replace the existing Chinese name

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## NOTICE OF SGM

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“恆力房地產發展(集團)有限公司” and **THAT** the directors of the Company be and are hereby authorised to take such action and execute such documents as they consider necessary and expedient to effect and implement the change of name and adoption of secondary name of the Company.”

By order of the Board  
**Hengli Properties Development (Group) Limited**  
**Chen Chang Wei**  
*Chairman*

Hong Kong, 28 March 2011

*Head office and principal place of business in Hong Kong:*

Unit 3401, 34th Floor  
Tower Two, Lippo Centre  
89 Queensway, Hong Kong

*Notes:*

- (a) A member entitled to attend and vote at the SGM shall be entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy. A proxy need not be a member of the Company.
- (b) To be valid, the form of proxy together with the power of attorney or other authority, if any, under which it is signed, or a notarially certified copy thereof must be deposited at the Company's Hong Kong branch share registrar, Tricor Standard Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong not less than 48 hours before the time fixed for holding the SGM or adjournment thereof.
- (c) The Register of Members will be closed from 18 April 2011 to 20 April 2011, both days inclusive, during which period no transfer of shares will be registered. In order to be entitled to attend and vote at the SGM, all transfers accompanied by the relevant share certificates must be lodged with the Company's branch share registrar, Tricor Standard Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Friday, 15 April 2011.
- (d) As at the date hereof, the Board consists of three executive Directors, namely Mr. Chen Chang Wei, Ms. Chan Sheung Ni and Ms. Chen Dongxue, and three independent non-executive Directors, namely Ms. Lin Wen Feng, Mr. Ma Ving Lung and Mr. Yip King Keung, Pony.