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Renhe Commercial Holdings Company Limited

人和商業控股有限公司*

(於開曼群島註冊成立的有限公司)

(股份代號：1387)

海外監管公告

本海外監管公告乃根據香港聯合交易所有限公司（「聯交所」）證券上市規則（「上市規則」）第13.09(2)條刊發。謹此提述人和商業控股有限公司（「本公司」）於二零一零年四月二十八日及二零一零年五月十四日就票據發行而刊發的公告（「票據發行公告」）。除另有界定者外，本公告所用詞彙與票據發行公告所界定者具有相同涵義。請參閱隨附有關票據的發售備忘錄（「發售備忘錄」），該發售備忘錄已於二零一零年五月十九日在新加坡證券交易所有限公司網站上刊載。

在聯交所網站刊載發售備忘錄只為了便於向香港投資者進行同等的資訊傳達，並遵守上市規則第13.09(2)條的規定，此外並無任何其他目的。發售備忘錄並不構成向任何司法權區的公眾提呈出售任何證券的招股章程、通告、通函、宣傳冊或廣告，亦並非向公眾發出邀請以就認購或購買任何證券作出要約，此外亦非供傳閱以邀請公眾發出認購或購買任何證券的要約。

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承董事會命
人和商業控股有限公司
主席
戴永革

香港，二零一零年五月十九日

於本公告當日，董事會成員為：戴永革先生、張大濱先生、王宏放先生、王春蓉女士、王魯丁先生及林子敬先生為執行董事；秀麗·好肯女士、蔣梅女士、張興梅女士、何智恒先生及遲森先生為非執行董事；范仁達先生、王勝利先生及王一夫先生為獨立非執行董事。

* 僅供識別

US\$300,000,000**Renhe Commercial Holdings Company Limited***(Incorporated with limited liability under the laws of the Cayman Islands)***11.75% Senior Notes Due 2015**

Interest payable May 18 and November 18

The Notes will mature on May 18, 2015. Interest will accrue from May 18, 2010, and the first interest payment date will be November 18, 2010.

We may redeem some or all of the Notes at any time on or after May 18, 2013. At any time before May 18, 2013, we may also redeem up to 35% of the Notes using the proceeds of certain equity offerings. The redemption prices are described in this offering memorandum. In addition, at any time prior to May 18, 2013, we may redeem some or all of the Notes at a price equal to 100% of their principal amount plus accrued and unpaid interest plus a "make-whole" premium. If we sell certain of our assets, or experience specific kinds of changes in control accompanied by a rating decline, we must offer to purchase the Notes. We may redeem all of the Notes at 100% of their principal amount plus accrued and unpaid interest if at any time we or any guarantor becomes obligated to pay withholding taxes as a result of certain changes in tax law.

The Notes will be guaranteed by all of our subsidiaries organized outside the People's Republic of China, other than certain subsidiaries designated by us as non-guarantor subsidiaries representing in the aggregate no more than 15% of our total assets. The Notes will be secured by a pledge of the capital stock of all of the guarantors owned by us or our subsidiaries, other than, at our option, guarantors that are subsidiaries of certain joint venture companies. Future guarantees given by certain joint venture subsidiaries, if any, will be limited to our proportionate share of the fair value of their total assets. The Notes will rank at least equally with our unsecured indebtedness. The Notes will be junior to our other secured indebtedness as to the assets over which security is given for such other indebtedness and effectively subordinated to all liabilities of our subsidiaries that do not guarantee the Notes.

For a more detailed description of the Notes, see "Description of the Notes" beginning on page 127.

See "Risk Factors" beginning on page 11 for a discussion of certain risks that you should consider in connection with an investment in the Notes.

Issue Price 99.08% and accrued interest, if any

The Notes and the guarantees have not been, and will not be, registered under the U.S. Securities Act of 1933, or the securities laws of any other state or jurisdiction of the United States. We are offering the Notes within the United States only to qualified institutional buyers under Rule 144A and to persons outside the United States under Regulation S. We do not intend to register the Notes for an exchange offer under the U.S. Securities Act.

We have received approval in-principle for the listing of the Notes on the Singapore Exchange Securities Trading Limited ("SGX-ST"). The SGX-ST assumes no responsibility for the correctness of any of the statements made or opinions or reports contained in this offering memorandum. Admission of the Notes to the Official List of the SGX-ST is not to be taken as an indication of the merits of our company, our subsidiaries or the Notes.

We expect that delivery of the Notes will be made to investors in book-entry form through The Depository Trust Company on or about May 18, 2010.

Joint Lead Managers and Joint Bookrunners

BofA Merrill Lynch**BOC International****J.P. Morgan****UBS Investment Bank***(in alphabetical order)*

The date of this offering memorandum is May 13, 2010

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This confidential offering memorandum does not constitute an offer to sell, or a solicitation of an offer to buy, any note offered hereby by any person in any jurisdiction in which it is unlawful to make such an offer or solicitation. Neither the delivery of this offering memorandum nor any sale made hereunder shall under any circumstances imply that there has been no change in our affairs or that the information set forth in this offering memorandum is correct as of any date subsequent to the date hereof.

In connection with this offering, Merrill Lynch International, as the stabilizing manager, or any person acting for it, may purchase and sell the Notes in the open market. These transactions may, to the extent permitted by applicable laws and regulations, include short sales, stabilizing transactions and purchases to cover positions created by short sales. These activities may stabilize, maintain or otherwise affect the market price of the Notes. As a result, the price of the Notes may be higher than the price that otherwise might exist in the open market. If these activities are commenced, they may be discontinued at any time and must in any event be brought to an end after a limited time. These activities will be undertaken solely for the account of BOCI Asia Limited, J.P. Morgan Securities Ltd., Merrill Lynch International and UBS AG (the "Initial Purchasers"), and not for or on behalf of us.

You should rely only on the information contained in this offering memorandum. We have not authorized anyone to provide you with information that is different from that contained in this offering memorandum. We are offering to sell, and seeking offers to buy, the Notes only in jurisdictions where offers and sales are permitted. The information contained in this offering memorandum is accurate only as of the date of this offering memorandum, regardless of the time of delivery of this offering memorandum or any sale of the Notes. Our business, financial condition, results of operations and prospects may have changed since that date.

This offering memorandum is highly confidential and has been prepared by us solely for use in connection with the proposed offering of the Notes. We reserve the right to withdraw the offering of the Notes at any time. We and the Initial Purchasers also reserve the right to reject any offer to purchase, in whole or in part, for any reason, or to sell less than all of the Notes offered hereby. This offering memorandum is personal to the offeree to whom it has been delivered and does not constitute an offer to any other person or to the public in general to subscribe for or otherwise acquire the Notes. Distribution of this offering memorandum by you to any person other than those persons, if any, retained to advise you with respect to this offering memorandum is unauthorized, and any

disclosure of any of the contents of this offering memorandum, without our prior written consent, is prohibited. By accepting delivery of this offering memorandum, each offeree agrees to the foregoing and agrees not to make any photocopies of this offering memorandum.

You acknowledge that (i) you have been afforded an opportunity to request from us and to review, and have received, all additional information considered by you to be necessary to verify the accuracy of, or to supplement, the information contained in this offering memorandum, (ii) you have not relied on the Initial Purchasers or any person affiliated with the Initial Purchasers in connection with your investigation of the accuracy of such information or your investment decision, and (iii) no person has been authorized to give any information or to make any representation concerning us, our subsidiaries, or the Notes (other than as contained in this offering memorandum) and, if given or made, any such other information or representation should not be relied upon as having been authorized by us or the Initial Purchasers.

Laws in certain jurisdictions may restrict the distribution of this offering memorandum and the offer and sale of the Notes. Persons into whose possession this offering memorandum or any of the Notes are delivered must inform themselves about, and observe, any such restrictions. Each prospective purchaser of the Notes must comply with all applicable laws and regulations in force in any jurisdiction in which it purchases, offers or sells the Notes or possesses or distributes this offering memorandum and must obtain any consent, approval or permission required under any regulations in force in any jurisdiction to which it is subject or in which it makes such purchases, offers or sales, and neither we nor the Initial Purchasers shall have any responsibility therefor.

In making an investment decision, you must rely on your own examination of our business and the terms of the offering, including the merits and risks involved. The Notes have not been recommended by any U.S. federal or state securities commission or regulatory authority or any regulatory authority in any other jurisdiction. Furthermore, the foregoing authorities have not confirmed the accuracy or determined the adequacy of this offering memorandum. Any representation to the contrary is a criminal offense.

These securities are subject to restrictions on transferability and resale and may not be transferred or resold except as permitted under the U.S. Securities Act of 1933 and applicable state securities laws or exemption therefrom. You should be aware that you may be required to bear the financial risks of this investment for an indefinite period of time.

The Initial Purchasers and the trustee in its various capacities are not making any representation or warranty as to the accuracy or completeness of the information in this offering memorandum, and nothing contained in this offering memorandum is, or may be relied upon as, a promise or representation, whether as to the past or the future. The Initial Purchasers assume no responsibility for the accuracy or completeness of the information contained in this offering memorandum.

Neither we nor the Initial Purchasers or any of their respective representatives are making any representation to you regarding the legality of an investment in the Notes by you under applicable legal investment or similar laws. You should consult your own advisors as to legal, tax, business, financial and related aspects of the purchase of the Notes.

Notice to New Hampshire Residents

NEITHER THE FACT THAT A REGISTRATION STATEMENT, OR AN APPLICATION FOR A LICENSE HAS BEEN FILED UNDER CHAPTER 421-B WITH THE STATE OF NEW HAMPSHIRE NOR THE FACT THAT A SECURITY IS EFFECTIVELY REGISTERED OR A PERSON IS LICENSED IN THE STATE OF NEW HAMPSHIRE CONSTITUTES A FINDING BY THE SECRETARY OF STATE OF NEW HAMPSHIRE THAT ANY DOCUMENT FILED UNDER RSA 421-B IS TRUE, COMPLETE AND NOT MISLEADING. NEITHER ANY SUCH FACT NOR THE FACT THAT AN EXEMPTION OR EXCEPTION IS AVAILABLE FOR A SECURITY OR A TRANSACTION MEANS THAT THE SECRETARY OF STATE HAS PASSED IN ANY WAY UPON THE MERITS OR QUALIFICATIONS OF, OR RECOMMENDED OR GIVEN APPROVAL TO, ANY PERSON, SECURITY OR TRANSACTION. IT IS UNLAWFUL TO MAKE, OR CAUSE TO BE MADE, TO ANY PROSPECTIVE PURCHASER, CUSTOMER, OR CLIENT ANY REPRESENTATION INCONSISTENT WITH THE PROVISIONS OF THIS PARAGRAPH.

Certain Conventions and Currency Presentation

Market data and certain industry forecasts and statistics in this offering memorandum have been obtained from both public and private sources, including market research, publicly available information and industry publications. Although we believe this information to be reliable, it has not been independently verified by us or the Initial Purchasers or our or their respective directors or advisors, and neither us, the Initial Purchasers nor our or their respective directors or advisors make any representation as to the accuracy or completeness of that information. In addition, third party information providers may have obtained information from market participants and such information may not have been independently verified. This offering memorandum summarizes certain documents and other information, and investors should refer to them for a more complete understanding of what is discussed in those documents. In making an investment decision, each investor must rely on its own examination of us and the terms of the offerings and the shares and Notes, including the merits and risks involved.

The statistics set forth in this offering memorandum relating to the PRC and the property industry in the PRC were taken or derived from various government and private publications. The Initial Purchasers do not make any representation as to the accuracy of such statistics, which may not be consistent with other information compiled within or outside the PRC. Due to possibly inconsistent collection methods and other problems, the statistics herein may be inaccurate and should not be unduly relied upon.

In this offering memorandum, references to "China" or the "PRC" are to the People's Republic of China, excluding Hong Kong, Macau and Taiwan; references to "HK\$" or "Hong Kong dollars" are to the lawful currency of Hong Kong; references to "US\$" or "U.S. dollars" are to the lawful currency of the United States; references to "S\$" are to the lawful currency of the Republic of Singapore and references to "RMB" or "Renminbi" are to the lawful currency of China. We record and publish our financial statements in Renminbi. Solely for your convenience, certain Renminbi amounts in this offering memorandum have been converted into U.S. dollars and certain U.S. dollar amounts have been converted into Renminbi, based on the exchange rate of RMB6.8259 to US\$1.00, which was the noon buying rate in New York City for cable transfers payable in Renmibi as certified for customs purposes by the Federal Reserve Bank of New York on December 31, 2009. All such translations in this offering memorandum are provided solely for your convenience and no representation is made that the Renminbi amounts referred to herein have been, could have been or could be converted into U.S. dollars or H.K. dollars, or vice versa, at any particular rate or at all. For further information relating to the exchange rates, see "Exchange Rate Information."

In this offering memorandum, the terms "we," "us," "our" and "Renhe" refer to Renhe Commercial Holdings Company Limited and its subsidiaries, unless the context otherwise requires.

Unless the context otherwise requires, each phase of a property development project referred to in this offering memorandum is considered as a separate property development.

Any discrepancies in the tables between the listed amounts and their totals are due to rounding.

Forward-Looking Statements

This offering memorandum includes “forward-looking statements.” Certain statements in this offering memorandum, including, without limitation, those regarding our future financial position and results of operations, strategy, plans, objectives, goals and targets, future developments in the markets where we participate or are seeking to participate, and any statements that include the words “believe,” “expect,” “aim,” “intend,” “will,” “may,” “anticipate,” “seek,” “should,” “estimate” or similar expressions, are forward-looking statements. These forward-looking statements relate to events that are subject to known and unknown risks, uncertainties and other factors, some of which are beyond our control, which may cause our actual results, performance or achievements, or industry results to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. These forward-looking statements are based on numerous assumptions regarding our present and future business strategies and the environment in which we will operate in the future. Important factors that could cause our actual results, performance or achievements to differ materially from those in the forward-looking statements include, among others, the following:

- our business and operating strategies and our ability to implement such strategies;
- our capital expenditure and project development plans;
- our ability to further develop and manage our projects as planned;
- our operations and business prospects;
- various business opportunities that we may pursue;
- our financial condition;
- the availability and costs of bank loans and other forms of financing;
- our dividend policy;
- our projects under construction or planning;
- the regulatory environment of our industry in general;
- the performance and future developments of the underground shopping center market in Heilongjiang Province, Guangdong Province and Liaoning Province and other areas of the PRC where we may engage in project development;
- the underground shopping center market outlook in general;
- changes in political, economic, legal and social conditions in the PRC, including the specific policies of the PRC government and the local authorities in the regions where we operate, which affect availability and cost of financing, leasing, transferring of operation rights, pricing and volume of our projects development;
- changes in competitive conditions and our ability to compete under these conditions;
- the performance of the obligations and undertakings of the independent contractors under various construction, building, interior decoration and installation contracts;
- changes in currency exchange rates;

- significant delay in obtaining the necessary government permits or approvals for our projects; and
- other factors beyond our control.

Additional factors that could cause actual results, performance or achievements to differ materially include, but are not limited to, those discussed under “Risk Factors” and elsewhere in this offering memorandum. We caution you not to place undue reliance on these forward-looking statements which reflect our management’s view only as of the date of this offering memorandum. We undertake no obligation to update, revise or publicly announce any forward-looking statements, whether as a result of new information, future events or otherwise. In light of these risks, uncertainties and assumptions, the forward-looking events discussed in this offering memorandum might not occur.

Available Information

To permit compliance with Rule 144A under the Securities Act in connection with resales of the Notes, we are required to furnish upon request of a holder of Notes and a prospective purchaser designated by such holder the information required to be delivered under Rule 144A(d)(4) if at the time of such request we are neither a reporting company under Section 13 or Section 15(d) of the United States Securities Exchange Act of 1934, as amended, nor exempt from reporting pursuant to Rule 12g3-2(b) thereunder.

Enforceability of Civil Liabilities

We are an exempted company incorporated in the Cayman Islands with limited liability, and each Subsidiary Guarantor is also incorporated outside the United States. The Cayman Islands has a different body of securities laws from the United States and protections for investors may differ.

All of our assets and assets of the guarantors are located outside the United States. In addition, all of our directors and officers and the guarantors’ directors and officers are nationals or residents of countries other than the United States (principally in the PRC), and all or a substantial portion of such persons’ assets are located outside the United States. As a result, it may be difficult for investors to effect service of process within the United States upon us, any of the guarantors or such persons or to enforce against us or any of the guarantors or such persons judgments obtained in United States courts, including judgments predicated upon the civil liability provisions of the securities laws of the United States or any state thereof.

We and each of the guarantors expect to appoint Corporation Service Company as our and their respective agent to receive service of process with respect to any action brought against us or the guarantors in the United States federal courts located in the Borough of Manhattan, The City of New York under the federal securities laws of the United States or of any state of the United States or any action brought against us or the guarantors in the courts of the State of New York in the Borough of Manhattan, The City of New York under the securities laws of the State of New York.

Conyers Dill & Pearman, our counsel as to Cayman Islands laws, has advised us that the courts of the Cayman Islands would recognize as a valid judgment, a final and conclusive judgment in personam obtained in the federal or state courts in the United States under which a sum of money is payable (other than a sum of money payable in respect of multiple damages, taxes or other charges of a like nature or in respect of a fine or other penalty) and would give a judgment based thereon provided that: (a) such courts had proper jurisdiction over the parties subject to such judgment; (b) such courts did not contravene the rules of natural justice of the Cayman Islands; (c) such judgment was not obtained by fraud; (d) the enforcement of the judgment would not be contrary to the public policy of the Cayman Islands; (e) no new admissible evidence relevant to the action is submitted prior to the rendering of the judgment by the courts of the Cayman Islands; and (f) there is due compliance with the correct procedures under the laws of the Cayman Islands.

Further, we have been advised by our PRC legal counsel, Jingtian & Gongcheng Attorneys at Law (“Jingtian”), that there is uncertainty as to whether the courts of the PRC would (i) enforce judgments of the U.S. courts obtained against us or our directors and officers predicated upon the civil liability provisions of the federal securities laws of the United States or the securities laws of any state or territory within the United States or (ii) entertain original actions brought in the courts of the PRC, against us or our directors and officers predicated upon the federal securities laws of the United States or the securities laws of any state or territory within the United States.

Hong Kong has no arrangement for the reciprocal enforcement of judgments with the United States. However, under Hong Kong common law, a foreign judgment (including one from a court in the United States predicated upon U.S. federal or state securities laws) subject to the qualifications set out below may be enforced in Hong Kong by bringing an action in a Hong Kong court, and then seeking summary judgment on the strength of the foreign judgment, provided that the foreign judgment is for a debt or definite sum of money (not being taxes or similar charges to a foreign government taxing authority or a fine or other penalty) and is final and conclusive on the merits.

However, the Hong Kong courts may refuse to recognize or enforce a foreign judgment if such judgment: (a) was obtained by fraud; (b) was rendered by a foreign court that lacked the appropriate jurisdiction at the time (as determined by Hong Kong jurisdictional rules); (c) is contrary to public policy or natural justice; (d) is for multiple damages; (e) is based on foreign penal, revenue or other public law; (f) falls within section 3(1) of the Foreign Judgments (Restrictions on Recognition and Enforcement) Ordinance (Cap. 46); or (g) is inconsistent with a prior Hong Kong judgment or foreign judgment which is entitled to recognition in Hong Kong.

Presentation of Financial Information

Our financial statements are prepared in accordance with International Financial Reporting Standards (“IFRSs”).

Summary

The following summary highlights information contained elsewhere in this offering memorandum. Because this is only a summary, it does not contain all of the information that you should consider before deciding to invest in the Notes. You should read the entire offering memorandum carefully, including the "Risk Factors" section and our consolidated financial statements and related notes.

Overview

We are a PRC-based underground shopping center operator and developer that focuses on the operation and development of stand-alone underground shopping centers for wholesale and retail sales of apparel and accessories in China. Competition among various types of shopping centers in China, whether underground or above the ground, is intense. However, by building civil air defense shelters and using them as underground shopping centers during peace time, we believe that we have a distinctive and advantageous business model that has contributed to our position as one of the major apparel and accessories wholesale centers in the cities where our underground shopping centers are located: we are not subject to many of the laws, regulations, taxes and policies that apply to the real property industry in China and are not subject to land use rights premiums and land appreciation tax under PRC laws and regulations, which enables us to develop our projects at competitive costs. By building our shopping centers underground, we gain access to prime commercial areas in the cities in which we operate where the land supply above-ground is limited. We engage in market analysis, site selection, project planning and supervision, leasing and transfer of operation rights of shop units, and provide shopping center management services.

We currently operate four underground shopping centers in Harbin, Heilongjiang Province, three of which are interconnected, one in Guangzhou, Guangdong Province, and one in Shenyang, Liaoning Province, with an aggregate gross floor area ("GFA") of approximately 238,618 sq.m., and are providing management services for one underground shopping center in Zhengzhou, Henan Province, with an aggregate GFA of approximately 94,180 sq.m. We have 27 other projects in Daqing and Harbin, Heilongjiang Province, Dalian and Anshan, Liaoning Province, Weifang and Qingdao, Shandong Province, Wuhan, Hubei Province, Handan, Hebei Province, Putian, Fujian Province, Chengdu, Sichuan Province, Ganzhou and Nanchang, Jiangxi Province, Luoyang and Zhengzhou, Henan Province, Kunming, Yunnan Province, Shenzhen and Guangzhou, Guangdong Province, Wuhu, Anhui Province, Chongqing and Tianjin, with an aggregate approved GFA of approximately 3,635,660 sq.m. We have obtained approvals for the projects (項目建議書批覆) for our projects from the competent PRC authorities. All of our projects have easy access to transportation hubs such as subway stations, railway stations, city bus stops and inter-city bus terminals.

We opened our first underground shopping center in Harbin in June 1992 with a GFA of approximately 15,920 sq.m. With an initial business focus on Harbin, we have three additional underground shopping centers in that city with a GFA of approximately 26,829 sq.m., 21,015 sq.m. and 16,800 sq.m., which officially opened for business in 2001, 2004 and 2008, respectively. Leveraging our business and operating experience as well as our success in Harbin, we began expanding to other cities in China in 2005: we opened one underground shopping center in Guangzhou in January 2007 with a GFA of approximately 47,554 sq.m., one in Zhengzhou in December 2008 with a GFA of approximately 94,180 sq.m. and one in Shenyang in September 2009 with a GFA of approximately 110,500 sq.m. Over the past 18 years, we have accumulated extensive experience in operating and developing underground shopping centers in China, developed a sizeable customer base of tenants and gained significant knowledge of the wholesale and retail markets for apparel and accessories in China. We believe these advantages will help us replicate our business in other cities in China.

We focus on the operation of underground shopping centers we have developed or acquired. Following the completion of development or the acquisition, we operate our underground shopping centers by leasing the majority of the shop units to generate recurring rental income. In an effort to enhance liquidity and optimize the use of our capital resources, we also transfer the operation rights of a portion of our shop units to quickly recover the construction costs and fund future project

developments. Jingtian, our PRC legal advisor, is of the opinion that under the Civil Air Defense Law of the PRC and the certificates from local civil air defense offices, such a transfer of operation rights is valid, within the scope of business of our relevant subsidiaries as permitted by law and as approved by the authorities, and not subject to any other government approvals or filings. For the years ended December 31, 2007, 2008 and 2009, the revenue generated from the transfer of operation rights represented 51.8%, 94.0%, and 96.9% of our total revenue for the same periods, respectively.

We may also use alternative methods to transfer the operation rights of the shop units in our projects, such as through the disposal of the equity interests in an offshore entity which holds, directly or indirectly, underground shop units in any single project. In 2009, we disposed of our entire interest in our subsidiary holding Phase I of Zhengzhou Project to First Achieve Holdings Limited, an independent third party, for a total consideration of HK\$2,765.4 million and recorded a net gain from disposal of subsidiaries in the amount of RMB1,906.8 million in 2009, which contributed a significant portion of our profit for that year.

With the growing number of our underground shopping centers encompassing larger areas of shop units for lease, we aim to gradually balance the income stream comprising lease income and income from the transfer of operation rights to optimize our profitability. From the long-term perspective, we expect that lease income will eventually constitute an important component of our income. We provide comprehensive management services to all shop units to attract more shoppers to our underground shopping centers and help our tenants increase their sales revenue. Starting from 2006, we adopted “The First Tunnel” (“地一大道”) as the name for our underground shopping center in Guangzhou and for those developed thereafter in Zhengzhou and Shenyang. To solidify and strengthen our brand recognition, we plan to use “The First Tunnel” (“地一大道”) as the brand name for all of our future underground shopping centers, as well as those in Harbin, which are currently named “Renhe Shop” or “Renhe Spring.”

All of our completed underground shopping centers were designed and constructed as underground civil air defense shelters in accordance with the standards set by and pursuant to the approvals of the National Civil Air Defense Office and its local offices. Under the “Civil Air Defense Law of the PRC” and the relevant regulations thereunder, the PRC government supports privately-owned and foreign-invested companies that invest in the development of civil air defense shelters, which, during peacetime, may be used and managed by and for the benefit of the investors. For building civil air defense shelters, which government authorities in China have the right to temporarily take over for use as civilian shelters during times of war, we are entitled to use, operate, manage and profit from the facilities we develop or acquire, including leasing or transferring operation rights of shop units in these facilities, and are not required to pay consideration to the government for such rights. Though current PRC laws and regulations do not define “times of war” for the purpose of civil air defense shelters, Jingtian, our PRC legal advisor, advised us that the term “times of war” as defined in the Criminal Law of the People’s Republic of China may be used as a reference for such purpose. That law defines “times of war” as times when the PRC government declares a state of war, when the armed forces receive instructions to execute tasks, when any enemy launches a surprise attack or when the armed forces execute tasks under martial law or cope with emergencies of violence. Our underground shopping centers, like other properties in China, might also be taken over by the government authorities in case of emergencies as provided under *the Emergency Response of the PRC* and *the Martial Law of the PRC*. If any of our lease or transfer of operation rights agreements is terminated as a result of the taking over of the facilities by the PRC government and the shop units are returned to us upon our request for the remainder of the lease terms or operational rights terms, according to the contract terms, we would be required to refund our tenants or transferees the unused portion of the advance lease payments or the transfer price for the remaining term, as the case may be, and such events would materially and adversely affect our business, financial condition and results of operations. See “Risk Factors – Legal and Regulatory Risks Relating to Our Industry – The government in China has the right to take over our underground projects during times of war.” Because the development of underground civil air defense shelters for commercial use is not categorized as real estate property development under current PRC laws and regulations, we are not subject to many of the laws, regulations, taxes and policies that apply to the real property industry in China for development of underground air defense shelter projects. See “Regulations – Special Requirements Applicable To Real Estate Developers.”

For the years ended December 31, 2007, 2008 and 2009, our revenue was RMB366.5 million, RMB3,050.3 million and RMB4,162.9 million (US\$609.9 million), respectively, and our profit for the year, during the same periods, was RMB266.7 million, RMB1,903.0 million and RMB4,037.6 million (US\$591.5 million), respectively.

Competitive Strengths

We believe we have the following competitive strengths:

- Distinctive shopping centers in prime commercial areas with one of the largest and geographically diversified underground shopping center portfolio in China;
- Competitive development costs;
- Robust liquidity position and strong credit profile;
- Market leader in underground shopping center development;
- Comprehensive shopping center management services;
- Established business model which has been successfully replicated in the markets we operate; and
- Experienced management team.

See the section entitled “Business – Our Competitive Strengths” for a detailed description of these strengths.

Business Strategies

Our key business strategies are:

- Expand our business and enlarge a national underground shopping center operation network;
- Maintain prudent financial management policies;
- Optimize leasing terms and diversify the business of our underground shopping centers;
- Strategically promote “The First Tunnel” (“地一大道”) brand;
- Further improve our management systems and expand our potential tenant pool; and
- Continue to hold the majority of our underground shop units for lease and enhance rental income.

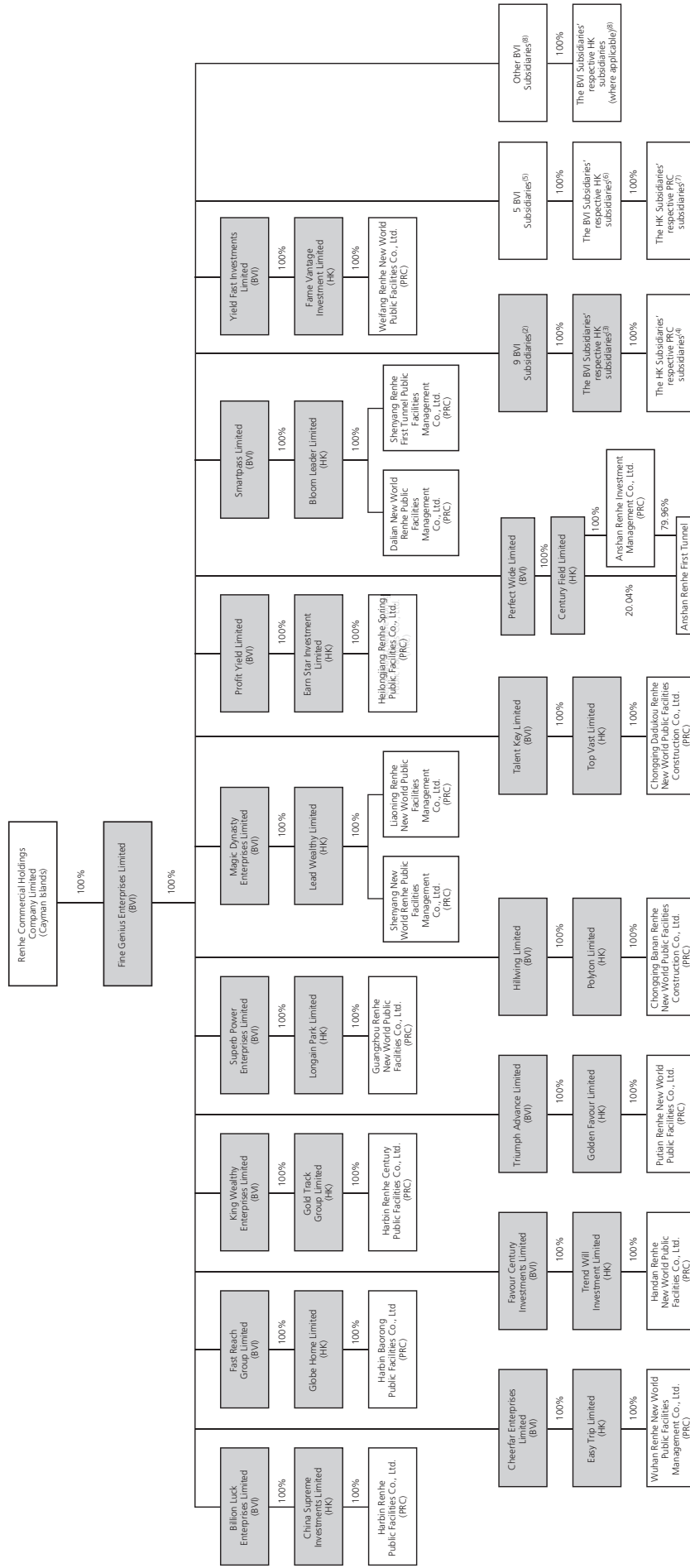
See the section entitled “Business – Our Strategies” for a detailed description of these strategies.

Corporate Information

We were incorporated in the Cayman Islands on November 20, 2007 as an exempted company with limited liability, with registered number 199608. Our principal place of business in the PRC is at No. 23 Mei Shun Street, Nangang District, Harbin, Heilongjiang, 150001, PRC. Our place of business in Hong Kong is at Suites 603-606, One International Finance Center, 1 Harbour View Street, Hong Kong. Our registered office is located at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111 Cayman Islands. Our website is www.renhebusiness.com. Information contained on our website does not constitute part of this offering memorandum.

Corporate Structure

The following diagram illustrates, in simplified form, our current corporate structure⁽¹⁾.



(1) Subsidiaries shaded in grey will guarantee the Notes.

(2) Comprises Bright Smart Holdings Limited, Easy Cheer Enterprises Limited, Joyous Rise Enterprises Limited, Brilliant China Enterprises Limited, Multijoint Limited, Glossy Star Limited, Morejoy Limited, Talent Plus Investments Limited and Sunlight Ocean Limited.

(3) Comprises Best Record Investments Limited, Great Peaceful Limited, Upper Choice Investments Limited, Join Gain Group Limited, Loyal Champ Investment Limited, New Access Limited, Star Trinity Limited, Citi Famous Investment Limited and Queen Glory Limited.

(4) Comprises Tianjin Renhe New World Public Facilities Co., Ltd., Shenzhen Renhe New World Public Facilities Co., Ltd., Chengdu Renhe New World Public Facilities Co., Ltd., Nanchang Renhe New World Public Facilities Co., Ltd., Luoyang Renhe New World Public Facilities Co., Ltd., Kunming Renhe New World Public Facilities Co., Ltd., Chongqing Renhe Investment Co., Ltd., Xi'an Renhe New World Public Facilities Co., Ltd. and Fushun Renhe First Tunnel Public Facilities Management Co., Ltd.

(5) Comprises Proper Way Enterprises Limited, Jolly Ace Limited, Firm Power Limited, Willase Limited and Bright Delicate Limited.

(6) Comprises Total Nice Investments Limited, Vision Orient Limited, Gold Spirit Limited, Asian Leader Investments Limited and Aqua Global Limited.

(7) Comprises Harbin New World Renhe Public Facilities Co., Ltd., Ganzhou Renhe New World Public Facilities Construction Co., Ltd., and Xi'an Renhe Property Co., Ltd.

(8) Include over 100 British Virgin Islands and Hong Kong subsidiaries that are established for the future development of our projects in the PRC. Each of them is a holding company and does not own any substantial assets as of the date of this offering memorandum.

The Offering

The following summary of the offering contains basic information about the Notes, the guarantees and the security for the Notes and the guarantees. It is not intended to be complete and it is subject to important limitations and exceptions. For a more complete understanding of the Notes, the guarantees and the security, including certain definitions of terms used in this summary, see "Description of the Notes."

Issuer	Renhe Commercial Holdings Company Limited.
Notes Offered.....	11.75% Senior Notes due 2015.
Maturity Date.....	May 18, 2015.
Interest Payment Dates	Semi-annually in arrears on each May 18 and November 18, commencing November 18, 2010. Interest will accrue from the issue date of the Notes.
Ranking of the Notes.....	<p>The Notes will be our general obligations and:</p> <ul style="list-style-type: none">• will rank at least equal in right of payment with all of our unsecured borrowings;• will be senior in right of payment to any of our future subordinated indebtedness, if any;• will be unconditionally guaranteed by the guarantors; and• will be effectively subordinated to any existing and future indebtedness of our subsidiaries that do not guarantee the Notes.
Guarantees	<p>Our obligations under the Notes and the indenture will be guaranteed by all of our subsidiaries that are incorporated or organized outside the PRC, other than certain subsidiaries designated by us as non-guarantor offshore subsidiaries representing in the aggregate no more than 15% of our total assets. The non-guarantor offshore subsidiaries that will be designated on the issue date of the Notes did not generate any revenue in the year ended December 31, 2009 and the aggregate amount of their total assets represented approximately 11% of our consolidated total assets as of December 31, 2009. On the date of the issue of the Notes, all of our intermediate holding companies incorporated outside the PRC that, directly or indirectly, own capital stock in our PRC subsidiaries (other than Proper Way Enterprises Limited, Jolly Ace Limited, Firm Power Limited, Willease Limited, Bright Delicate Limited, Total Nice Investments Limited, Vision Orient Limited, Gold Spirit Limited, Asian Leader Investments Limited and Aqua Global Limited, which do not yet have material operations) will guarantee the Notes.</p>
Ranking of the Guarantees	<p>The guarantee of each guarantor will be a general obligation of such guarantor and:</p> <ul style="list-style-type: none">• will rank at least equal in right of payment with all unsecured borrowings of such guarantor;

- will be senior in right of payment to such guarantor's future subordinated indebtedness, if any; and
- will be effectively subordinated to any existing and future indebtedness of such guarantor that is secured by liens that do not secure such guarantee, to the extent of the property and assets securing such indebtedness.

In the future, our joint venture subsidiaries (including, at our option, their subsidiaries) incorporated outside the PRC, may guarantee the Notes subject to a limitation in the amount representing our proportionate share of the fair market values of their total assets.

Security..... The Notes and the guarantees will be secured, equally and ratably with all obligations of the issuer and the guarantors under certain future permitted indebtedness, by a first priority pledge of all the shares in the guarantors (other than guarantors that are subsidiaries of joint venture companies). See "Description of the Notes – Security."

Optional Redemption..... We may redeem all or part of the Notes on or after May 18, 2013 at the redemption prices as described under "Description of the Notes – Optional Redemption." Prior to May 18, 2013, we may redeem all or part of the Notes by paying a "make whole" premium as described under "Description of the Notes – Optional Redemption."

Prior to May 18, 2013, we may on one or more occasions use the net proceeds of specified equity offerings to redeem up to 35% of the principal amount of Notes at a redemption price equal to 111.75% of the principal amount of the Notes, plus accrued and unpaid interest, if any, up to the redemption date, provided that at least 65% of the original principal amount of the Notes remains outstanding after the redemption.

Additional Amounts; Redemption for Changes in Taxes All payments in respect of the Notes or with respect to any guarantee will be made without withholding or deduction for any taxes or other governmental charges, except to the extent required by law. If withholding or deduction is required by law, subject to certain exceptions, we, or the relevant guarantor, as applicable, will pay additional amounts so that the net amount received by a holder is no less than the amount that it would have received in the absence of such withholding or deduction. See "Description of the Notes – Additional Amounts." We may redeem the Notes in whole, but not in part, at any time, upon giving prior notice, if as a result of certain changes in tax law we, or any guarantor, are required to pay additional amounts with respect to the Notes. If we decide to exercise such redemption right, we must pay you a price equal to the principal amount of the Notes plus interest and additional amounts, if any, to the date of redemption. See "Description of the Notes – Redemption for Changes in Taxes."

Change of Control If we experience both a change of control and an accompanied rating decline (each as defined in the indenture), we will be required to offer to repurchase the Notes at 101% of their principal amount plus accrued interest to the date of such repurchase. See "Description of the Notes – Repurchase at the Option of Holders – Change of Control."

Certain Covenants..... We will issue the Notes under the indenture. The indenture will partially limit, among other things, our ability and the ability of our restricted subsidiaries to:

- incur or guarantee additional indebtedness and issue certain preferred stock;
- pay dividends, redeem capital stock and make certain investments;
- make certain other restricted payments;
- create or permit to exist certain liens;
- impose restrictions on the ability of our subsidiaries to pay dividends or make other payments to us;
- transfer, lease or sell certain assets including subsidiary stock;
- merge or consolidate with other entities;
- enter into certain transactions with affiliates; and
- enter into unrelated businesses.

Each of these covenants is subject to a number of significant exceptions and qualifications, including a suspension of the covenants if and when the Notes are publicly rated investment grade by two rating agencies until such time any rating agency reduces its public rating of the Notes from investment grade to below investment grade. See "Description of the Notes – Certain Covenants" and the related definitions.

Notice to Investors..... The Notes and the guarantees have not been, and will not be, registered under the U.S. Securities Act or the securities laws of any other jurisdiction. The Notes are subject to restrictions on transfer and may only be offered or sold in transactions that are exempt from or not subject to the registration requirements of the U.S. Securities Act. See "Notice to Investors" and "Plan of Distribution."

Absence of a Public Market for the Notes..... The Notes will be new securities for which there is currently no market. Although the Initial Purchasers have informed us that they intend to make a market in the Notes, they are not obligated to do so and they may discontinue market making at any time without notice. Accordingly, we cannot assure you that a liquid market for the Notes will develop or be maintained.

Listing We have received approval in-principle for the listing of the Notes on the SGX-ST. The Notes will be traded on the SGX-ST in a minimum board lot size of US\$200,000 for so long as the Notes are listed on the SGX-ST.

Ratings..... The Notes have been rated “BB” by S&P and “Ba2” by Moody’s. A rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the assigning rating agency.

Security Codes	Notes sold under Rule 144A	Notes sold under Regulation S
CUSIP	75972C AA7	G75004 AA2
ISIN	US75972C AA71	USG75004 AA24
Common Code	050710432	050710467

Trustee..... The Bank of New York Mellon

Registrar, Transfer Agent and
Principal Paying Agent..... The Bank of New York Mellon

Collateral Agent..... The Bank of New York Mellon or its affiliates

Use of Proceeds..... We intend to use the proceeds of the offering of the Notes:

- to finance existing projects;
- to acquire and develop new projects; and
- for working capital requirements.

Governing Law of the Indenture,
Notes and Guarantees..... The State of New York

Governing Law of the Share
Pledges..... Hong Kong

Risk Factors Please see the “Risk Factors” section for a description of certain of the risks you should carefully consider before investing in the Notes.

Summary Consolidated Financial Information

The following summary consolidated income statement data for the years ended December 31, 2008 and 2009 and summary consolidated balance sheet data as of December 31, 2008 and 2009 have been derived from our audited consolidated financial statements included elsewhere in this offering memorandum. The following summary consolidated income statement data for the year ended December 31, 2007 and summary consolidated balance sheet data as of December 31, 2007 have been derived from the financial information in our Accountants' Report included elsewhere in this offering memorandum. You should read the summary consolidated financial data in conjunction with those financial statements and the related notes and "Management's Discussion and Analysis of Financial Condition and Results of Operations." We have prepared our consolidated financial statements in accordance with IFRSs.

	Year Ended December 31,			
	2007	2008	2009	
	RMB	RMB	RMB	US\$
	(in thousands)			
Consolidated income statement data				
Revenue	366,495	3,050,281	4,162,943	609,875
Cost of sales	(81,138)	(530,196)	(1,059,117)	(155,162)
Gross profit	285,357	2,520,085	3,103,826	454,713
Other income	54,237	61,827	1,965,772	287,987
Administrative expenses	(12,892)	(108,888)	(253,442)	(37,129)
Other operating expenses	(34,032)	(73,578)	(144,869)	(21,224)
Profit from operations	292,670	2,399,446	4,671,287	684,347
Finance income	3,131	19,046	11,858	1,737
Finance expenses	(17,835)	(12,534)	(4,643)	(680)
Net finance (expenses)/income	(14,704)	6,512	7,215	1,057
Profit before income tax	277,966	2,405,958	4,678,502	685,404
Income tax	(11,291)	(502,940)	(640,934)	(93,897)
Profit for the year	<u>266,675</u>	<u>1,903,018</u>	<u>4,037,568</u>	<u>591,507</u>
Other data				
EBITDA ⁽¹⁾	332,120	2,434,240	4,736,988	693,973
EBITDA margin ⁽²⁾	90.6%	79.8%	113.8%	113.8%

(1) EBITDA for any period consists of profit from operations plus depreciation and amortization expenses. Our EBITDA includes the gains from disposal of our subsidiaries. As part of our ordinary business operations, we from time to time seek to sell all or some of the interests in our subsidiaries which will result in gains or losses recorded in other income. EBITDA is not a standard measure under IFRSs. EBITDA is a widely used financial indicator of a company's ability to service and incur debt. EBITDA should not be considered in isolation or construed as an alternative to cash flows, net income or any other measure of financial performance or as an indicator of our operating performance, liquidity, profitability or cash flows generated by operating, investing or financing activities. In evaluating EBITDA, we believe that investors should consider, among other things, the components of EBITDA such as administrative and other operating expenses and the amount by which EBITDA exceeds capital expenditures and other charges. We have included EBITDA because we believe it is a useful supplement to cash flow data as a measure of our performance and our ability to generate cash flow from operations to cover debt service and taxes. Investors should not compare our EBITDA to EBITDA presented by other companies because not all companies use the same definition. Investors should also note that EBITDA as presented herein may be calculated differently from Consolidated EBITDA as defined and used in the indenture governing the Notes. Interest expense excludes amounts capitalized. See the section entitled "Description of the Notes – Certain Definitions" for a description of the manner in which Consolidated EBITDA is defined for purposes of the indenture governing the Notes.

(2) EBITDA margin refers to EBITDA divided by revenue for the relevant year, expressed as a percentage.

The following table reconciles our profit from operations under IFRSs to our EBITDA for the periods indicated.

	Year Ended December 31,			
	2007	2008	2009	
	RMB	RMB	RMB	US\$
	(in thousands)			
Profit from operations	292,670	2,399,446	4,671,287	684,347
Depreciation.....	38,193	33,764	65,294	9,566
Amortization.....	1,257	1,030	407	60
EBITDA	332,120	2,434,240	4,736,988	693,973

	As of December 31,			
	2007	2008	2009	
	RMB	RMB	RMB	US\$
	(in thousands)			

Consolidated balance sheet data:

Non-current assets:

Property and equipment.....	35,231	358,025	252,671	37,017
Investment properties.....	455,187	934,667	2,100,956	307,792
Land use rights	48,389	16,951	8,119	1,189
Other assets.....	156,487	517,851	778,039	113,983
Total non-current assets	695,294	1,827,494	3,139,785	459,981

Current assets:

Inventories	–	129,000	121,265	17,765
Trade and other receivables	447,197	2,153,089	5,440,822	797,085
Cash at bank and on hand.....	1,517,447	3,233,578	4,904,426	718,503
Total current assets	1,964,644	5,515,667	10,466,513	1,533,353

Current liabilities:

Bank loans.....	19,184	–	–	–
Trade and other payables	723,684	531,294	1,126,637	165,053
Taxation	13,443	371,789	383,132	56,129
Total current liabilities	756,311	903,083	1,509,769	221,182

Non-current liabilities:

Other payables.....	12,013	1,668	–	–
Deferred tax liabilities.....	–	74,741	30,000	4,395
Total non-current liabilities	12,013	76,409	30,000	4,395

Capitals and reserves:

Share capital	17	176,253	193,884	28,404
Reserves.....	1,891,597	6,187,416	11,872,645	1,739,353
Total equity attributable to the equity shareholders of the Company	1,891,614	6,363,669	12,066,529	1,767,757

Risk Factors

You should carefully consider the following risk factors, together with all other information contained in this offering memorandum, before investing in the Notes. The development of underground civil air defense shelters for commercial use is subject to PRC laws and regulations that affect our business operations and prospects. See “– Legal and Regulatory Risks Relating to Our Industry.” If any of the events described below occurs, our business, financial condition or results of operations could be materially and adversely affected.

Risks Relating to Our Business

Our strategy of expanding into new geographical areas may not succeed.

As part of our growth strategy, we plan to expand our business into new geographical areas in China such as Chongqing, Chengdu of Sichuan Province, Handan of Hebei Province and Putian of Fujian Province, where we have projects under development. We may also pursue selective strategic acquisition of projects if suitable opportunities arise. However, our experience in designing, constructing and operating underground shopping centers in Harbin, Guangzhou, Zhengzhou, Wuhan and Shenyang may not be applicable in other regions. We cannot assure you that we will be able to successfully leverage such experience to expand into other parts of the PRC. When we enter new markets, we may face intense competition from commercial center operators with more industry experience or established presences in the geographical areas to which we plan to expand and from other developers with similar expansion targets. In addition, expansion or acquisition requires a significant amount of capital and human resources, which may divert our available resources and the attention of our management from other matters. We cannot assure you that we can anticipate and resolve all of the problems that may occur during our expansion and failure to do so may have a material adverse effect on our business, financial condition and results of operations.

We may not be able to obtain rights to develop underground shopping centers on commercially acceptable terms or at all.

For the years ended December 31, 2007, 2008 and 2009, all of our revenue was derived from the leasing of and the transfer of operation rights for underground shop units in Harbin, Guangzhou, Zhengzhou, Wuhan and Shenyang. This revenue stream was dependent on the completion, and our ability to lease or transfer the operation rights, of our underground shop units. To grow our business, we plan to obtain operation rights of additional suitable underground sites for future developments. Our ability to identify and acquire additional suitable sites is subject to a number of factors, some of which are beyond our control, including, among others, policies and regulations of the central and relevant local governments relating to the construction and commercial use of underground civil air defense shelters. Our business, financial condition and results of operations may be adversely affected if we are unable to obtain adequate underground sites for development. In the PRC, the application for the development of underground civil air defense shelters for commercial use is subject to a strict review and approval process at the provincial or national level civil air defense offices. As a result, the policies of the PRC government relating to the development of underground civil air defense shelters may affect our ability to acquire suitable sites that we identify for development.

We cannot assure you that we will, in the future, be able to identify and acquire a sufficient number of sites which are suitable for development on commercially acceptable terms or at all. If we do not identify and acquire a sufficient number of sites which are suitable for development on commercially acceptable terms, it will result in uncertainties in our future development schedules, which in turn will have a material adverse effect on our growth and results of operations.

We may not be able to obtain all the permits and certificates and complete the pre-construction coordination on a timely manner to commence the development of our projects according to our development plan.

In the PRC, the application for the development of underground civil air defense shelters for commercial use is subject to a strict review and approval process at the provincial or national level civil air defense offices. The commencement of the construction of our projects following the government

approval is also subject to the obtaining of various other certificates, permits and licenses from the PRC government. In addition, the construction of our underground projects beneath the roads of prime commercial areas is complicated and requires the cooperation of various government authorities and utility suppliers. See “Business – Our Principal Activities – Permits and Certificates” and “Business – Our Principal Activities – Pre-Construction Coordination.”

All of our projects have received approvals for the projects (項目建議書批覆) from the competent PRC authorities, and Jingtian, our PRC legal advisor, has advised us that so long as we undergo the procedures and prepare the supporting documents as required by laws and regulations, there is no material legal impediment to us obtaining all approvals and permits from other government authorities in China for the construction of these projects. We also plan to actively initiate discussions with various government authorities and the relevant public utility suppliers in the cities where we operate to seek their cooperation according to our development plan.

Nevertheless, given the number of permits and certificates required, the parties that are involved, the scope of coordination and the capital available to us, these pre-construction application and coordination efforts are time-consuming and the actual amount of time needed to complete these procedures varies from one project to another, even for the projects in the same city. As a result, we cannot assure you that we will be able to implement our project development in accordance with our development plan or at all. Any delay in obtaining regulatory approvals or in completing the pre-construction coordination process may negatively affect the timetable of our projects and may materially and adversely affect our business, financial condition and results of operations.

We face significant development risks before we can complete a project and realize any benefits from that project.

Underground shopping center developments typically require substantial capital outlay during the construction period and may take at least six months before positive cash flows can be generated by transfer of operation rights and leasing of completed project developments, if at all. The amount of time and costs required to complete an underground project development may significantly increase due to many factors, including shortages of materials, equipment, technical skills and labor, adverse weather conditions, natural disasters, labor disputes, disputes with contractors, accidents, changes in government priorities and policies, changes in market conditions, delays in obtaining the requisite licenses, permits and approvals from the relevant authorities and other unforeseeable problems and circumstances. Any of these factors may delay or prevent the completion of an underground project development and result in substantial cost overruns. We may commit significant time and other resources to a project but may be unable to complete it successfully, which could result in loss of some or all of our investment in that project. In addition, failure to complete an underground project development according to its original schedule or failure to complete a project may give rise to potential liabilities, and as a result, our returns on investments may be lower than originally expected.

Unpredictable underground conditions may cause difficulties for the construction and maintenance of our projects.

Most of the construction work for our projects is conducted underground, and therefore is subject to complicated underground conditions such as the geological structure of the site, the character of soil and the depth and complexity of the underground network of existing pipelines. For each of our projects, we engage professional geological survey firms to conduct the geological prospecting as required by law prior to our project design. However, we cannot assure you that such prospecting will reveal all underground conditions that are necessary for us to accurately evaluate the feasibility of the project and to prepare the budget for construction and maintenance. Any problems related to underground conditions that occur during construction or maintenance may result in additional costs for us or delay the completion date of our project. Furthermore, if there are any cultural and historical relics found in the underground sites of our projects, we must comply with the relevant laws and regulations to take protective measures, or even suspend or cease our project development. If any of these events occurs, the specific project developments concerned and our business, financial condition and results of operations will be materially and adversely affected.

A weakening of general economic conditions, especially in the wholesale and retail markets in the PRC, may adversely affect our lease income and proceeds from the transfer of operation rights.

Substantially all of our projects in operation are occupied by, and we expect that most of our future projects will be occupied by, tenants engaged in the wholesale and retail sales of apparel and accessories. Therefore, the success of our projects is and will continue to be highly dependent on the financial stability of our tenants. During the past several years, the apparel and accessories industries in the PRC grew rapidly as the disposable income of the general public increased. However, if the apparel and accessories industries in the PRC experience a slowdown in growth, our tenants could be negatively affected, which in turn could adversely impact the rents that we are able to charge and the vacancy rates of our shopping centers. Therefore, any prolonged downturn in the apparel and accessories industries in the PRC could have a material adverse effect on our business, financial condition and results of operations.

Our concentration in the wholesale and retail shopping center market means that we are subject to the risks that affect the retail environment in general, including the level of consumer spending, the willingness of wholesalers and retailers to lease space in our shopping centers, tenant bankruptcies, changes in economic conditions and consumer confidence. Any of these factors could adversely affect our business, financial condition and results of operations.

A majority of our leases will expire within one year, and we may be unable to renew these leases or find new tenants on a timely basis, or at all.

As of December 31, 2009, a majority of the lease agreements that we have with our tenants will expire within one year. As a result, our projects experience lease cycles in which a significant number of tenancies expire each year. These relatively short lease cycles expose us to rental market fluctuations. We may not be able to renew the lease agreements or find new tenants at rates equal to or higher than those of the expiring leases, or to find replacement tenants in time so as to minimize vacancy periods. If the rental price for our underground shopping centers decreases, or our existing tenants do not renew their lease agreements, or we are unable to find replacement tenants in time after the expiration of existing tenancies, our business, financial condition, results of operations and prospects could be materially and adversely affected.

Our lease income may not reflect the growth of the wholesale and retail markets for apparel and accessories in China in a timely manner.

As of December 31, 2009, approximately 9.8% of our lease agreements in term of the number of contracts had terms of over three years. These long term lease agreements contain either a fixed rent or a pre-determined maximum rate of increase of rent for each year during the lease term. Therefore, even if there is an increase in demand for store space and a corresponding increase in rental prices generally, we will not be able to charge higher rent than what is stipulated under these leases. As a result, our lease income may not reflect the growth of the wholesale and retail markets for apparel and accessories in China in a timely manner.

Our acquisition of existing projects exposes us to potential risks.

In addition to the development of new underground shopping centers by ourselves, we have also acquired existing underground projects and renovated them to be shopping centers similar to our existing ones. We acquired operation rights of six projects in Daqing, Dalian, Harbin and Weifang in July 2009. We may continue pursuing similar acquisitions of underground projects if attractive opportunities arise. However, our recent acquisitions of six projects and any future acquisitions exposes us to potential risks, including risks associated with unforeseen or hidden liabilities, failure to efficiently integrate the acquired projects into our operations, and the inability to generate sufficient revenue to cover the costs and expenses associated with the acquisitions. In addition, the cost synergies and revenue that we may expect to achieve from the acquired projects may not materialize. If any of these events happens, our business, financial condition and results of operations may be materially and adversely affected.

We may not have adequate resources to fund project developments, or to service our financing obligations.

The underground project development business requires substantial capital outlay during the construction period. We finance our project developments primarily through cash flow from operations. However, our ability to obtain additional financing in the future is subject to a variety of uncertainties, including our future financial condition, results of operations and cash flows and general market conditions for capital raising in our industry. We cannot assure you that we will have sufficient cash flow available for project developments or that we will be able to obtain sufficient proceeds from rentals or operation rights transfers to fund project developments. In addition, we cannot assure you that we will be able to secure external financing on terms acceptable to us or at all. Our ability to arrange adequate financing for project developments on terms that will allow us to earn reasonable returns depends on a number of factors, many of which are beyond our control. Failure to obtain funds on acceptable terms to finance project developments or failure to service our financing obligations may have a material adverse effect on our business, financial condition and results of operations.

We are subject to risks relating to the performance of our independent contractors.

We engage independent contractors to provide various services for all of our project developments, including construction, engineering, equipment installation, electrical installation and interior decoration. In particular, all of our construction work in 2007, 2008 and 2009 was carried out by independent contractors. Contractors that can meet these criteria are limited. We cannot assure you that the services rendered by any of these independent contractors or their subcontractors will always be satisfactory or match the PRC government's requirements for underground civil air defense shelter facilities or our requirements for quality and safety. If the performance of any independent contractor is unsatisfactory, we may need to replace such contractor or take other actions to remedy the situation, which could adversely affect the cost and timing of the construction progress and our track record of completing our underground projects in a timely manner. Any of these factors could have a material adverse effect on our business, financial condition and results of operations.

Our controlling shareholder is able to exercise substantial influence over our corporate policies and direct the outcome of corporate actions.

As of December 31, 2009, approximately 56.44% of our issued shares is beneficially owned by Mrs. Hawken Xiu Li. By maintaining such ownership, Mrs. Hawken is able to exercise substantial influence and control over our corporate policies, the appointment of directors and officers and decisions on corporate actions requiring shareholder approval. In addition, Mr. Dai Yongge, our Chief Executive Officer and Chairman, and Mrs. Zhang Xingmei, our non-executive director, are relatives of Mrs. Hawken and are able to exercise substantial control over our business. The strategic goals and interests of our controlling shareholder may not be aligned with our goals and interests, or those of Noteholders, and could reduce the level of management flexibility that would otherwise exist with a more diversified shareholder base.

We generally provide guarantees for bank loans to the transferees of the operation rights of our shop units and consequently are liable to the banks if the transferees default on their loan repayment.

We generally provide guarantees for bank loans borrowed by the transferees of the operation rights of our shop units until they fully repay all of their outstanding loans with the commercial banks. The loans that we guarantee normally have a maturity of less than five years. The guarantees cover the full principal amount of loans that transferees of the operation rights of our shop units borrow to finance their purchases, which is up to approximately 70% of the total transfer price. We also make deposits as security for the repayment of the loans of our transferees. As of December 31, 2007, 2008 and 2009, we had guarantees in place on our transferees' borrowings in an aggregate outstanding amount of RMB169.0 million, RMB294.2 million and RMB980.2 million (US\$143.6 million), respectively. As of the same dates, we had restricted bank deposits in an aggregate amount of RMB206.7 million, RMB129.1 million and RMB458.1 million (US\$67.1 million), respectively.

If a transferee defaults on his or her loan, the bank may deduct the payment due from the funds that we have deposited and require us to immediately repay the entire outstanding balance pursuant to the guarantee. Jingtian, our PRC legal advisor, has advised us that under the relevant PRC laws and regulations, if the transferees default on their loan repayment and we undertake the repayment obligations as a guarantor, we are entitled to indemnification from the transferees. We may bring claims against the transferees to compensate us for the amount that we have paid as guarantor and ask the courts to freeze the transferees' assets, including the operation rights of the transferred shop units. However, it may be costly and time-consuming for us to pursue such claims, and courts might not grant us any compensation or return to us the operation rights. Moreover, even if a court does return the operation rights to us, if we are unable to transfer those operation rights to other buyers on a timely basis or at a price equal to or higher than the amount necessary to pay off the outstanding amount under the defaulting transferee's loan, our liquidity may be negatively affected, and we may suffer financial losses. In addition, if multiple transferees default on their loan payments simultaneously or in close succession, we may be required to make payments in significant amounts to banks to satisfy the obligations under these guarantees, which could adversely affect our financial condition.

Our cash pledged as security for the repayment of the loans provided to the transferees of our shop units negatively affects our liquidity.

We provided guarantees to banks and made deposits as security to help the transferees of shop units in Harbin and Guangzhou to finance their purchases. We have entered into agreements with various local banks in the PRC with respect to loans to the transferees of operation rights under which we provided guarantees and made restricted bank deposits as security for the repayment of the loans. Under the agreements, we are required to open restricted bank accounts with the respective local bank for the receipt of purchase money that is financed by bank loans, and the amount of the restricted cash that we are contractually required to pledge for each loan is equivalent to 10% or 15% of the principal amount of the loan depending on our agreement with the relevant banks. The restricted cash is released as, when and to the extent the transferee repays any portion of its loan.

These pledges of cash in restricted deposit accounts reduced the cash inflow from the transfers and negatively affected our liquidity. The balance of our restricted bank deposits increased significantly during 2009 and was RMB458.1 million (US\$67.1 million) as of December 31, 2009. If we enter into similar arrangements to help our future transferees of the operation rights finance their purchases by depositing a portion of cash we receive from the transfer of operation rights, our cash flow from operating activities and liquidity will be negatively affected.

The terms on which bank loans to our transferees are available, if at all, may impair our ability to transfer operation rights of our shop units.

To help the transferees finance their purchases of the operation rights of our shop units, we have provided guarantees and restricted bank deposit as pledge to banks for loans they offer to the transferees. We may or may not continue this practice in the future. Most of the transferees who bought the operation rights of our shop units obtained bank loans to fund their purchases. An increase in interest rates may increase the cost of loan financing, thus reducing the attractiveness of bank loans as a source of financing shop unit purchases. In addition, the PRC government may take measures or commercial banks may impose conditions or otherwise modify their requirements in a manner that would make bank loan financing unavailable or unattractive to potential shop unit transferees. If there are changes in laws, regulations, policies and practices in China that prohibit companies like us from providing guarantees and other forms of security to banks in respect of loans offered to the transferees and no alternative guarantors are available, it may become more difficult for our shop unit transferees to obtain bank loans. If the availability or terms of bank loan financing is reduced or deteriorates, many of our prospective customers may find it less attractive to purchase our shop units and, as a result, our business, financial condition and results of operations could be adversely affected.

Our results of operations and financial performance may be harmed if we are not able to collect our trade receivables.

The amount of our trade receivables due from third parties increased significantly to RMB2,499.4 million (US\$366.2 million) as of December 31, 2009 from RMB6.0 million as of December 31, 2007. Of this amount, RMB614.3 million (US\$90.0 million) were amounts past due as of December 31, 2009. In addition, the average trade receivables turnover days increased from 6 days in 2007 to 216 days in each of 2008 and 2009. Our trade receivables due from third parties as of December 31, 2009 primarily related to our transfer of operation rights of shop units in Phases I to III of Harbin Project, Phase I of Guangzhou Project, Phase I of Shenyang, Phase VI of Harbin Project, Wuhan Hanzheng Street Project and Heilongjiang Renhe Spring Project (Youyi Road Section), where most of the transferees of the operation rights were in the process of completing the procedures for applying for the bank loans to fund their purchases. Because we expect that our revenue from the transfer of operation rights will continue to be a significant part of our revenue and that a majority of our transferees will depend on the bank loans to satisfy their payment obligations, any difficulties or delay in the loan application process by the transferees or rejections of the loan applications by the relevant banks, may have an adverse effect on our ability to collect our trade receivables and would harm our results of operations and financial performance.

In addition to the trade receivables due from third parties described above, as of December 31, 2009, we had a receivable from disposal of subsidiaries of RMB1,704.4 million (US\$249.7 million) in connection with the disposal of our interest in Phase I of Zhengzhou Project. This amount represented the balance of payment which is due June 30, 2010 under the terms of the Sales and Purchase Agreement that we entered into with the purchaser. In addition, we had other receivables of RMB595.6 million as of December 31, 2009, of which RMB550.6 million (US\$80.7 million) was owed to us by the entities that directly or indirectly own Phase I of Zhengzhou Project. This used to be part of our inter-company financing arrangement and became our receivables when we disposed of our interest in Phase I of Zhengzhou Project. The amount is due June 30, 2010. If we are unable to collect these receivables, our results of operations and financial condition would be adversely affected.

Our financing costs could increase if interest rates and statutory reserve deposit ratio requirements for commercial banks increase.

We may consider bank loans as a financing source for our future development. Our financing costs and, consequently, our results of operations, will be affected by the benchmark lending rates published by the People's Bank of China ("PBOC"). Although the current PBOC benchmark one-year lending rate of 5.31% and one to three years lending rate of 5.40% are at a relatively low level, we cannot assure you that the PBOC will not raise lending rates in the future when we decide to obtain any bank borrowings in the PRC.

In addition, under PRC laws, commercial banks must hold a certain amount of funds in reserve against deposits made by their customers. As of March 31, 2010, this reserve requirement ratio for commercial banks was 16.5%. The reserve requirement refers to the amount of funds that banks must hold in reserve against deposits made by their customers. The increase in the bank reserve requirement ratio may negatively impact the amount of funds that the commercial banks in China may have available for extending loans to businesses, including us.

Our shop units are not assets which can be readily converted into cash, which could limit our ability to respond to adverse changes in economic and financial conditions.

Underground shop units held as investment properties constitute a substantial portion of our total assets. In response to changing economic and financial conditions, we may need to transfer the operation rights of such shop units and liquidate such assets. Although in the opinion of Jingtian, our PRC legal advisor, there are no legal restrictions on transferring the operation rights of our shop units, our ability to promptly transfer the operation rights of the shop units in our existing or future projects is limited because the market for the operation rights of underground shop units is not well-established. Hence, the transaction costs may be high and it will take time to liquidate our properties. The expenses associated with, and time needed for, liquidation of investment properties may depend on many factors, such as the availability of bank financing, interest rates and the supply and demand for underground shop units, which are beyond our control. We cannot predict whether we will, at the time we need to liquidate our properties, be able to transfer the operation rights of our shop units for the price or on the terms acceptable to us in a timely manner, or at all. We also cannot predict the amount of time needed to find a purchaser and to complete the transfer of operation rights.

We may not be successful in operating shopping centers used for wholesale and retail sales of non-apparel merchandise.

Our existing underground shopping centers in Harbin, Guangzhou and Shenyang are primarily operated as wholesale and retail centers for apparel and accessories. As part of our growth strategy, we may operate some of our future projects as shopping centers for other products such as electronic appliances, depending on the market conditions and the locations of the particular projects. Since we have little experience in operating shopping centers for the wholesale and retail sales of non-apparel merchandise, there is no assurance that we can transfer, or benefit from, our current experience when we develop and operate underground shopping centers focused on other merchandise. If we cannot successfully operate our future underground shopping centers for the wholesale and retail of non-apparel merchandise, our business, financial condition and results of operations could be adversely affected.

Our expansion plan may be affected by PRC regulations relating to acquisitions of domestic companies by foreign entities.

Effective as of September 8, 2006, foreign investors must comply with *the Provisions on the Acquisition of Domestic Enterprises by Foreign Investors (2006 Revision)* (關於外國投資者併購境內企業的規定) (“M&A Provisions”), should they seek to purchase any equity interest of a domestic non-foreign invested company thereby changing the company into a foreign-invested enterprise. The M&A Provisions provide for the procedures for obtaining approvals of foreign investment projects in China, provided that the business scope of such foreign-invested enterprise must conform to *the Foreign Investment Industrial Guidance Catalogue* (外商投資產業指導目錄) (“Foreign Investment Catalogue”).

As the M&A Provisions only came into effect on September 8, 2006, our PRC legal advisor, Jingtian, has advised us that there are uncertainties as to how they will be interpreted or implemented. In July 2009, we acquired six projects in Harbin, Daqing, Dalian and Weifang. We or the owners of any domestic company that we may seek to purchase in the future may not be successful in obtaining all necessary approvals and completing all the relevant procedures under the M&A Provisions. In the event that the acquisition of domestic companies cannot be completed as part of our expansion plan, our business and future plan may be adversely affected.

Increasing competition in the PRC may adversely affect our business and financial condition.

We operate in a competitive industry. Our underground shopping centers typically are, and we expect will be, located in the commercial centers of selected cities in the PRC. There are usually numerous department stores or other shopping centers specializing in the distribution of apparel and other merchandise, either underground or above the ground, in the same area where each of our projects is located. The quantity and quality of competing shopping centers could materially and adversely affect our ability to rent shop units at our shopping centers and the rental price we charge our tenants. Additional comparable shopping centers built near our shopping centers could negatively affect our business by creating competition for customer traffic and creditworthy tenants. This could result in decreased revenue from tenants and may cause us to make additional capital expenditures for renovation and improvement of our facilities in order to compete effectively.

Moreover, in recent years, a few other companies have commenced underground shopping center development and operation in the PRC. Other competitive factors include operational efficiencies of competitors, competitive pricing strategies in the market, expansion by existing competitors, entry by new competitors into our current markets and adoption of our business models by our competitors. The increased intensity of the competition between underground project developers may result in increased costs for the acquisition of underground sites for development, an excess supply of underground shopping centers in certain regions of the PRC, a decrease in the leasing market prices and a slowdown in the rate at which new project developments will be approved by the relevant government authorities in China, any of which may adversely affect us. In addition, the commercial shopping center market in the PRC is rapidly changing. If we cannot respond to changes in market conditions of the relevant markets more swiftly or more effectively than our competitors, our business, financial condition and results of operations could be adversely affected.

Our revenue and profits grew significantly in the past few years and may not be indicative of our future performance.

For the years ended December 31, 2007, 2008 and 2009, our revenue was RMB366.5 million, RMB3,050.3 million and RMB4,162.9 million (US\$609.9 million), respectively, and profit for the year

was RMB266.7 million, RMB1,903.0 million and RMB4,037.6 million (US\$591.5 million), respectively. While we derived our revenue from lease income and proceeds from the transfer of operation rights for the shop units in our underground shopping centers, our profit was also affected by other income, such as net gain on disposal of subsidiaries, in any specified period. For the year ended December 31, 2009, we disposed our entire interest in our subsidiary holding Phase I of Zhengzhou Project to First Achieve Holdings Limited, an independent third party, for a total consideration of HK\$2,765.4 million and recorded a net gain on disposal of subsidiaries of RMB1,906.8 million (US\$279.3 million) in 2009, which contributed a significant portion of our profit for that year. We consider this type of disposal of equity interest in an offshore entity which indirectly holds underground shop units an alternative approach for us to transfer the operation rights of the shop units and may continue to conduct the transfer of our operation rights in the same manner in the future. In addition, in 2009 we transferred the operation rights with an aggregate GFA of 30,000 sq.m. in Phase I of Shenyang Project to an independent third party for a total consideration of RMB1,350 million. However, there is no assurance that similar transactions could be structured or completed on satisfactory terms in the future, or at all. As a result, our results of operations would be affected by the demand for leasing and purchasing of operation rights of our shop units and the price we are able to achieve. The demand for and pricing of our shop units are in turn, to a large extent, affected by the general conditions of the underground shopping center markets.

In addition, we recognize proceeds from the transfer of operation rights as revenue only upon the transfer of significant risks and rewards of the operation rights of shop units according to the relevant transfer agreements. Therefore, our revenue during any given period reflects the quantity of shop unit operation rights transferred during that period and are affected by any peaks or lows in our schedule for the transfer of shop units and may not be indicative of the actual demand for our shop units during that period. Our revenue and profit during any given period generally reflect investment decisions made by purchasers a significant time before that period, typically at least in the prior fiscal period. For the years ended December 31, 2007, 2008 and 2009, the revenue generated from the transfer of operation rights was RMB190.0 million, RMB2,868.2 million and RMB4,033.6 million (US\$590.9 million), representing 51.8%, 94.0% and 96.9% of our total revenue for the same period, respectively. However, our development of new projects may not grow at the same pace as in the past. As a result, we believe that our operating results for any given period are not necessarily indicative of results that may be expected for any future period.

We may not be able to successfully manage our growth.

We have been rapidly expanding our operations in recent years and aim to continue to expand our presence to selected cities in China. As we continue to grow, we need to continuously improve our managerial, technical and operational knowledge and allocation of resources, and to implement an effective management information system. In order to fund our ongoing operations and our future growth, we also need to have sufficient internal sources of liquidity or access to additional financing from external sources. Further, we will be required to manage relationships with a greater number of customers, contractors, service providers, lenders and other third parties. We also need to further strengthen our internal control and compliance functions in order to ensure that we are able to comply with our legal and contractual obligations and reduce our operational and compliance risks. We could experience issues such as capital constraints, construction delays, operational difficulties at new operational locations or difficulties in expanding existing business and operations and training an increasing number of personnel to manage and operate the expanded business. In addition, our expansion plans could adversely affect our existing operations and thereby have a material adverse effect on our business, financial condition, results of operations and future prospects.

We do not have any business interruption, disruption or litigation insurance, and any business disruption or litigation we experience might result in our incurring substantial costs and the diversion of our resources.

The insurance industry in China is still at an early stage of development. Insurance companies in China offer limited business insurance products and do not, to our knowledge, offer business interruption insurance. While business disruption insurance is available to a limited extent in China, we have determined that the risks of disruption, cost of such insurance and the difficulties associated with acquiring such insurance on commercially reasonable terms make it impractical for us to have such insurance. As a result, except for fire insurance and any insurance that may be required by our loan agreements, we do not have any business interruption, disruption or litigation insurance coverage for our operations in China. Any business disruption or litigation may result in our incurring substantial costs and the diversion of our resources.

Potential liability for environmental problems could result in substantial costs.

We are subject to a variety of laws and regulations concerning the protection of health and the environment. Although the environmental investigations conducted to date have not revealed any environmental liability that we believe would have a material adverse effect on our business, financial condition or results of operations, it is possible that these investigations did not reveal all environmental liabilities, some of which may be material. More stringent requirements for environmental protection could be imposed by the relevant PRC governmental authorities in the future. If we fail to comply with existing or future environmental laws and regulations in China or fail to meet the expectations of society with regard to environmental issues, our reputation may be damaged or we may be required to pay penalties or fines or take remedial actions, any of which could have a material adverse effect on our business, financial condition and results of operation.

We may incur liability for goods sold in our underground shopping centers that violate the intellectual property rights of others.

Although we have requested our tenants not to sell merchandise that could infringe intellectual property rights of third parties and have adopted certain measures designed to prevent such potential infringement, we may not be successful in preventing intellectual property infringement by our tenants. If our tenants sell goods which infringe intellectual property rights at our underground shopping centers, we, as the operator and manager of the shopping centers, may be involved in intellectual property litigation or administrative procedures and, as a result, our operating results and reputation may be harmed. Moreover, although most of our tenants have agreed to indemnify us against the liabilities arising from their sale of counterfeited merchandise in our shopping centers, there can be no assurance that we can successfully obtain such indemnity payments or that the indemnity payments will fully cover all of our costs associated with our liability.

We may not be able to register our trademarks in the PRC or Hong Kong.

We have been using “The First Tunnel” (“地一大道”) brand for the Phase I of Guangzhou Project, Phase I of Zhengzhou Project and Phase I of Shenyang Project and plan to use “The First Tunnel” (“地一大道”) as the brand name for all of our future underground shopping centers, as well as those in Harbin. We have applied for trademark registration of a number of trademarks in the PRC and Hong Kong. One of our trademark applications in the PRC has been approved, 23 have been publicized and 20 applications are pending as of April 22, 2010. Our trademark application for “The First Tunnel” (“地一大道”) in Hong Kong has been publicized and accepted for registration subject to any third party opposition and pending the issuance of the Registration Certificate. See “Business – Our Principal Activities – Intellectual Property Rights.” There is no assurance that the pending applications for trademark registration in the PRC and Hong Kong will be approved or that we will be granted the exclusive rights to use these marks as registered trademarks in the PRC and Hong Kong. Because the use of a unified brand name is a key strategy for our future development in the PRC, if our brand name cannot be registered, it will not be protected and we may not be able to use it, and as a result, our business, financial conditions and results of operations may be materially adversely affected.

Our success depends on the continuing efforts of our senior management team and other key personnel and our business may be harmed if we lose their services.

Our future success depends heavily upon the continuing services of the members of our senior management team, in particular, our Chief Executive Officer and Chairman, Mr. Dai Yongge, who has extensive experience in developing and operating underground shopping centers in the PRC. If one or more of our senior executives or other key personnel are unable or unwilling to continue in their present positions, we may not be able to replace them easily or at all, and our business may be disrupted and our financial condition and results of operations may be materially and adversely affected. Competition for senior management and key personnel is intense and the pool of qualified candidates is very limited, and we may not be able to retain the services of our senior executives or key personnel, or attract and retain high-quality senior executives or key personnel in the future. In addition, although each of our executive directors has entered into an employment contract with us which provides that he or she may not join a competitor or form a competing company within two years after leaving us, if such person breaches such obligation or any other of our key personnel carries on any activities competing with us, we may lose customers, key professionals and staff members and our legal remedies against such person may be limited.

Legal and Regulatory Risks Relating to Our Industry

Our project developments are subject to stringent government approvals, and we cannot assure you that the approvals would be granted in time, or at all.

Under PRC laws and regulations, all of our project developments that are categorized as underground air defense shelters for commercial use need to obtain approvals from, or file with, the civil air defense offices at the provincial level, as well as the national level if the total amount of investment in a project exceeds RMB20 million. See “Regulations.” The laws and regulations in China do not specify the criteria that these authorities will use to evaluate approval applications, or the time period within which the review and approval process will be completed. In addition, for a project development, we must obtain various permits, licenses and certificates from the relevant administrative authorities at various stages of the development, including planning permits, work commencement permits or construction commencement approvals, and file confirmation of completion and acceptance. Each of these approvals is dependent on the satisfaction of certain conditions. We cannot assure you that we will not encounter significant delays or other impediments in fulfilling the conditions necessary for these approvals, or that we will be able to adapt ourselves to new laws, regulations or policies that may come into effect from time to time. There may also be delays on the part of the administrative bodies in reviewing our applications and granting approvals. If we fail to obtain or encounter significant delays in obtaining the requisite governmental approvals, the schedule of development and launch of our underground shopping centers could be substantially disrupted which would materially and adversely affect our business, financial condition and results of operations.

The government in China has the right to take over our underground projects during times of war.

A primary use of our underground civil air defense shelters is to protect civilians during times of war. In order to serve this primary purpose, the PRC government authorities, by law and regulation and as set forth in approvals for our projects, reserve the right to take over our underground facilities that are categorized as air defense shelter for commercial use during times of war. Though current PRC laws and regulations do not define “times of war” for the purpose of civil air defense shelters, Jingtian, our PRC legal advisor, has advised us that the term “times of war” as defined in the *Criminal Law of the People’s Republic of China* may be used as a reference for such purpose. That law defines “times of war” as times when the PRC government declares a state of war, when the armed forces receive tasks of operations, when any enemy launches a surprise attack or when the armed forces execute tasks under martial law or cope with emergencies of violence. If any military conflict breaks out between China and other countries or regions, it is likely that any or all of our projects will be seized by the government in China as underground civil air defense shelters. Although Jingtian, our PRC legal advisor, has advised us that the seizure of civil air defense shelters by the government authorities in China for use during times of war does not mean the government authorities permanently revoke our right to use, operate and profit from the facilities and that as an investor in civil air defense shelters, we may continue the use and operation of our underground civil air defense shelters after the war, our business would still be interrupted.

In addition, according to the lease agreements with our tenants and the transfer agreements with respect to operation rights in our shop units, we were advised by Jingtian, our PRC legal advisor, that in the event that the agreements must be terminated due to force majeure, which includes an outbreak of war, upon (1) our request that the shop unit be returned to us, and (2) the return of the shop units to us by the transferees unconditionally for the remainder of the lease terms or operational rights terms, we must refund the rents paid upfront or transfer payments to the tenants or transferees. As of December 31, 2009, we had an upfront payment of rents and payments for the operation rights with total amount of RMB167.6 million (US\$24.6 million) which would be subject to refund. We may also be held liable for the repayment of the outstanding bank loans to the shop unit transferees for which we provided guarantees if these transferees default on their payment due to an outbreak of war. See “– Risks Relating to Our Business – We generally provide guarantees for bank loans to the transferees of the operation rights of our shop units and consequently are liable to the banks if the transferees default on their loan repayment.” For losses, damages and liabilities that we may incur as a result of such seizure, refunds, termination or otherwise, we do not have any claims or

indemnification rights against the government. All of such events will materially and adversely affect our business, financial condition and results of operations.

We are subject to regulations implemented by the PRC government regarding the development and operation of underground civil air defense shelters.

All of our underground shopping centers that are categorized as underground civil air defense shelters for commercial use are subject to PRC laws and regulations regarding the development, construction and commercialization of such facilities. The development of underground civil air defense shelters for commercial use is not categorized as real estate property development under the current PRC laws and regulations and is therefore not subject to many of the PRC laws, regulations, taxes and policies that apply to the real estate industry in the PRC. According to the Civil Air Defense Law of the People's Republic of China and its related regulations, the PRC government authorities allow private and foreign-invested companies to develop and operate underground civil air defense shelters for commercial use. To encourage the investment in the civil air defense shelters, the civil air defense department has granted us the exclusive rights of commercial use of the underground civil air defense shelters that we developed. See "Business – Our Principal Activities – Project Approval." However, the laws and regulations in China with respect to the development and operation of these facilities are still being developed and subject to change from time to time, and the implementation of these laws and regulations by local governments in China may vary from one region to another. Any unfavorable changes in the laws, regulations or the regulatory regime in China could adversely impact our business, financial condition and results of operations.

In particular, neither current PRC laws and regulations nor the approvals we have received from civil air defense offices for our projects specify the scope of our use rights, particularly whether we are permitted to transfer the operation rights of the shop units in our underground projects. Although with respect to our projects in Harbin, Guangzhou, Zhengzhou and Shenyang, we have obtained certificates from the local civil air defense offices of Harbin, Guangzhou, Zhengzhou and Shenyang which specifically indicated that we will have the right to transfer the operation rights of certain portion of the projects to third parties, we cannot assure you that the government authorities in other jurisdictions in China would take the same position, or whether the position of the government authorities in Harbin, Guangzhou, Zhengzhou and Shenyang would not change in the future due to the lack of PRC legislations. If we are not permitted to transfer the operation rights of our underground shop units, our business, financial condition or results of operations may be materially adversely affected.

There are uncertainties in determining the commencement date of the use periods that we have been granted.

With respect to the projects we developed in Harbin, Guangzhou, Zhengzhou and Shenyang, we have obtained certificates from the local civil air defense offices in Harbin, Guangzhou, Zhengzhou and Shenyang confirming the exclusive use rights granted to us for no less than 40 years in the absence of war, starting from the date of opening for business. See "Business – Our Principal Activities – Project Approval." The certificates do not further specify how the relevant date of opening for business is to be determined, nor is there any specific requirement governing the date of opening for business under the relevant PRC laws and regulations. We have in the past chosen to designate a project officially open for business after a few months of initial trial operations, and treat the date of such official opening for business as the commencement date of our relevant use period, including for purposes of our operation rights transfer agreements. We, however, cannot assure you that government authorities in China will agree with such designation. If they do not agree with such designation, the term of our operation rights transfer agreements in Phase I of Guangzhou Project may exceed the exclusive use period by approximately four and a half months, and certain provisions of the agreements may be held invalid and we may be liable for the transferees' damages resulting from the shortfall in the use periods. In such case, our business, financial condition or results of operations may be adversely affected.

There are legal uncertainties regarding whether land use rights certificates for civil air defense shelters are required.

The development of underground civil air defense shelters for commercial use is not categorized as real estate property development under the current PRC laws and regulations and is therefore not subject to many of the PRC laws and regulations governing the real estate industry. As confirmed by Jingtian, our PRC legal advisor, we are not subject to land use rights premiums and are not required to obtain land use rights certificates before the commencement of our projects that are categorized as underground air defense shelters for commercial use according to the existing PRC laws and regulations including without limitation, a judicial notice issued by the Supreme Court of the PRC in 1996. Prior to 2007, we paid land use rights premiums for all of our projects then in operation in order to obtain land use rights certificates to facilitate our financing, but we did not pay any land use rights premiums in 2008 and 2009. However, we cannot assure you that the government authorities in charge of the land administration at different locations will take the same position as Jingtian and that there will be no change in the laws in the future. If we are required to pay land use rights premiums and obtain land use rights certificates for our projects in the future, our business, financial condition or result of operations may be materially adversely affected.

Risks Relating to the PRC

Substantially all of our assets are located in the PRC and substantially all of our revenue is sourced from the PRC. Accordingly, our business, results of operations and financial condition are subject to a significant degree to economic, political and legal developments in the PRC.

Changes in the economic, political and social conditions in the PRC could adversely affect our business.

The economy of the PRC differs from the economies of most developed countries in many respects, including but not limited to:

- structure;
- level of government involvement;
- level of development;
- growth rate;
- foreign exchange; and
- allocation of resources.

While the PRC economy has grown significantly in the past 20 years, growth has been uneven, both geographically and across the various sectors of the economy. The PRC government has implemented various measures to encourage economic growth and guide the allocation of resources. Some of these measures benefit the overall PRC economy, but may also negatively affect our operations.

For example, our financial condition and results of operations may be adversely affected by the PRC government's control over capital investments and changes in tax regulations or foreign exchange controls that are applicable to us.

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

Our business is susceptible to the macro-economic policies and austerity measures of the PRC government.

The PRC government from time to time adjusts its monetary and economic policies to adjust the rate of growth of the PRC economy and economies of local areas within the PRC, and such economic adjustments may affect both the underground shopping center market and the wholesale and retail sales market in the parts of China where our projects are located. The PRC government has exercised and continues to exercise significant influence over the PRC's economy in general. From time to time, the PRC government adjusts its monetary and economic policies to prevent or curtail the overheating of the national and provincial economies, which may affect both the underground shopping center market and the wholesale and retail sales market in the parts of China where our projects are located. Any action by the PRC government concerning the economy could have a material adverse effect on our financial condition and results of operations. The central and local authorities may continue to adjust interest rates, tax rates and other economic policies or impose other regulations or restrictions that may have an adverse effect on the underground shopping center market in China, which may adversely affect our business.

There are significant uncertainties under the new PRC enterprise income tax law relating to the withholding tax liabilities of our PRC subsidiaries.

Under the *Enterprise Income Tax Law of the PRC* (中華人民共和國企業所得稅法) adopted in March 2007 and the State Council promulgated the *Regulation on the Implementation of the Enterprise Income Tax Law of the PRC* (中華人民共和國企業所得稅法實施條例) adopted in December 2007 (collectively, the "New EIT Law"), the profits of a foreign invested enterprise generated in 2008 and onwards which are distributed to its immediate holding company outside the PRC will be subject to a withholding tax rate of 10.0%. Pursuant to a special arrangement between Hong Kong and the PRC, such rate is lowered to 5.0% if a Hong Kong resident enterprise owns over 25% of a PRC company. Each of our PRC subsidiaries is currently wholly owned by a Hong Kong subsidiary. However, according to the *Circular of State Administration of Taxation on Printing and Issuing the Administrative Measures for Non-resident Individuals and Enterprises to Enjoy the Treatment Under Taxation Treaties* (《關於印發〈非居民享受稅收協定待遇管理辦法(試行)〉的通知》), which became effective on October 1, 2009, the 5% withholding tax rate does not automatically apply and approvals from competent local tax authorities are required before an enterprise can enjoy any benefits under the relevant taxation treaties. Moreover, according to a tax circular issued by the State Administration of Taxation in February 2009, if the main purpose of an offshore arrangement is to obtain a preferential tax treatment, the PRC tax authorities have the discretion to adjust the preferential tax rate for which an offshore entity would otherwise be eligible. There is no assurance that the PRC tax authorities will grant approvals on the 5% withholding tax rate on dividends received by our subsidiaries in Hong Kong from our PRC subsidiaries.

Under the New EIT Law, we may be classified as a "resident enterprise" of China. Such classification could result in unfavorable tax consequences to us and our non-PRC Noteholders.

Under the New EIT Law, an enterprise established outside of China with "de facto management organization" located within China will be considered a "resident enterprise," and consequently it can be treated in a manner similar to a Chinese enterprise for enterprise income tax purposes. The implementing rules of the New EIT Law define "de facto management" as "substantial and overall management and control over the production and operations, personnel, accounting, and properties" of the enterprise. As no official interpretation or application of this new "resident enterprise" classification is currently available, it is unclear how the PRC tax authorities will determine whether an entity will be classified as a "resident enterprise." If the PRC tax authorities determine that we are a "resident enterprise" for PRC enterprise income tax purposes, a number of unfavorable PRC tax consequences could follow. We may be subject to enterprise income tax at a rate of 25% on our worldwide taxable income as well as PRC enterprise income tax reporting obligations. In our case, this would mean that income such as interest from any investment of any portion of the offering proceeds and other income sourced from outside the PRC would be subject to PRC enterprise income tax at a rate of 25%, whereas no direct tax is imposed on enterprises under the laws of the Cayman Islands. Furthermore, as described in "Taxation – PRC," if we are considered a "resident enterprise," interest

payable to certain “non-resident enterprise” holders on the Notes may be treated as income derived from sources within China and be subject to PRC withholding tax at a rate of 10%, or a lower rate for holders who qualify for the benefits of a double-taxation treaty with China, and capital gains realized by holders of Notes may be treated as income derived from sources within China and be subject to a 10% PRC tax. In addition to the uncertainty as to the application of the new “resident enterprise” classification, there can be no assurance that the PRC Government will not amend or revise the taxation laws, rules and regulations to impose stricter tax requirements, higher tax rates or apply the New EIT Law, or any subsequent changes in PRC tax laws, rules or regulations retroactively. As there may be different applications of the New EIT Law and any amendments or revisions, comparisons between our past financial results may not be meaningful and should not be relied upon as indicators of our future performance. If such changes occur and/or if such changes are applied retroactively, such changes could materially and adversely affect our results of operations and financial condition.

Our indirect disposal of PRC operating entities may be subject to the requirements in a notice recently promulgated by the State Administration of Taxation of the PRC.

Under the Notice on the Administration of Enterprise Income Tax on the Equity Transfer by Non-Resident Enterprise (關於加強非居民企業股權轉讓所得企業所得稅管理的通知) promulgated by the State Administration of Taxation on December 10, 2009 (the “Notice”), a non-PRC resident enterprise is required, with respect to its disposal of a PRC resident enterprise by transferring the equity interest of its offshore intermediate subsidiary (the “Indirect Disposal”), to provide the relevant PRC tax authorities with certain information relating to such Indirect Disposal, if the income tax rate applicable to the offshore intermediate subsidiary is lower than 12.5% or if such offshore intermediate subsidiary is exempted from income tax for its income outside of its home country or region. The Notice further provides that the State Administration of Taxation has the authority to disregard the existence of the offshore intermediate subsidiary if such non-PRC resident enterprise intends to avoid enterprise income tax obligations through an overwhelming arrangement of offshore shareholding structure without reasonable commercial purpose. Because no official interpretation of this Notice is available, it is unclear how the PRC tax authorities will determine the phrases “intention to avoid enterprise income tax”, “overwhelming arrangement of offshore shareholding structure” or “without reasonable commercial purpose” and how they will implement it in practice. We disposed of our equity interest in a British Virgin Islands subsidiary which indirectly held Phase I of Zhengzhou Project on December 18, 2009 for RMB2,765.4 million and recorded a net gain on disposal of subsidiaries of RMB1,906.8 million (US\$279.3 million), and may conduct similar disposals in the future. Since British Virgin Islands entities are not subject to income tax, the Notice might be applicable to our December 18, 2009 disposal or such similar future disposals. If the existence of any offshore intermediate subsidiary transferred by us is disregarded by the State Administration of Taxation, we may be required to pay PRC enterprise income tax as determined by the tax authorities under the PRC tax laws on our gains received outside of the PRC, which may adversely affect our results of operations and financial condition.

The development of underground civil air defense shelters for commercial use in the PRC is still at an early stage and lacks appropriate infrastructural support.

Commercial use of underground civil air defense shelters by private enterprises in the PRC is still in a relatively early stage of development. Although demand for underground shopping centers in the PRC has been growing in recent years, such growth might be coupled with volatility in market conditions and fluctuations in rents and transfer prices of the underground shop units. We cannot predict how much and when demand will develop, as many social, political, economic, legal and other factors may affect the development of the underground shopping centers. The level of uncertainty is increased by limited availability of accurate financial and market information as well as the overall low level of transparency in the PRC. The limited amount of financing available to PRC individuals compounded by the lack of security of legal title and enforceability of operation rights of underground shop units may further inhibit demand for commercial developments. In the event of excess supply, prices may fall which may adversely affect our business, financial condition and results of operations.

Fluctuations in the exchange rate of Renminbi may materially and adversely affect our business, financial condition and results of operations.

The value of RMB against other foreign currencies is subject to changes in the PRC government’s policies and international economic and political developments. Under the current unified floating

exchange rate system, the conversion of RMB into foreign currencies, including Hong Kong and U.S. dollars, has been based on rates set by the PBOC, which are quoted daily based on the previous day's inter-bank foreign exchange market rates and current exchange rates on the world financial markets. Since 1994, the official exchange rates for the conversion of RMB to Hong Kong and U.S. dollars have generally been stable. However, with effect from July 21, 2005, the PRC government reformed the exchange rate regime by moving into a managed floating exchange regime based on market supply and demand with reference to a basket of currencies. As a result, the RMB appreciated against the Hong Kong and U.S. dollars by approximately 2% on the same date. On September 23, 2005, the PRC government widened the daily trading band for RMB against non-U.S. dollar currencies from 1.5% to 3.0% to improve the flexibility of the new foreign exchange system. On May 18, 2007, PBOC announced that floating band for the trading prices in the inter-bank foreign exchange market of the Renminbi against the U.S. dollar will be expanded from 0.3% to 0.5% around the central parity rate, effective on May 21, 2007. This allows the Renminbi to fluctuate against the U.S. dollar by up to 0.5% above or below the central parity rate published by the PBOC. These changes in currency policy resulted in the Renminbi appreciating against the U.S. dollar by approximately 17.5% from July 21, 2005 to April 16, 2010. Any significant revaluation of the Renminbi may materially and adversely affect our cash flows, revenues, earnings and financial position, and the value of, and any dividends payable to us by our PRC subsidiaries. For example, an appreciation of the Renminbi against the U.S. dollar would make any new Renminbi denominated investments or expenditures more costly to us, to the extent that we need to convert U.S. dollars into Renminbi for such purposes.

Uncertainty with respect to the PRC legal system could affect our operations.

As substantially all of our businesses are conducted, and substantially all of our assets are located, in the PRC, our operations are governed principally by PRC laws and regulations. The PRC legal system is based on written statutes, and prior court decisions can only be cited as reference. Since 1979, the PRC government has promulgated laws and regulations in relation to economic matters such as foreign investment, corporate organization and governance, commerce, taxation, foreign exchange and trade, with a view to developing a comprehensive system of commercial law. However, China has not developed a fully integrated legal system and recently enacted laws and regulations may not sufficiently cover all aspects of economic activities in China. In particular, because these laws and regulations are relatively new, and because of the limited volume of published decisions and their non-binding nature, the interpretation and enforcement of these laws and regulations involve uncertainties. In addition, the PRC legal system is based in part on government policies and internal rules (some of which are not published on a timely basis or at all) that may have a retroactive effect. As a result, we may not be aware of our violation of these policies and rules until some time after the violation. In addition, any litigation in China may be protracted and result in substantial costs and diversion of resources and management attention.

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

Our business is subject to general economic and social conditions in the PRC. Natural disasters, epidemics and other acts of God which are beyond our control may adversely affect the economy, infrastructure and livelihood of the people in the PRC. Some regions in the PRC, including the cities in which we operate, are under the threat of flood, earthquake, sandstorm, snowstorm, fire, drought, or epidemics such as Severe Acute Respiratory Syndrome ("SARS"), H5N1 avian flu or the human swine flu, also known as Influenza A (H1N1). For instance, a serious earthquake and its successive aftershocks hit Sichuan Province in May 2008 and resulted in tremendous loss of lives and destruction of assets in the region. Past occurrences of epidemics, depending on their scale, have caused different degrees of damage to the national and local economies in the PRC.

In addition, the outbreak of SARS or other virulent contagious diseases, such as the H5N1 avian flu or the human swine flu, could potentially disrupt our operations if any buyers or sellers in our markets are suspected to have contracted such diseases, and our markets are identified as a possible source of spreading the contagious disease infection. We may be required to quarantine tenants who are suspected of being infected. We may also be required to disinfect the affected markets and therefore suffer a temporary suspension of operations. Any quarantine of users or suspension of operations at any one of markets is likely to adversely affect our business, financial condition and results of operations.

It may be difficult to enforce any judgments obtained from non-PRC courts against us, our directors or our senior management in the PRC.

Substantially all of our assets are located within the PRC. China does not have treaties providing for the reciprocal recognition and enforcement of judgments of courts with many countries, including Japan, the United States and the United Kingdom. Therefore, it may be difficult for you to enforce any judgments obtained from non-PRC courts against us, any of our directors or our senior management in the PRC.

We cannot guarantee the accuracy of facts, forecasts and other statistics derived from official government publications with respect to the PRC, the PRC economy and the PRC industries that affect our business, which are contained in this offering memorandum.

Facts, forecasts and other statistics in this offering memorandum relating to the PRC, the PRC economy and the PRC industries that affect our business have been derived from various official government publications generally believed to be reliable. However, we cannot guarantee the quality or reliability of such source materials. They have not been prepared or independently verified by us, the Joint Sponsors and the Underwriters or any of our or their respective affiliates or advisors and, therefore, we make no representation as to the accuracy of such facts, forecasts and statistics, which may not be consistent with other information compiled within or outside the PRC. Due to possibly flawed or ineffective collection methods or discrepancies between official government publications and market practice and other problems, the statistics herein may be inaccurate or may not be comparable to statistics produced for other economies and should not be unduly relied upon. Further, we cannot assure you that they are stated or compiled on the same basis or with the same degree of accuracy as may be the case elsewhere.

In all cases, investors should give consideration as to how much weight or importance they should attach to or place on such facts, forecasts or statistics.

Risks Relating to the Notes

We are a holding company and payments with respect to the Notes are structurally subordinated to liabilities, contingent liabilities and obligations of our subsidiaries that do not guarantee the Notes.

We are a holding company with no material operations. We conduct our operations through our PRC subsidiaries. The Notes will not be guaranteed by any current or future PRC subsidiaries. Our primary assets are ownership interests in our PRC subsidiaries, which are held through our subsidiaries incorporated outside the PRC. On the date of issue of the Notes, all of such subsidiaries directly or indirectly owning our PRC subsidiaries (other than Proper Way Enterprises Limited, Jolly Ace Limited, Firm Power Limited, Willease Limited, Bright Delicate Limited, Total Nice Investments Limited, Vision Orient Limited, Gold Spirit Limited, Asian Leader Investments Limited and Aqua Global Limited, which do not yet have material operations) will guarantee the Notes. We may designate our offshore subsidiaries representing in the aggregate up to 15% of our total assets as non-guarantors. The guarantors do not have material operations. Accordingly, our ability to pay principal and interest on the Notes and the ability of the guarantors to satisfy their obligations under their guarantees will depend upon our receipt of principal and interest payments on the intercompany loans and distributions of dividends from our subsidiaries.

Creditors, including trade creditors of non-guarantor subsidiaries and any holders of preferred shares in such entities, would have a claim on the assets of the non-guarantor subsidiaries that would be prior to the claims of holders of the Notes. As a result, our payment obligations under the Notes will be effectively subordinated to all existing and future obligations of our subsidiaries that do not guarantee the Notes, including their obligations under guarantees they have issued or will issue in connection with our business operations, and all claims of creditors of our non-guarantor subsidiaries will have priority as to the assets of such entities over our claims and those of our creditors, including holders of the Notes. As of December 31, 2009, our PRC subsidiaries had capital commitments and contingent liabilities arising from guarantees of RMB2,345.1 million (US\$343.6 million) and RMB980.2 million (US\$143.6 million), respectively. The Notes and the indenture permit us, the guarantors and our

non-guarantor subsidiaries to incur additional indebtedness and issue additional guarantees, subject to certain limitations. In addition, our secured creditors or those of any guarantor would have priority as to our assets or the assets of such guarantor securing the related obligations over claims of holders of the Notes.

Under the terms of the Notes, a guarantee required to be provided by a subsidiary under the terms of the Notes may be replaced by a limited-recourse guarantee following the sale or issuance to a third party of a 20% to 49% equity interest in such subsidiary or its direct or indirect majority shareholders subject to the satisfaction of certain conditions.

We and our subsidiaries may incur additional indebtedness in the future, which could adversely affect our financial health and our ability to generate sufficient cash to satisfy our outstanding and future debt obligations.

Although we and our subsidiaries do not have any outstanding indebtedness as of the date of this offering memorandum, in the future, we and our subsidiaries may from time to time incur substantial additional indebtedness and contingent liabilities. Although the indenture governing the Notes restricts us and our restricted subsidiaries from incurring additional debt and contingent liabilities, these restrictions are subject to important exceptions and qualifications. Such additional indebtedness may have important consequences to you. For example, it may:

- limit our ability to satisfy our obligations under the Notes and other debt;
- increase our vulnerability to adverse general economic and industry conditions;
- require us to dedicate a substantial portion of our cash flow from operations to servicing and repaying our indebtedness, thereby reducing the availability of our cash flow to fund working capital, capital expenditures and for other general corporate purposes;
- limit our flexibility in planning for or reacting to changes in our businesses;
- limit, along with the financial and other restrictive covenants of our indebtedness, among other things, our ability to borrow additional funds; and
- increase the cost of additional financing.

Any of these factors may materially and adversely affect our ability to satisfy our obligations under the Notes.

To service our indebtedness, we will require a significant amount of cash. Our ability to generate cash depends on many factors beyond our control.

Our ability to make payments on and to refinance our indebtedness, including these Notes, and to fund planned capital expenditures and project development will depend on our ability to generate cash in the future. This, to a certain extent, is subject to general economic, financial, competitive, legislative, regulatory and other factors that are beyond our control.

We cannot assure you that our business will generate cash flow from operations in an amount sufficient to enable us to pay our indebtedness, including the Notes, or to fund our other liquidity needs. We may need to refinance all or a portion of our indebtedness, including the Notes, on or before maturity. We cannot assure you that we will be able to refinance any of our indebtedness on commercially reasonable terms or at all.

Our subsidiaries are subject to restrictions on the payment of dividends and the repayment of intercompany loans or advances to us and our subsidiaries.

We may depend on the receipt of dividends and the interest and principal payments on intercompany loans or advances from our subsidiaries, including our PRC subsidiaries, to satisfy our obligations, including our obligations under the Notes. The ability of our subsidiaries to pay dividends and make payments on intercompany loans or advances to their shareholders is subject to, among other things, distributable earnings, cash flow conditions, restrictions contained in the articles of association of our

subsidiaries, applicable laws and restrictions contained in the debt instruments of such subsidiaries. In addition, if any of our subsidiaries raises capital by issuing equity securities to third parties, dividends declared and paid with respect to such shares would not be available to us to make payments on the Notes. These restrictions could reduce the amounts that we receive from our subsidiaries, which would restrict our ability to meet our payment obligations under the Notes and the Subsidiary Guarantees.

PRC laws and regulations permit payment of dividends only out of accumulated profits as determined in accordance with PRC accounting standards and regulations and such profits differ from profits determined in accordance with IFRSs in certain significant respects, including the use of different bases of recognition of revenue and expenses. Our PRC subsidiaries are also required to set aside a portion of their after-tax profits according to PRC accounting standards and regulations to fund certain reserves that are not distributable as cash dividends by the board of directors. In addition, starting from January 1, 2008, dividends paid by our PRC subsidiaries to their non-PRC parent companies will be subject to a 10% withholding tax, unless there is a tax treaty between the PRC and the jurisdiction in which the overseas parent company is incorporated, which specifically exempts or reduces such withholding tax. As a result of such limitations, there could be timing limitations on payments from our PRC subsidiaries to meet payments required by the Notes or satisfy our obligations under the Subsidiary Guarantees, and there could be restrictions on payments required to redeem the Notes at maturity or as required for any early redemption.

Furthermore, in practice, the market interest rate that our PRC subsidiaries can pay with respect to offshore loans generally may not exceed comparable interest rates in the international finance markets. The interest rates on shareholders' loans paid by our subsidiaries, therefore, are likely to be lower than the interest rate for the Notes. Our PRC subsidiaries are also required to pay a 10% withholding tax on our behalf on the interest paid under any shareholders' loans. PRC regulations require approval by the SAFE prior to any of our non-PRC subsidiaries making shareholder loans in foreign currencies to our PRC subsidiaries and require such loans to be registered with the SAFE. Prior to payment of interest and principal on any such shareholder loan, the PRC subsidiaries must present evidence of payment of the withholding tax on the interest payable on any such shareholder loan and evidence of registration with the SAFE, as well as any other documents that the SAFE or its local branch may require.

As a result of the foregoing, we cannot assure you that we will have sufficient cash flow from dividends or payments on intercompany loans or advances from our subsidiaries to satisfy our obligations under the Notes or the obligations of the Subsidiary Guarantors under the Subsidiary Guarantees.

If we are deemed a property developer by SAFE and MOFCOM, our ability to deploy the funds raised in this offering in our business in the PRC may be affected.

On July 10, 2007, the General Affairs Department of SAFE issued a notice to (i) restrict the ability of foreign-invested real estate companies to raise funds offshore for the purpose of injecting such funds into PRC companies by way of shareholder loans and (ii) require a filing with MOFCOM regarding the establishment of foreign-invested real estate companies for the purpose of injecting funds into PRC companies by ways of contribution or increase of registered capital. Though our underground air defense shelter project developments are not explicitly categorized as property development and Jingtian, our PRC legal advisor, has advised us that we are not subject to this notice because our project approval process as underground civil air defense shelters differs from those for ordinary real estate development, we cannot assure you that the Ministry of Commerce of the PRC, the SAFE and its local branches will take the same position. If the proceeds of the current offering can only be transferred to our PRC subsidiaries as equity investments and not as loans, we cannot assure you that the dividend payments from our PRC subsidiaries will be available on each interest payment date to pay the interest due and payable under the Notes, or on the maturity date to pay the principal of the outstanding Notes.

The insolvency laws of the Cayman Islands and other local insolvency laws may differ from U.S. bankruptcy law or those of another jurisdiction with which holders of the Notes are familiar.

Because we and some of the guarantors are incorporated under the laws of the Cayman Islands, the British Virgin Islands or Hong Kong, an insolvency proceeding relating to us or any such guarantor,

even if brought in the United States, would likely involve Cayman Islands, the British Virgin Islands or Hong Kong insolvency laws, the procedural and substantive provisions of which may differ from comparable provisions of United States federal bankruptcy law or other jurisdictions with which the holders of the Notes are familiar.

We conduct substantially all of our business operations through PRC-incorporated subsidiaries in China. The guarantors, as equity shareholders in our PRC subsidiaries, are necessarily subject to the bankruptcy and insolvency laws of China in a bankruptcy or insolvency proceeding involving any of such PRC subsidiaries. The PRC laws and regulations relating to bankruptcy and insolvency and the legal proceedings in that regard may significantly differ from those of the United States and other jurisdictions with which the holders of the Notes are familiar. You should analyze the risks and uncertainties carefully before you invest in our Notes.

We may be unable to obtain and remit foreign exchange.

Our ability to satisfy our obligations under the Notes depends solely upon the ability of our PRC subsidiaries to obtain and remit sufficient foreign currency to pay dividends to us and, if applicable, to repay shareholder loans. Our PRC subsidiaries must present certain documents to SAFE, its authorized branch, or the designated foreign exchange bank, for approval before they can obtain and remit foreign currencies out of China, including, in the case of dividends, evidence that the relevant PRC taxes have been paid and, in the case of shareholder loans, evidence of the registration of the loan with SAFE. Prior to payment of interest and principal on any shareholder loan we make to our PRC subsidiaries, the relevant PRC subsidiary must also present evidence of payment of the 10% withholding tax on the interest payable in respect of such shareholder loan. If any PRC subsidiary for any reason fails to satisfy any of the PRC legal requirements for remitting foreign currency payments, the PRC subsidiary will be unable to pay us dividends or interest and principal on shareholder loans, which may affect our ability to satisfy our obligations under the Notes.

We may not be able to repurchase the Notes upon a change of control.

We must offer to purchase the Notes upon the occurrence of a change of control and an accompanied rating decline, at a purchase price equal to 101% of the principal amount plus accrued and unpaid interest. See "Description of the Notes." The source of funds for any such purchase would be our available cash or third-party financing. However, we may not have enough available funds at the time of the occurrence of any change of control to make purchases of outstanding Notes. Our failure to make the offer to purchase or purchase the outstanding Notes would constitute an event of default under the Notes. The event of default may, in turn, constitute an event of default under other indebtedness, any of which could cause the related debt to be accelerated after any applicable notice or grace periods. If our other debt were to be accelerated, we may not have sufficient funds to purchase the Notes and repay the debt.

In addition, the definition of change of control for purposes of the indenture governing the Notes does not necessarily afford protection for the holders of the Notes in the event of some highly leveraged transactions, including certain acquisitions, mergers, refinancings, restructurings or other recapitalizations, although these types of transactions could increase our indebtedness or otherwise affect our capital structure or credit ratings. The definition of change of control for purposes of the indentures governing the Notes also include a phrase relating to the direct or indirect sale, lease, transfer, conveyance or other disposition of "all or substantially all" of the properties or our assets taken as a whole. Although there is a limited body of case law interpreting the phrase "substantially all," there is no precise established definition under applicable law. Accordingly, our obligation to make an offer to purchase the Notes and the ability of a holder of the Notes to require us to purchase its Notes pursuant to the offer as a result of a highly-leveraged transaction or a sale of less than all of our assets may be uncertain.

If we are unable to comply with the restrictions and covenants in the indenture or our future debt agreements, there could be a default under the indenture or the terms of these agreements, which could cause repayment of our debt to be accelerated.

If we are unable to comply with the restrictions and covenants in the indenture or our future debt obligations and other agreements, there could be a default under the terms of these agreements. In

the event of a default under these agreements, the holders of the debt could terminate their commitments to lend to us, accelerate repayment of the debt and declare all outstanding amounts due and payable or terminate the agreements, as the case may be. Furthermore, the indenture contains, and our future debt agreements are likely to contain, cross-acceleration or cross-default provisions. As a result, our default under one debt agreement may cause the acceleration of repayment of not only such debt but also other debt, including the Notes, or result in a default under our other debt agreements, including the indenture. If any of these events occur, we cannot assure you that our assets and cash flow would be sufficient to repay in full all of our indebtedness, or that we would be able to find alternative financing. Even if we could obtain alternative financing, we cannot assure you that it would be on terms that are favorable or acceptable to us.

Our operations are restricted by the terms of the Notes, which could limit our ability to plan for or to react to market conditions or meet our capital needs, which could increase your credit risk.

The indenture includes a number of significant restrictive covenants. These covenants restrict, among other things, our ability, and the ability of our restricted subsidiaries, to:

- incur or guarantee additional indebtedness and issue disqualified or preferred stock;
- declare dividends on capital stock or purchase or redeem capital stock;
- make investments or other specified restricted payments;
- issue or sell capital stock of restricted subsidiaries;
- guarantee indebtedness of restricted subsidiaries;
- sell assets;
- create liens;
- enter into sale and leaseback transactions;
- engage in any business other than permitted business;
- enter into agreements that restrict the restricted subsidiaries' ability to pay dividends, transfer assets or make intercompany loans;
- enter into transactions with shareholders or affiliates; and
- effect a consolidation or merger.

These covenants could limit our ability to plan for or react to market conditions or to meet our capital needs. Our ability to comply with these covenants may be affected by events beyond our control, and we may have to curtail some of our operations and growth plans to maintain compliance.

A trading market for the Notes may not develop, and there are restrictions on resale of the Notes.

The Notes are a new issue of securities for which there is currently no trading market. We have received approval in-principle for the listing of the Notes on the SGX-ST and we cannot assure you that we will be able to maintain a listing on the SGX-ST, or that, if listed, a liquid trading market will develop. If no active trading market develops, you may not be able to resell your Notes at their fair market value or at all. Future trading prices of the Notes will depend on many factors, including, among other things, prevailing interest rates, our operating results and the market for similar securities. We have been advised that the Initial Purchasers intend to make a market in the Notes, but the Initial Purchasers are not obligated to do so and may discontinue such market making activity at any time without notice. In addition, the Notes are being offered pursuant to exemptions from registration under the Securities Act and, as a result, you will only be able to resell your Notes in transactions that have been registered under the Securities Act or in transactions not subject to or exempt from registration under the Securities Act. See "Notice to Investors." We cannot predict whether an active trading market for the Notes will develop or be sustained.

The ratings assigned to the Notes may be lowered or withdrawn in the future.

The Notes have been assigned a rating of “BB” by Standard & Poor’s Ratings Services and “Ba2” by Moody’s Investors Service. The ratings address our ability to perform our obligations under the terms of the Notes and credit risks in determining the likelihood that payments will be made when due under the Notes. A rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time. We cannot assure you that a rating will remain for any given period of time or that a rating will not be lowered or withdrawn entirely by the relevant rating agency if in its judgment circumstances in the future so warrant. We have no obligation to inform holders of the Notes of any such revision, downgrade or withdrawal. A suspension, reduction or withdrawal at any time of the rating assigned to the Notes may adversely affect the market price of the Notes.

The liquidity and price of the Notes following the offering may be volatile.

The price and trading volume of the Notes may be highly volatile. Factors such as variations in our revenues, earnings and cash flows and proposals for new investments, strategic alliances and/or acquisitions, interest rates and fluctuations in price for comparable companies could cause the price of the Notes to change. Any such developments may result in large and sudden changes in the trading volume and price of the Notes. We cannot assure you that these developments will not occur in the future.

Risks Relating to the Guarantees and the Collateral

The guarantees may be challenged under applicable insolvency or fraudulent transfer laws, which could impair the enforceability of the guarantees.

Under bankruptcy laws, fraudulent transfer laws, insolvency or unfair preference or similar laws in the Cayman Islands, the British Virgin Islands, Hong Kong and other jurisdictions where future guarantors may be established, a guarantee could be voided, or claims in respect of a guarantee could be subordinated to all other debts of that guarantor if, among other things, the guarantor, at the time it incurred the indebtedness evidenced by, or when it gives, its guarantee:

- incurred the debt with the intent to hinder, delay or defraud creditors or was influenced by a desire to put the beneficiary of the guarantee in a position which, in the event of the guarantor’s insolvency, would be better than the position the beneficiary would have been in had the guarantee not been given;
- received less than reasonably equivalent value or fair consideration for the incurrence of such guarantee;
- was insolvent or rendered insolvent by reason of the incurrence of such guarantee;
- was engaged in a business or transaction for which the guarantor’s remaining assets constituted unreasonably small capital; or
- intended to incur, or believed that it would incur, debts beyond its ability to pay such debts as they mature.

The measure of insolvency for purposes of the foregoing will vary depending on the laws of the applicable jurisdiction. Generally, however, a guarantor would be considered insolvent at a particular time if it were unable to pay its debts as they fell due or if the sum of its debts was then greater than all of its properties at a fair valuation or if the present fair saleable value of its assets was then less than the amount that would be required to pay its probable liabilities in respect of its existing debts as they became absolute and matured.

In addition, a guarantee may be subject to review under applicable insolvency or fraudulent transfer laws in certain jurisdictions or subject to a lawsuit by or on behalf of creditors of the guarantor. In such case, the analysis set forth above would generally apply, except that the guarantee could also be subject to the claim that, since the guarantee was not incurred for the benefit of the guarantor, the obligations of the guarantor thereunder were incurred for less than reasonably equivalent value or fair consideration.

In an attempt to limit the applicability of insolvency and fraudulent transfer laws in certain jurisdictions, the obligations of the guarantors under the guarantees will be limited to the maximum amount that can be guaranteed by the applicable guarantor without rendering the guarantee, as it relates to such guarantor, voidable under such applicable insolvency or fraudulent transfer laws.

If a court voids a guarantee, subordinates such guarantee to other indebtedness of the guarantor, or holds the guarantee unenforceable for any other reason, holders of the Notes would cease to have a claim against that guarantor based upon such guarantee, would be subject to the prior payment of all liabilities (including trade payables) of such guarantor, and would solely be creditors of us and any guarantors whose guarantees have not been voided or held unenforceable. We cannot assure you that, in such an event, after providing for all prior claims, there would be sufficient assets to satisfy the claims of the holders of the Notes.

The pledge of the collateral may in some circumstances be voidable.

The pledge of the collateral securing the Notes and guarantees may be voidable as a preference under insolvency or fraudulent transfer or similar laws of Hong Kong, the Cayman Islands and the British Virgin Islands at any time within six months of the perfection of the pledge or, under some circumstances, within a longer period. Pledges of capital stock of future guarantors may also be voidable as a preference under relevant insolvency or fraudulent transfer or similar laws. In addition, the pledge of certain collateral may be voided based on the analysis set forth under the section entitled “– The guarantees may be challenged under applicable insolvency or fraudulent transfer laws, which could impair the enforceability of the guarantees” above.

If the pledges of the collateral were to be voided for any reason, holders of the Notes would have only an unsecured claim against us and the guarantors.

The value of the collateral is unlikely to be sufficient to satisfy our obligations under the Notes and other pari passu secured indebtedness.

The collateral will consist only of the capital stock of the guarantors (other than subsidiaries of joint venture companies) owned by us or our subsidiaries. The security interest in respect of certain collateral may be released upon the disposition of such collateral and any proceeds from such disposition may be applied, prior to repaying any amounts due under the Notes, to repay other debt or to make investments in properties and assets that will not be pledged as additional collateral.

The ability of the collateral agent, on behalf of the holders of the Notes, to foreclose on the collateral upon the occurrence of an event of default or otherwise will be subject in certain instances to perfection and priority status. Although procedures will be undertaken to support the validity and enforceability of the security interests, we cannot assure you that the collateral agent or holders of the Notes will be able to enforce the security interest.

The value of the collateral in the event of a liquidation will depend upon market and economic conditions, the availability of buyers and similar factors. No independent appraisals of any of the collateral have been prepared by or on behalf of us in connection with this offering of the Notes. Accordingly, we cannot assure you that the proceeds of any sale of the collateral following an acceleration of the Notes would be sufficient to satisfy, or would not be substantially less than, amounts due and payable on the Notes. By its nature, the collateral, which consists solely of the capital stock of privately owned companies, is likely to be illiquid and is unlikely to have a readily ascertainable market value. Likewise, we cannot assure you that the collateral will be saleable or, if saleable, that there will not be substantial delays in its liquidation.

The collateral will be shared on a pari passu basis by the holders of the Notes and may be shared on a pari passu basis with holders of other indebtedness ranking pari passu with the Notes that we may issue in the future. Accordingly, in the event of a default on the Notes or the other secured indebtedness and a foreclosure on the collateral, any foreclosure proceeds would be shared by the holders of secured indebtedness in proportion to the outstanding amounts of each class of such secured indebtedness. The value of the collateral securing the Notes and the guarantees is unlikely to be sufficient to satisfy the full repayment on the notes and guarantees, and the collateral securing the Notes and the guarantees may be reduced or diluted under certain circumstances, including the issuance of additional Notes or other pari passu indebtedness and the disposition of assets comprising the collateral, subject to the terms of the indenture.

The pledge of certain collateral may be released under certain circumstances.

In the event the conditions applicable to the replacement of a guarantee of a joint venture subsidiary with a limited amount guarantee are satisfied, we are permitted to release the pledge of the shares of the applicable guarantor, as well as the pledge of the shares of that guarantor's subsidiaries. We are only required to deliver a replacement share pledge for the shares that we continue to hold in such guarantor (but not the subsidiaries of such guarantor) following the sale of the equity interests in such guarantor. As a result, in the event we sell minority equity interests in our guarantors or otherwise create joint venture companies in accordance with the terms of the indenture, the collateral will be reduced in value and scope, and holders of the Notes would be subject to increased risks.

Use of Proceeds

We estimate that we will receive net proceeds from this offering in the amount of approximately US\$291.8 million, after deducting underwriting discounts and commissions and estimated offering expenses payable by us.

We intend to use the net proceeds from this offering:

- to finance existing projects;
- to acquire and develop new projects; and
- for working capital requirements.

Pending application of the net proceeds as described above, we intend to invest such net proceeds in “Cash Equivalents” as defined under the section entitled “Description of the Notes.”

We expect that the timing and final amount of disbursement to be made for the foregoing purposes will be determined by our directors with a view to obtaining the optimal benefit for us. However, depending on future events or developments, such as general market conditions, the level of demand for our properties and the outlook for our industry, changes in social, political and economic conditions and the regulatory environment in the cities in which we conduct our business and changes in our need for capital and the availability of financing and capital to fund these needs, we may use the net proceeds differently than as described above.

Exchange Rate Information

China

The PBOC sets and publishes daily a base exchange rate with reference primarily to the supply and demand of Renminbi against a basket of currencies in the market during the prior day. The PBOC also takes into account other factors, such as the general conditions existing in the international foreign exchange markets. From 1994 to July 20, 2005, the conversion of Renminbi into foreign currencies, including Hong Kong dollars and U.S. dollars, was based on rates set daily by PBOC on the basis of the previous day's inter-bank foreign exchange market rates and then current exchange rates in the world financial markets. During this period, the official exchange rate for the conversion of Renminbi to U.S. dollars remained generally stable. Although the PRC government introduced policies in 1996 to reduce restrictions on the convertibility of Renminbi into foreign currencies for current account items, conversion of Renminbi into foreign currencies for capital items, such as foreign direct investment, loan principals and securities trading, still requires the approval of SAFE and other relevant authorities. On July 21, 2005, the PRC government introduced a managed floating exchange rate system to allow the value of the Renminbi to fluctuate within a regulated band based on market supply and demand and by reference to a basket of currencies. On the same day, the value of the Renminbi appreciated by approximately 2% against the U.S. dollar. On May 18, 2007, the PBOC enlarged the trading prices in the inter-bank foreign exchange market of the Renminbi against the U.S. dollar from 0.3% to 0.5% around the central parity rate, effective on May 21, 2007. This allows the Renminbi to fluctuate against the U.S. dollar by up to 0.5% above or below the central parity rate published by the PBOC. From July 21, 2005 to April 16, 2010, the value of the Renminbi appreciated by approximately 17.5% against the U.S. dollar. The PBOC authorized the China Foreign Exchange Trading Centre, effective since January 4, 2006, to announce the central parity exchange rate of certain foreign currencies against the Renminbi on each business day. This rate is set as the central parity for the trading against the Renminbi in the inter-bank foreign exchange spot market and the over-the-counter exchange rate for the business day.

The following table sets forth the noon buying rate for U.S. dollars in New York City for cable transfer in Renminbi as certified for customs purposes by the Federal Reserve Bank of New York for the periods indicated:

Period	Noon buying rate			
	Period end	Average ⁽¹⁾	High	Low
(RMB per US\$1.00)				
2005.....	8.0702	8.1826	8.2765	8.0702
2006.....	7.8041	7.9579	8.0702	7.8041
2007.....	7.2946	7.5806	7.8127	7.2946
2008.....	6.8225	6.9477	7.2946	6.7800
2009.....	6.8259	6.8307	6.8470	6.8176
October	6.8264	6.8267	6.8292	6.8248
November	6.8265	6.8271	6.8300	6.8255
December	6.8259	6.8275	6.8299	6.8244
2010				
January.....	6.8268	6.8269	6.8295	6.8258
February.....	6.8258	6.8285	6.8330	6.8258
March.....	6.8258	6.8262	6.8270	6.8254
April (through April 16, 2010).....	6.8253	6.8252	6.8263	6.8229

(1) Determined by averaging the rates on the last business day of each month during the relevant year, except for monthly average rates, which are determined by averaging the daily rates during the respective months.

On April 16, 2010, the noon buying rate for U.S. dollars in New York City for cable transfers in Renminbi was RMB6.8253 to US\$1.00 as certified for customs purposes by the Federal Reserve Bank of New York.

Hong Kong

The Hong Kong dollar is freely convertible into other currencies, including the U.S. dollar. Since October 17, 1983, the Hong Kong dollar has been linked to the U.S. dollar at the rate of HK\$7.80 to US\$1.00. The Basic Law of the Hong Kong Special Administrative Region of the People's Republic of China (the "Basic Law"), which came into effect on July 1, 1997, provides that no foreign exchange control policies shall be applied in Hong Kong.

The market exchange rate of the Hong Kong dollar against the U.S. dollar continues to be determined by the forces of supply and demand in the foreign exchange market. However, against the background of the fixed rate system which applies to the issuance and withdrawal of Hong Kong currency in circulation, the market exchange rate has not deviated significantly from the level of HK\$7.80 to US\$1.00. In May 2005, the Hong Kong Monetary Authority broadened the 22-year-old trading band from the original rate of HK\$7.80 per U.S. dollar to a rate range of HK\$7.75 to HK\$7.85 per U.S. dollar. The Hong Kong government has indicated its intention to maintain the link within that rate range. Under the Basic Law, the Hong Kong dollar will continue to circulate and remain freely convertible. The Hong Kong government has also stated that it has no intention of imposing exchange controls in Hong Kong and that the Hong Kong dollar will remain freely convertible into other currencies, including the U.S. dollar.

The following table sets forth the noon buying rate for U.S. dollars in New York City for cable transfer in Hong Kong dollars as certified for customs purposes by the Federal Reserve Bank of New York for the periods indicated:

Period	Noon buying rate			
	Period end	Average ⁽¹⁾	High	Low
(HK\$ per US\$1.00)				
2005.....	7.7533	7.7755	7.7999	7.7514
2006.....	7.7771	7.7685	7.7928	7.7506
2007.....	7.7984	7.8008	7.8289	7.7497
2008.....	7.7449	7.7814	7.8159	7.7497
2009.....	7.7536	7.7514	7.7618	7.7495
October.....	7.7497	7.7497	7.7502	7.7495
November.....	7.7500	7.7497	7.7501	7.7495
December.....	7.7536	7.7526	7.7572	7.7495
2010				
January.....	7,7665	7,7624	7,7752	7,7539
February.....	7,7619	7,7670	7,7716	7,7619
March.....	7,7647	7,7612	7,7648	7,7574
April (through April 16, 2010).....	7,7621	7,7620	7,7672	7,7565

(1) Determined by averaging the rates on the last business day of each month during the relevant year, except for monthly average rates, which are determined by averaging the daily rates during the respective months.

On April 16, 2010, the noon buying rate for U.S. dollars in New York City for cable transfers in Hong Kong dollars was HK\$7.7621 to US\$1.00 as certified for customs purposes by the Federal Reserve Bank of New York.

Capitalization

The following table sets forth on an actual basis our capitalization as of December 31, 2009, and as adjusted to give effect to the issuance of the Notes. Except as otherwise disclosed herein, there has been no material change in our capitalization since December 31, 2009.

	As of December 31, 2009 ⁽¹⁾			
	Actual		As Adjusted	
	RMB	US\$	RMB	US\$
	(audited) (in thousands)			
Long-term borrowings				
Notes to be issued ⁽²⁾	–	–	2,047,770	300,000
Capital and reserves				
Share capital (HK\$0.01 par value per share, 22,000,000,000 shares issued and fully paid).....	193,884	28,404	193,884	28,404
Reserves.....	11,872,645	1,739,353	11,872,645	1,739,353
Total capital and reserves attributable to the equity shareholders of the Company.....	12,066,529	1,767,757	12,066,529	1,767,757
Total capitalization ⁽³⁾	12,066,529	1,767,757	14,114,299	2,067,757

(1) As of December 31, 2009, we had issued guarantees in respect of our transferees' borrowings in an aggregate amount of RMB980.2 million (US\$143.6 million) and restricted bank deposits to secure our transferees' borrowings in an aggregate amount of RMB458.1 million (US\$67.1 million). For a detailed discussion of these guarantees and restricted bank deposits, see "Management's Discussion and Analysis of Financial Condition and Results of Operations – Liquidity and Capital Resources – Restricted Cash" and "– Off-Balance Sheet Commitments and Arrangements."

(2) The aggregate principal amount of the Notes, without taking into account and before deduction of underwriting discounts and commissions and estimated offering expenses, is US\$300.0 million.

(3) Total capitalization includes total long-term borrowings plus total capital and reserves attributable to our equity shareholders.

Selected Consolidated Financial Information

The following selected consolidated income statement data for the years ended December 31, 2008 and 2009 and selected consolidated balance sheet data as of December 31, 2008 and 2009 have been derived from our audited consolidated financial statements included elsewhere in this offering memorandum. The following selected consolidated income statement data for the year ended December 31, 2007 and selected consolidated balance sheet data as of December 31, 2007 have been derived from the financial information in our Accountants' Report included elsewhere in this offering memorandum. You should read the selected consolidated financial data in conjunction with those financial statements and the related notes included elsewhere in this offering memorandum and "Management's Discussion and Analysis of Financial Condition and Results of Operations." We have prepared our consolidated financial statements in accordance with IFRSs.

	Year Ended December 31,			
	2007	2008	2009	
	RMB	RMB	RMB	US\$
	(in thousands)			
Consolidated income statement data				
Revenue	366,495	3,050,281	4,162,943	609,875
Cost of sales	(81,138)	(530,196)	(1,059,117)	(155,162)
Gross profit	285,357	2,520,085	3,103,826	454,713
Other income	54,237	61,827	1,965,772	287,987
Administrative expenses	(12,892)	(108,888)	(253,442)	(37,129)
Other operating expenses	(34,032)	(73,578)	(144,869)	(21,224)
Profit from operations	292,670	2,399,446	4,671,287	684,347
Finance income	3,131	19,046	11,858	1,737
Finance expenses	(17,835)	(12,534)	(4,643)	(680)
Net finance (expenses)/income	(14,704)	6,512	7,215	1,057
Profit before income tax	277,966	2,405,958	4,678,502	685,404
Income tax	(11,291)	(502,940)	(640,934)	(93,897)
Profit for the year	<u>266,675</u>	<u>1,903,018</u>	<u>4,037,568</u>	<u>591,507</u>
Profits attributable to equity shareholders of the Company	266,675	1,903,018	4,037,568	591,507
Dividends payable to equity shareholders of the Company attributable to the year	257,212	1,524,000	2,019,600	295,873
Other data				
EBITDA ⁽¹⁾	332,120	2,434,240	4,736,988	693,973
EBITDA margin ⁽²⁾	90.6%	79.8%	113.8%	113.8%

(1) EBITDA for any period consists of profit from operations plus depreciation and amortization expenses. Our EBITDA includes the gains from disposal of our subsidiaries. As part of our ordinary business operations, we from time to time seek to sell all or some of the interests in our subsidiaries, which will result in gains or losses recorded in other income. EBITDA is not a standard measure under IFRSs. EBITDA is a widely used financial indicator of a company's ability to service and incur debt. EBITDA should not be considered in isolation or construed as an alternative to cash flows, net income or any other measure of financial performance or as an indicator of our operating performance, liquidity, profitability or cash flows generated by operating, investing or financing activities. In evaluating EBITDA, we believe that investors should consider, among other things, the components of EBITDA such as administrative and other operating expenses and the amount by which EBITDA exceeds capital expenditures and other charges. We have included EBITDA because we believe it is a useful supplement to cash flow data as a measure of our performance and our ability to generate cash flow from operations to cover debt service and taxes. EBITDA presented herein may not be comparable to similarly titled measures presented by other companies. Investors should not compare our EBITDA to EBITDA presented by other companies because not all companies use the same definition. Investors should also note that EBITDA as presented herein may be calculated differently from Consolidated EBITDA as defined and used in the indenture governing the Notes. Interest expense excludes amounts capitalized. See the section entitled "Description of the Notes – Certain Definitions" for a description of the manner in which Consolidated EBITDA is defined for purposes of the indenture governing the Notes.

(2) EBITDA margin refers to EBITDA divided by revenue for the relevant year, expressed as a percentage.

The following table reconciles our profit from operations under IFRSs to our EBITDA for the periods indicated.

	Year Ended December 31,			
	2007	2008	2009	
	RMB	RMB	RMB	US\$
	(in thousands)			
Profit from operations	292,670	2,399,446	4,671,287	684,347
Depreciation.....	38,193	33,764	65,294	9,566
Amortization.....	1,257	1,030	407	(60)
EBITDA	332,120	2,434,240	4,736,988	693,973

	As of December 31,			
	2007	2008	2009	
	RMB	RMB	RMB	US\$
	(in thousands)			
Consolidated balance sheet data:				
Non-current assets:				
Property and equipment.....	35,231	358,025	252,671	37,017
Investment properties.....	455,187	934,667	2,100,956	307,792
Land use rights	48,389	16,951	8,119	1,189
Other assets.....	156,487	517,851	778,039	113,983
Total non-current assets	695,294	1,827,494	3,139,785	459,981
Current assets:				
Inventories	–	129,000	121,265	17,765
Trade and other receivables	447,197	2,153,089	5,440,822	797,085
Cash at bank and on hand.....	1,517,447	3,233,578	4,904,426	718,503
Total current assets	1,964,644	5,515,667	10,466,513	1,533,353
Current liabilities:				
Bank loans.....	19,184	–	–	–
Trade and other payables	723,684	531,294	1,126,637	165,053
Taxation	13,443	371,789	383,132	56,129
Total current liabilities	756,311	903,083	1,509,769	221,182
Non-Current liabilities:				
Other payables.....	12,013	1,668	–	–
Deferred tax liabilities.....	–	74,741	30,000	4,395
Total non-current liabilities	12,013	76,409	30,000	4,395
Capitals and reserves:				
Share capital	17	176,253	193,884	28,404
Reserves.....	1,891,597	6,187,416	11,872,645	1,739,353
Total equity attributable to the equity shareholders of the Company	1,891,614	6,363,669	12,066,529	1,767,757

Management's Discussion and Analysis of Financial Condition and Results of Operations

You should read the following discussion and analysis of our financial condition and results of operations in conjunction with "Selected Consolidated Financial Information" and our consolidated financial statements and related notes included elsewhere in this offering memorandum. Our financial statements have been prepared in accordance with IFRSs. The following discussion and analysis contains certain forward-looking statements that reflect our current views with respect to future events and financial performance. These statements are based on assumptions and analysis made by us in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors we believe are appropriate under the circumstances. However, whether actual outcomes and developments will meet our expectations and predictions depends on a number of risks and uncertainties over which we do not have control. Please see the section entitled "Risk Factors" in this offering memorandum.

Overview

We are a PRC-based underground shopping center operator and developer that focuses on the operation and development of stand-alone underground shopping centers for wholesale and retail sales of apparel and accessories in China.

We currently operate four underground shopping centers in Harbin, Heilongjiang Province, three of which are interconnected, one in Guangzhou, Guangdong Province, and one in Shenyang, Liaoning Province, with an aggregate GFA of approximately 238,618 sq.m., and are providing management services for one underground shopping center in Zhengzhou, Henan Province, with an aggregate GFA of approximately 94,180 sq.m. We have 27 other projects in Daqing and Harbin, Heilongjiang Province, Dalian and Anshan, Liaoning Province, Weifang and Qingdao, Shandong Province, Wuhan, Hubei Province, Handan, Hebei Province, Putian, Fujian Province, Chengdu, Sichuan Province, Ganzhou and Nanchang, Jiangxi Province, Luoyang and Zhengzhou, Henan Province, Kunming, Yunnan Province, Shenzhen and Guangzhou, Guangdong Province, Wuhu, Anhui Province, Chongqing and Tianjin, with an aggregate approved GFA of approximately 3,635,660 sq.m.

We have obtained approvals for the projects (項目建議書批覆) from the competent PRC authorities for our projects. All of our projects have easy access to transportation hubs such as subway stations, railway stations, city bus stops and inter-city bus terminals. We transfer the operation rights for a portion of the shop units of our projects to third-party purchasers, and we hold and lease the remaining shop units.

For the years ended December 31, 2007, 2008 and 2009, our revenue was RMB366.5 million, RMB3,050.3 million and RMB4,162.9 million (US\$609.9 million), respectively, and our profit for the year, during the same periods, was RMB266.7 million, RMB1,903.0 million and RMB4,037.6 million (US\$591.5 million), respectively.

Key Factors Affecting Our Results of Operations

General Economic Condition and Regulatory Environment in the PRC

Our results of operations are subject to general political, economic, fiscal, legal and social developments in the PRC, in particular in Harbin, Guangzhou, Shenyang, Chongqing and other cities in which our current projects are located or future projects will be developed, including:

- continued growth in the PRC's economy and population and an increase in urbanization rate, which drive the demand for underground shopping centers;
- the regulatory and fiscal environment of the PRC affecting the underground shopping center industry, including tax policies, policies on pre-transfer of operation rights, zoning policies, policies on interest rates and policies concerning the development and use of underground civil air defense shelters; and

- the performance of the PRC's wholesale and retail markets, in particular, those for apparel and accessories and other merchandise, and the supply and demand for underground and other shopping space in Harbin, Guangzhou, Shenyang, Chongqing and other cities in which our current projects are located or future projects will be developed.

See "Risk Factors – Legal and Regulatory Risks Relating to Our Industry – We are subject to regulations implemented by the PRC government regarding the development and operation of underground civil air defense shelters," "– Risks Relating to Our Business – A weakening of general economic conditions, especially in wholesale and retail markets in the PRC may adversely affect our lease income and proceeds from the transfer of operation rights," and "– Risks Relating to the PRC – Changes in the economic, political and social conditions in the PRC could adversely affect our business."

Ability to Secure Suitable Underground Sites for Future Development

Our continued growth will depend in large part on our ability to secure quality underground sites from the National Civil Air Defense Office and its local offices. Based on our current development plans, we have obtained, or are in the process of obtaining, government approvals for the development of new underground sites in the next several years. However, there is no assurance that we will eventually obtain approvals for those projects that have not yet been approved. As the PRC economy continues to grow and the demand for underground shopping centers remains relatively strong, we expect that some other companies that are not currently engaged in developing underground shopping centers may enter this sector and the competition among developers for quality underground sites may intensify. Competition may also come from the aboveground shopping centers.

The Size and Product Mix of Our Properties

We have held in the past and intend to hold in the future a majority of our shop units for recurring lease income while transferring the operation rights of the remaining shop units to third-party purchasers. From time to time when suitable opportunities arise, we may also consider transferring the entire project of an underground shopping center by transferring the equity interest in the subsidiary holding such project, such as what we did for Phase I of Zhengzhou Project in December 2009, to a third party to quickly realize the value of our investment. As a result, our results of operations and the sources and amount of our cash from operations may vary significantly from period to period, depending on the GFA of our projects in operation with respect to which we transfer operation rights or lease and when our projects in various stages of development are completed. Our results of operations and cash flow will also vary depending on the market demand at the time we transfer or lease our shop units, the occupancy rates of our investment properties and the transfer prices for our shop units. The transfer price, rental price and occupancy rate of our project developments largely depend on local supply and demand conditions.

Pledge of Cash and Restricted Bank Deposits

We provided guarantees to banks and made deposits as security to help certain transferees of our shop units in Harbin and Guangzhou finance their acquisition of the operation rights of the shop units. Most of the transferees who acquire the operation rights of our shop units pay a portion of the total transfer price and rely on bank loans to fund the remaining transfer price. We have entered into agreements with Bank of China and Harbin Bank with respect to loans they made to the transferees of operation rights under which we provided guarantees and made restricted bank deposits as security for the repayment of the loans. The amount of our guarantees is equivalent to the principal amount of the loans which, according to our internal policy, normally ranged approximately from 50% to 70% of the operation rights transfer price. Prior to the provision of the guarantees, we conducted credit reviews of the transferees, which included a review of their business activities, their experience in business operations and their financial background. The amount of our restricted bank deposits equal 10% or 15% of the principal amount of the loans. See "Risk Factors – Risks Relating to Our Business – Our cash pledged as security for the repayment of the loans provided to the transferees of our shop units negatively affects our liquidity." While the transfer of operation rights helped us recover the construction costs of our projects, the pledge of cash in restricted deposit accounts reduced the cash inflow from the transfers and negatively affected our liquidity. For example, as of December 31, 2007, 2008 and 2009, the balance of our restricted bank deposit was RMB206.7 million, RMB129.1 million

and RMB458.1 million (US\$67.1 million), respectively. In 2007, 2008 and 2009, none of the transferees of operation rights of our shop units defaulted on the repayment of loans for which we provided guarantees and made restricted cash deposits as security.

Timing of Project Development

The number of project developments that we can undertake during any particular period is limited due to substantial capital requirements for construction costs. In addition, it generally takes at least six months from the commencement of construction before our underground shop units can be ready for transfer or lease. Moreover, as market demand is unstable, revenue in a particular period also depends on our ability to gauge the expected demand in the market at the expected completion date of a particular project. Delays in construction, regulatory approval processes and other factors will also affect the timetable of our projects.

In addition, the commencement of the construction of our projects following government approval is subject to the obtaining of various other certificates, permits and licenses from the PRC government as well as the successful completion of pre-construction coordination. See “Business – Our Principal Activities – Permits and Certificates” and “Business – Our Principal Activities – Pre-Construction Coordination.” Obtaining these necessary certificates, permits and licenses and coordinating various government authorities and public utility suppliers are time-consuming and the progress is out of our control. As a result, it might be difficult for us to accurately implement our project development in accordance with our development plan from time to time.

Price Volatility of Construction Materials

Our results of operations are affected by the price volatility of construction materials such as steel and cement. Many of the construction materials we use for our project development are procured by our construction contractors, and our construction contractors typically bear the risk of fluctuations in construction material prices during the life of the relevant contract. However, we are exposed to the price volatility of construction materials to the extent that we periodically enter into or renew our construction contracts. Further, we typically transfer our underground shopping units prior to their completion, and thus are unable to pass the increased costs on to our customers if construction costs increase subsequent to the time of the transfer of shop units in our projects. See “– Description of Certain Consolidated Income Statement Items – Cost of Sales – Construction Cost.”

Critical Accounting Policies

Our consolidated financial information has been prepared in accordance with IFRSs, which require us to make judgments, estimates and assumptions that affect (1) the reported amounts of our assets and liabilities at the end of each fiscal period, and (2) the reported amounts of income and expenses during each fiscal period. We continually evaluate these estimates based on our own historical experience, knowledge and assessment of current business and other conditions, our expectations regarding the future based on available information and reasonable assumptions, which together form our basis for making judgments about matters that are not readily apparent from other sources. Since the use of estimates is an integral component of the financial reporting process, our actual results could differ from those estimates. Some of our accounting policies require a higher degree of judgment than others in their application.

When reviewing our financial statements, you should consider (1) our selection of critical accounting policies, (2) the judgment and other uncertainties affecting the application of those policies, and (3) the sensitivity of reported results to changes in conditions and assumptions. We believe the following accounting policies involve the most significant judgment and estimates used in the preparation of our financial statements.

Revenue Recognition

Our revenue consists of lease income from operating leases and revenue from the transfer of operation rights. Revenue arising from lease income from operating leases, including both the upfront rental payments and the one-time entry fee that we collect for certain of our projects upon the signing of the leases, is recognized on a straight-line basis over the term of the lease. For our projects in Harbin

and Shenyang, we normally require that the tenants pay rent for the entire term of the lease upfront or on an annual basis at the beginning of each 365-day period during the term. The rent collected upfront and the one-time entry fee are recorded as trade and other payables (receipt in advance) until recognized as revenue. For the shop units in Phase I of Guangzhou Project, the rent is collected on a monthly basis and is normally due for each month at the end of the previous month. We normally fix the rent for the first year of the lease term and increase the rent annually at a percentage agreed in the lease agreement for the remaining term.

Revenue from transfer of operation rights is recognized when the significant risks and rewards of the operation rights have been transferred to the purchaser. In 2007, 2008 and 2009, we transferred the operation rights of shop units in Phases I to III of Harbin Project, Phase I of Guangzhou Project, Phase I of Zhengzhou Project, Phase I of Shenyang Project, Phase VI of Harbin Project, Wuhan Hanzheng Street Project and Heilongjiang Renhe Spring Project (Youyi Road Section). For certain shop units of Phase I of Guangzhou Project that were transferred prior to 2008, we granted the purchasers a trial period, which was normally four months. In 2008 and 2009, we did not grant any trial period with respect to those shop units of Phase I of Guangzhou Project. In addition, we entered into simultaneous lease agreements and transfer of operation rights agreements with certain transferees in Phase I of Guangzhou Project under which we would lease the shop unit to the transferees for the first year and then transfer the operation rights after the end of the lease. For such contracts, we recognized revenue generated during the first year as lease income on a straight-line basis and then recognized revenue from transfer of operation rights after the end of lease term when the significant risks and rewards of the operation rights were transferred. Revenue from transfer of operation rights is net of business tax.

For the proceeds that we received for the transfer of operation rights which are pending to be recognized as revenue according to our accounting policy, we recorded them as "Receipt in advance," which constitute one of the major parts of our "Trade and other payables."

Revenue from services rendered, recorded under other operating income, is recognized in profit or loss in proportion to the stage of completion of the transaction at the reporting date. The stage of completion is assessed by reference to surveys of work performed.

Property and Equipment

Property and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labor, any other costs directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located, and borrowing costs. When parts of an item of property and equipment have different useful lives, they are accounted for as separate items of property and equipment. Gains and losses on disposal of an item of property and equipment are determined by comparing the proceeds from disposal with the carrying amount of property and equipment and are recognized net within "other income" in profit or loss.

The cost of replacing part of an item of property and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied in the part will flow to the Company and its subsidiaries and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of the day-to-day servicing of property and equipment are recognized within "other income" in profit or loss as incurred.

Depreciation is recognized in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property and equipment. The estimated useful lives for various categories of property and equipment are as follows:

- underground properties under leasehold land
- machinery
- decoration
- office equipment
- vehicles
- the shorter of the unexpired term of lease and their estimated useful lives, being no more than 40 years after the date of completion
- 10 years
- 5 years
- 5 years
- 5 to 20 years

Depreciation methods, useful lives and residual values are reviewed at each reporting date.

Investment Properties

Investment properties are land and/or buildings which are owned or held under a leasehold interest to earn rental income and/or for capital appreciation. These include land held for a currently undetermined future use and property that is being constructed or developed for future use as investment property. Investment properties are measured at cost less accumulated depreciation and accumulated impairment losses. The depreciation policy is the same as that of property and equipment.

Inventories

Inventories represent units of underground shopping centers under development and completed units of which operation rights will be transferred subsequently. The cost of inventories comprises specifically identified costs, including the acquisition cost of land, aggregate costs of development, materials and supplies, wages and other direct expenses, an appropriate proportion of overhead and borrowing costs capitalized. Net realizable value represents the estimated selling price less estimated costs of completion and costs to be incurred in transferring the operation rights of units. Inventories are measured at the lower of cost and the net realizable value.

Results of Operations

The following table sets forth, for the periods indicated, certain items derived from our consolidated income statements and their respective percentages of our total revenue.

	Year ended December 31,						
	2007		2008		2009		
	RMB	%	RMB	%	RMB	US\$	
	(in thousands, except percentages)						
Revenue	366,495	100.0%	3,050,281	100.0%	4,162,943	609,875	100.0%
Cost of sales	(81,138)	(22.1)	(530,196)	(17.4)	(1,059,117)	(155,162)	(25.4)
Gross profit	285,357	77.9	2,520,085	82.6	3,103,826	454,713	74.6
Other income	54,237	14.8	61,827	2.0	1,965,772	287,987	47.2
Administrative expenses	(12,892)	(3.5)	(108,888)	(3.6)	(253,442)	(37,129)	(6.1)
Other operating expenses	(34,032)	(9.3)	(73,578)	(2.3)	(144,869)	(21,224)	(3.5)
Profit from operations	292,670	79.9	2,399,446	78.7	4,671,287	684,347	112.2
Finance income	3,131	0.9	19,046	0.6	11,858	1,737	0.3
Finance expenses	(17,835)	(4.9)	(12,534)	(0.4)	(4,643)	(680)	(0.1)
Net finance (expenses)/income	(14,704)	(4.0)	6,512	0.2	7,215	1,057	0.2
Profit before income tax	277,966	75.9	2,405,958	78.9	4,678,502	685,404	112.4
Income tax	(11,291)	(3.1)	(502,940)	(16.5)	(640,934)	(93,897)	(15.4)
Profit for the year	266,675	72.8%	1,903,018	62.4%	4,037,568	591,507	97.0%

Description of Certain Consolidated Income Statement Items

Revenue

Our revenue consists of lease income from our investment properties and income from the transfer of operation rights, net of business tax. The following table sets forth our revenue by category in 2007, 2008 and 2009, respectively.

	Year ended December 31,						
	2007		2008		2009		
	RMB	%	RMB	%	RMB	US\$	
	(in thousands, except percentages)						
Lease income	176,505	48.2%	182,085	6.0%	129,369	18,953	3.1%
Transfer of operation rights ...	189,990	51.8	2,868,196	94.0	4,033,574	590,922	96.9
Revenue	366,495	100.0%	3,050,281	100.0%	4,162,943	609,875	100.0%

Lease Income

As we derive all of our lease income from the lease of space (including shop units and indoor advertising boards) in our underground shopping centers, our lease income for a given period depends primarily on the following factors: (i) the GFA of shop units we have available for lease during that period and (ii) the average lease price per sq.m. we are able to obtain for such shop units, reflecting the market demand for those shop units. Conditions of the underground shopping centers markets in which we operate change from period to period and are affected by general economic, political and regulatory developments in the PRC and in the cities in which our projects are or will be located. See “– Key Factors Affecting Our Results of Operations.”

We recognize revenue from the lease of a shop unit, including the one-time entry fee that we collect upfront, on a straight-line basis over the term of the relevant lease. In 2007, 2008 and 2009, we recognized lease income of RMB176.5 million (including the one-time entry fee of RMB14.3 million), RMB182.1 million (including the one-time entry fee of RMB35.1 million) and RMB129.4 million (US\$19.0 million) (including the one-time entry fee of RMB9.7 million (US\$1.4 million)), respectively, in connection with the lease of space in our shopping centers with an aggregate GFA of 103,315 sq.m., 49,951 sq.m., and 131,013 sq.m. as of the end of respective periods, representing an average annual realized leasing price per sq.m. (calculated by dividing the revenue from the leasing income by the weighted average leasable GFA during the respective periods) of RMB1,708.4, RMB2,013.6 and RMB882.4 (US\$129.3), respectively.

The following table sets forth our lease income by project in 2007, 2008 and 2009, respectively.

	Year ended December 31,					
	2007		2008		2009	
	RMB	%	RMB	%	RMB	US\$
	(in thousands, except percentages)					
Projects						
Phase I of Harbin						
Project.....	28,520	16.2%	30,082	16.5%	25,118	3,680
Phase II of Harbin						
Project.....	21,244	12.0	23,768	13.1	21,595	3,164
Phase III of Harbin						
Project.....	36,665	20.8	30,120	16.5	5,249	769
Phase I of Guangzhou						
Project	90,076	51.0	98,115	53.9	30,443	4,460
Phase I of Zhengzhou						
Project.....	–	–	–	–	13,001	1,905
Harbin Renhe Spring ..	–	–	–	–	18,077	2,648
Shenyang Project.....	–	–	–	–	15,886	2,327
Total lease income.....	<u>176,505</u>	<u>100.0%</u>	<u>182,085</u>	<u>100.0%</u>	<u>129,369</u>	<u>18,953</u>

The following table sets forth, for each of our projects in operation, the lease income, leasable GFA and lease income per sq.m. for the periods and as of the dates indicated.

	Lease income				Leasable GFA			Lease income per sq.m. ⁽¹⁾			
	As of December 31,										
	2007	2008	2009		2007	2008	2009	2007	2008	2009	
	RMB	RMB	RMB	US\$				RMB	RMB	RMB	US\$
	(in thousands)				(sq.m.)			(per sq.m.)			
Projects											
Phase I of Harbin Project.....	28,520	30,082	25,118	3,680	15,920	13,819	7,552	1,791	1,894	1,827	267.7
Phase II of Harbin Project.....	21,244	23,768	21,595	3,164	21,633	19,711	19,446	982	1,100	1,101	161.3
Phase III of Harbin Project.....	36,665	30,120	5,249	769	21,015	2,582	2,582	1,744	1,469	2,033	297.8
Phase I of Guangzhou Project ⁽²⁾	90,076	98,115	30,443	4,460	44,747	13,839	5,587	2,013	3,025	2,440	357.5
Phase I of Zhengzhou Project.....	-	-	13,001	1,905	-	-	-	-	-	287	42.0
Harbin Renhe Spring.....	-	-	18,077	2,648	-	-	16,800	-	-	1,076	157.6
Shenyang Project.....	-	-	15,886	2,327	-	-	79,352	-	-	793	116.2
Total/Average annual realized leasing price.....	176,505	182,085	129,369	18,953	103,315	49,951	131,319	1,708	2,014	882	129.2

(1) Calculated by dividing the lease income for a given project in a given period by the weighted average leasable GFA during such period.

(2) The lease income, the leasable GFA and the lease income per sq.m., as the case may be, includes 2,179 sq.m. of space, a portion of which was leased out but all leases were terminated by the end of July 2008 which was originally approved as a parking lot but we had improperly converted into leasable GFA. We, however, received oral confirmation from the local authorities to continue using it for commercial purposes. See "Business – Our Principal Activities – Legal Proceedings."

Transfer of Operation Rights

We recognize revenue from the transfer of operation rights when the significant risks and rewards of the operation rights have been transferred to the buyers. We entered into transfer agreements for certain shop units in Phase I of Guangzhou Project in 2006, however, we did not recognize the revenue from the transfers in Phase I of Guangzhou Project until 2007 when the risks and rewards had been transferred to the transferees. In 2008, we completed Phase I of Zhengzhou Project and recognized the revenue from the transfer of operation rights of certain shop units therein in that year. We kept transferring operation rights for shop units in Phase I of Guangzhou Project in 2008 and also transferred the operation rights of a portion of shop units in Phase I, II and III of Harbin Project. Our transfer of operation rights in 2009 primarily represented those related to the shop units in Shenyang Project, Heilongjiang Renhe Spring Project (Youyi Road Section), Wuhan Hanzheng Street Project and Phase VI of Harbin Project. As of December 31, 2009, we have transferred approximately 52.6% of the total GFA of Phase I of Harbin Project, 27.5% of Phase II of Harbin Project, 87.7% of Phase III of Harbin Project, approximately 88.3% of Phase I of Guangzhou Project, approximately 28.2% of Shenyang Project, approximately 20.7% of Wuhan Hanzheng Street Project, approximately 26.7% of Phase VI of Harbin Project, and approximately 24.7% of Harbin Youyi Road Project. In 2007, 2008 and 2009, our revenue from the transfer of operation rights was RMB190.0 million, RMB2,868.2 million and RMB4,033.6 million (US\$590.9 million), respectively.

The table below sets forth the revenue generated from the transfer of operation rights, the GFA transferred and average transfer price per sq.m. of shop units transferred in 2007, 2008 and 2009, respectively:

	Revenue from the transfer of operation rights			GFA transferred			Average realized transfer price ⁽¹⁾				
	2007	2008	2009	2007	2008	2009	2007	2008	2009		
	RMB	RMB	RMB	US\$			RMB	RMB	RMB	US\$	
	(in thousands)			(sq.m.)			(per sq.m.)				
Projects											
Phase I of Harbin Project.....	-	80,224	214,613	31,441	-	2,101	6,267	-	38,184	34,245	5,017
Phase II of Harbin Project.....	-	39,308	7,078	1,037	-	1,922	265	-	20,452	26,709	3,913
Phase III of Harbin Project.....	-	408,672	-	-	-	18,433	-	-	22,171	-	-
Phase I of Guangzhou Project.....	189,990	1,344,129	374,154	54,814	4,986	28,729	8,252	38,105	46,786	45,341	6,642
Phase I of Zhengzhou Project.....	-	995,863	-	-	-	22,792	-	-	43,694	-	-
Wuhan Hanzheng Street Project.....	-	-	674,025	98,745	-	-	26,130	-	-	25,795	3,779
Phase VI of Harbin Project.....	-	-	1,253,876	183,694	-	-	40,748	-	-	30,771	4,508
Heilongjiang Renhe Spring Project (Youyi Road Section).....	-	-	188,825	27,663	-	-	6,448	-	-	29,284	4,290
Shenyang Project.....	-	-	1,321,003	193,528	-	-	31,148	-	-	41,998	6,153
Total.....	189,990	2,868,196	4,033,574	590,922	4,986	73,977	119,258	38,105	38,771	33,822	4,955

(1) Calculated by dividing revenue from the transfer of operation rights of a specific project by GFA transferred within a specific period.

Cost of Sales

Cost of sales primarily consists of cost of operating lease and cost of transfer of operation rights. The following table sets forth our cost of sales by revenue category in 2007, 2008 and 2009, respectively.

	Year ended December 31,						
	2007		2008		2009		
	RMB	%	RMB	%	RMB	US\$	%
(in thousands, except percentages)							
Operating lease							
Amortization of land use rights.....	1,257	3.3%	1,030	3.1%	407	60	0.7%
Depreciation of investment properties.....	36,735	96.7	32,275	96.9	59,650	8,739	99.3
Subtotal.....	37,992	100.0%	33,305	100.0%	60,057	8,799	100.0%
Transfer of operation rights							
Land use rights.....	4,691	10.9%	30,408	6.1%	8,425	1,234	0.8%
Construction cost.....	38,455	89.1	466,483	93.9	990,635	145,129	99.2
Subtotal.....	43,146	100.0%	496,891	100.0%	999,060	146,363	100.0%
Total.....	81,138	100.0%	530,196	100.0%	1,059,117	155,162	100.0%

The principal components of cost of sales for lease income include amortization of land use rights and depreciation of investment properties. The principal components of cost of sales for transfer of operation rights are the land use rights and cost of construction of properties for which the operation rights have been transferred.

Amortization of Land Use Rights

Land use rights represent land premiums paid by us to the government in connection with obtaining the land use rights certificates from the government for the underground sites of our projects. Although we are not required to pay the land use rights premiums or obtain the land use rights certificates for the development and operation of our underground air defense shelter projects under current laws, we did so prior to 2007 so that we could receive mortgage loans from PRC banks by pledging the land use rights. The land use rights premiums were determined based on our negotiation with local land administrative authorities, taking into consideration the nature of our projects as civil air defense shelters. Jingtian, our PRC legal advisor, has advised us that the land use rights certificates that we received for underground air defense shelter projects are not mandatorily required under applicable PRC laws and do not represent land use rights or any other rights for our projects. We, therefore, do not have land use rights under the land use rights certificates according to applicable PRC laws. We amortize the land use rights on a straight-line basis over the period of the land use rights, which is typically 40 years.

Depreciation of Investment Properties

Investment properties are properties which are owned or held to earn lease income and/or for capital appreciation. Investment properties are measured at cost less accumulated depreciation and accumulated impairment losses. The costs of investment properties comprise aggregate cost of development, materials and suppliers, wages and other direct expenses, an appropriate proportion of overheads and borrowing costs capitalized. Depreciation of investment properties is recognized on a straight-line basis over the estimated useful life of each item of property. For our consolidated income statements, their estimated useful lives are no more than 40 years after the date of completion for buildings.

Construction Cost

Construction cost is the main component of cost of sales for the transfer of operation rights. Construction cost includes all of the costs for the design and construction of a project, including payments to contractors, designers and supervision companies, payments for the purchase and installment of equipment, the fitting out costs, and other direct expenses, such as wages directly attributable to the project. Historically, construction material cost (which is generally included in the payments to our construction contractors), particularly the cost of steel and cement, has been a major cause of fluctuation in our construction cost. The market price of steel and cement was volatile from 2007 to 2009. See “– Key Factors Affecting Our Results of Operations – Price Volatility of Construction Materials.”

Furthermore, the cost of equipment used in our properties, including ventilation systems, fire preventing systems and air conditioning system, may also increase our construction cost. Costs associated with the particulars of development of underground spaces vary from site to site, with the variance of factors such as geologic condition. Therefore, the construction cost of a property development may be higher if the conditions of a site require more complex designs and processes or more expensive materials in order to provide the necessary foundation support.

Other Income

Other income comprises revenue from property management and relevant services, net gain or loss on sales of property and equipment and net gain on disposal of subsidiaries. Other income was RMB54.2 million, RMB61.8 million and RMB1,965.8 million (US\$288.0 million) for 2007, 2008 and 2009, respectively.

The table below sets forth our other income by type for the periods indicated.

	Year ended December 31,			
	2007	2008	2009	
	RMB	RMB	RMB	US\$
	(in thousands)			
Revenue from property management and relevant services	50,579	51,174	58,978	8,640
Net gain on disposal of subsidiaries	–	–	1,906,800	279,348
Net gain/(loss) on sales of property and equipment	3,658	(31)	(6)	(1)
Waived bank loan.....	–	10,684	–	–
Total	<u>54,237</u>	<u>61,827</u>	<u>1,965,772</u>	<u>287,987</u>

The principal components of our revenue from property management and relevant services include cleaning and security charge, early opening market charge, promotion fee income, property management fee, income from lease of advertising light boxes and commission fee. In 2008, other income included, in addition to revenue from property management and relevant services, the amount of the accumulated interests and penalty that were waived by Everbright Bank for which we were liable under an old loan. In 2009, other income included a net gain on disposal of subsidiaries relating to our sale of all of our equity interest in the subsidiaries for Phase I of Zhengzhou Project in December 2009.

Administrative Expenses

Administrative expenses include administrative staff costs (including salary and bonus), travel expenses, depreciation of office equipment and assets, office expenses, consulting fees, entertainment expenses and operating lease charges. In 2007, 2008 and 2009, administrative expenses were RMB12.9 million, RMB108.9 million and RMB253.4 million (US\$37.1 million), respectively.

Other Operating Expenses

Our other operating expenses primarily consist of staff costs, repair and maintenance costs, utilities, entertainment expenses, and advertisement and promotion expenses relating to other income. In 2007, 2008 and 2009, other operating expenses were RMB34.0 million, RMB73.6 million and RMB144.9 million (US\$21.2 million), respectively.

Finance Income

Finance income represents interest on bank deposits. In 2007, 2008 and 2009, our finance income was RMB3.1 million, RMB19.0 million and RMB11.9 million (US\$1.7 million), respectively.

Finance Expenses

Finance expenses mainly represents interest on our interest-bearing loans and net foreign exchange loss as a result of holding and exchange of foreign currencies in the PRC. In 2007, 2008 and 2009, our finance expenses were RMB17.8 million, RMB12.5 million and RMB4.6 million (US\$0.7 million), respectively.

Tax

Our tax expenses for a given year are provisions made for PRC enterprise income tax during the year.

PRC Enterprise Income Tax

Our PRC income tax expense represents PRC enterprise income tax liabilities accrued by our operating subsidiaries. The PRC enterprise income tax has been calculated at the applicable tax rate on the estimated assessable profits for each year in 2007, 2008 and 2009, based on the existing legislation, interpretations and practices in respect thereof.

In accordance with the Enterprise Income Tax Law of the PRC which became effective on January 1, 2008, the corporate income tax rate generally applicable in the PRC was reduced to 25% from 33%. The Enterprise Income Tax Law of the PRC introduced a wide range of changes that include, but are not limited to, the unification of the income tax rate for domestic-invested and foreign-invested enterprises at 25%. Under the Enterprise Income Tax Law of the PRC, enterprises such as subsidiaries in the PRC that have not fully utilized their five-year preferential tax treatments (i.e., two-year exemption and the subsequent three-year 50% reduction of their applicable tax rates) will continue to receive these benefits. In 2007, 2008 and 2009, the applicable income tax rate for most of our subsidiaries in the PRC was 27%, 25% and 25%, respectively.

According to *the Tax Regulation of Foreign Investment on Aerial Defense Project* (關於外商投資企業投資人民防空工程有關稅收問題的通知), our subsidiaries relating to Phase III and Phase I of Guangzhou Project were entitled to an exemption from national income tax in 2006 and 2007, and are entitled to a tax reduction of 50% of the national income tax rate for the years 2008 to 2010. In addition, our subsidiaries for Phases II and III of Harbin Projects and Phase I of Guangzhou Project were entitled to a full exemption from local income taxes for the years 2006 to 2007, 2002 to 2007, and 2006 to 2007, respectively.

On December 6, 2007, the State Council of the PRC enacted *the Implementation Rules of the Enterprise Income Tax Law*. Under the Implementation Rules, the non-PRC investors of foreign invested enterprises are subject to PRC withholding tax on dividends derived from the profits of such foreign-invested enterprises for the year 2008 and thereafter. Currently, the withholding tax rate applicable to our Hong Kong subsidiaries which are direct shareholders of our PRC subsidiaries is 5%, subject to approvals from the relevant tax authorities. See “Risk Factors – Risks Relating to the PRC – There are significant uncertainties under the new PRC enterprise income tax law relating to the withholding tax liabilities of our PRC subsidiaries.”

Under the Notice on the Administration of Enterprise Income Tax on the Equity Transfer by Non-Resident Enterprise promulgated by the State Administration of Taxation on December 10, 2009, we may be required to pay PRC enterprise income tax on our gains received outside of the PRC. See “Risk Factors – Risks Relating to the PRC – Our indirect disposal of PRC operating entities may be subject to the requirements in a notice recently promulgated by the State Administration of Taxation of the PRC.”

Reconciliation

A reconciliation of the tax expenses calculated at the applicable statutory income tax rates to our actual tax paid as well as a reconciliation of the statutory income tax rate to our effective tax rate in 2007, 2008 and 2009 are as follows:

	Year ended December 31,					
	2007		2008		2009	
	RMB	%	RMB	%	RMB	US\$
	(in thousands, except percentages)					
Profit before income tax	277,966		2,405,958		4,678,502	685,404
Income tax calculated at the respective statutory rates applicable to the Company and its subsidiaries	75,051	27.0%	601,490	25.0%	1,169,626	171,351
Tax effect of non-taxable income from waived bank loan	4,429	1.6	(1,843)	(0.1)	-	-
Effect of tax exemption/reduction	(68,367)	(24.6)	(172,470)	(7.2)	(563,632)	(82,573)
Effect of withholding tax at 5% on the profits of the Company's PRC subsidiaries	-	-	74,741	3.1	30,000	4,395
Others	178	0.0	1,022	0.0	4,940	724
Actual tax charge and effective tax rate	11,291	4.0%	502,940	20.8%	640,934	93,897

Our actual tax charge increased approximately 44 times to RMB502.9 million in 2008 from RMB11.3 million in 2007, while our profit before income tax increased less than 10 times to RMB2,406.0 million in 2008 from RMB278.0 million in 2007, because (i) our subsidiaries related to projects that generated significant revenue and profit in 2007 such as Phase I of Guangzhou Project were entitled to full exemption from national and local income tax in 2007 but only 50% tax exemptions in 2008, and (ii) our subsidiary relating to Phase I of Zhengzhou Project, which generated significant revenue and profit in 2008 did not enjoy any tax benefit. As a result, our effective tax rate increased to 20.9% in 2008 from 4.1% in 2007.

Our actual tax charge increased slightly to RMB640.9 million (US\$93.9 million) in 2009 from RMB502.9 million in 2008, despite the significant increase in our profit before income to RMB4,678.5 million (US\$685.4 million) in 2009 from RMB2,406.0 million in 2008. Our effective tax rate decreased to 13.6% in 2009 from 20.9% in 2008. This is primarily due to the exemption of PRC income tax for the proceeds from our disposal of our subsidiaries for Phase I of Zhengzhou Project, which was conducted through the sale of our equity interest in Victory Faith Group Limited, a British Virgin Islands corporation.

Hong Kong, British Virgin Islands and Cayman Islands Tax

We have not made any provision for Hong Kong profits tax as we had no assessable profit in Hong Kong in 2007, 2008 and 2009. Furthermore, since we are incorporated in the Cayman Islands as an exempted company with limited liability under the Company Law of Cayman Islands, no direct taxes are imposed in the Cayman Islands upon us. The British Virgin Islands has no corporation tax, capital gains tax, wealth tax, or any other tax applicable to a business company.

Property Tax

According to *the Supplementary Provisions of Policies for Encouragement of Foreign Investment in Heilongjiang Province* (Hei Zheng Fa [1991] No. 38), foreign investment enterprises in Heilongjiang province are entitled to property tax exemption for five years from the month during which the business license is obtained. Accordingly, our subsidiary relating to Phase III of Harbin Project was entitled to property tax exemption for the period from 2003 to 2008.

According to *the Provisions on Collection and Exemption of Property Tax for Foreign Investment Enterprises in Guangdong Province* (Ren Min Zheng Fu Ling [2002] No. 75), foreign investment enterprises in Guangdong province are entitled to property tax exemption for three years since its establishment or purchase of property. Our subsidiary relating to Phase I of Guangzhou Project was entitled to property tax exemption for the period from 2005 to 2008.

According to *the Notice of the State Administration of Taxation on Several Issues concerning the Levy of Property Tax on Foreign Investment Enterprises* (Guo Shui Fa [2000] No. 44, "Notice No. 44"), foreign investment companies, or FIEs, are exempted from property tax for the civil air defense project since January 1, 2000. According to *the Ministry of Finance and the State Administration of Taxation, Notice on the Levy of Property Taxes Relating to Underground Buildings with Housing Function* (Cai Shui [2005] No. 181, "Notice No. 181"), from January 1, 2006, underground properties are subject to property tax which is levied at 12% of the related income. Before January 1, 2009, no specific tax regulations or rules provide that Notice No. 181 would be applicable to civil air defense shelters developed by FIEs. Instead, because Notice No. 44 was still valid and applicable, we believe that Notice No. 181 did not apply to FIEs and hence, our subsidiaries in the PRC, all established in the form of FIEs, were exempted from property tax before January 1, 2009. Such position is based on the opinion of Jingtian, our PRC legal advisor. We, therefore, did not make any provision for property tax in this respect before January 1, 2009.

According to *the Ministry of Finance and the State Administration of Taxation, Notice on the Levy of Property Tax on Foreign Investment Enterprises* (Cai Shui [2009] No. 3), all the FIEs in the PRC will be subject to the property tax since January 1, 2009. Accordingly, we have accrued property tax for subsidiaries in the PRC since January 1, 2009.

2009 Compared to 2008

Revenue

Our revenue increased by 36.5% to RMB4,162.9 million (US\$609.9 million) in 2009 from RMB3,050.3 million in 2008, primarily due to an increase in revenue from transfer of the operation rights of Shenyang Project, partially offset by a decrease in revenue from lease income.

Lease income. Revenue generated from lease income decreased by 28.9% to RMB129.4 million (US\$19.0 million) in 2009 from RMB182.1 million in 2008, primarily due to a decrease in the lease income from Phase I of Guangzhou Project as a result of our further transfer of operation rights of shop units in that project. This was partially offset by the lease income from Phase I of Shenyang Project, which opened for business in October 2009, and from Harbin Renhe Spring Project, which we acquired in December 2008. We also disposed of our entire remaining interest in Phase I of Zhengzhou Project in December 2009 after it contributed over 11 months to lease income in 2009. The lease income per sq.m. decreased to RMB882.4 (US\$129.3) in 2009 from RMB2,013.6 in 2008, primarily due to the relatively low rental rate in Phase I of Shenyang Project.

Transfer of operation rights. Revenue generated from the transfer of operation rights increased by 40.6% to RMB4,033.6 million (US\$590.9 million) in 2009 from RMB2,868.2 million in 2008 because the GFA transferred in 2009 increased by 61.2% to 119,258 sq.m. from 73,977 sq.m. in 2008 primarily as a result of the completion of Harbin Project, Shenyang Project and Wuhan Hanzheng Street Project in 2009. We also transferred approximately 6,448 sq.m. of the Heilongjiang Renhe Spring Project (Youyi Road Section) at an average selling price of RMB29,284 per sq.m. which was acquired in 2009 at an average cost of RMB9,943 per sq.m.

Cost of Sales

Cost of sales increased by 99.8% to RMB1,059.1 million (US\$155.2 million) in 2009 from RMB530.2 million in 2008, as our revenue from transfers of operation rights increased significantly in 2009 which resulted in an increase of cost of sales during the period.

Cost of operating lease. Cost of operating lease increased by 80.5% to RMB60.1 million (US\$8.8 million) in 2009 from RMB33.3 million in 2008. Despite of the decrease in our revenue from lease income as a result of our transfer of certain underground shops in Phases I to III of Harbin Project and Phase I of Guangzhou Project by the end of 2008, our cost of operating lease increased because of an increase in depreciation of investment properties relating to Phase I of Zhengzhou Project and Phase I of Shenyang Project.

Cost of transfer of operation rights. Cost of transfer of operation rights increased by 101.1% to RMB999.1 million (US\$146.4 million) in 2009 from RMB496.9 million in 2008. This increase was primarily due to the increase of GFA transferred and higher construction costs per sq.m. in our recently constructed projects in Shenyang, Harbin and Wuhan which were transferred in 2009 compared to the construction costs for Phases I and III of Harbin Project which were constructed in 1991 and 2003, respectively, and transferred in 2008.

Gross Profit

Gross profit increased by 23.2% to RMB3,103.8 million (US\$454.7 million) in 2009 from RMB2,520.1 million in 2008. Our gross profit margin decreased to 74.6% in 2009 from 82.6% in 2008.

Other Income

Other income increased by over 31 times to RMB1,965.8 million (US\$288.0 million) in 2009 from RMB61.8 million in 2008.

This increase was primarily due to the net gain on disposal of equity interest in subsidiaries in the amount of RMB1,906.8 million (US\$279.3 million) in 2009 when we sold 100% of our equity interest in our subsidiary, Victory Faith Group Limited. Victory Faith Group Limited held the interest of the underground shop units in Phase I of Zhengzhou Project. The total consideration for this sale was HK\$2,765.4 million, 30% of which was paid in cash by the transferee in 2009 and the balance will be payable in cash by June 30, 2010.

The increase in other income from 2008 to 2009 was also due to an increase in our income from property management and relevant services in the amount of RMB7.8 million (US\$1.1 million), reflecting the growing number of shop units under our management. In 2008, we recorded a one-time gain of RMB10.7 million which represented the accumulated interests and penalty that were waived by Everbright Bank for which we were liable under an old loan.

Administrative Expenses

Administrative expenses increased by 132.7% to RMB253.4 million (US\$37.1 million) in 2009 from RMB108.9 million in 2008, primarily due to the increase in salary and bonuses of our administrative staff to RMB120.2 million in 2009 from RMB32.8 million in 2008 as well as increases in consulting fees, entertainment expenses and operating lease charges.

Other Operating Expenses

Other operating expenses increased by 96.9% to RMB144.9 million (US\$21.2 million) in 2009 from RMB73.6 million in 2008, primarily due to increase in salary and bonuses of operating staff, repair and maintenance costs and advertising and promotion expenses.

Profit from Operations

Profit from operations increased by 94.7% to RMB4,671.3 million (US\$684.3 million) in 2009 from RMB2,399.4 million in 2008, as a result of the cumulative effect of the foregoing factors. Our operating margin increased to 112.2% in 2009 from 78.7% in 2008.

Finance Income

Finance income decreased by 37.9% to RMB11.8 million (US\$1.7 million) in 2009 from RMB19.0 million in 2008, primarily due to a decrease in the interest rate on our bank deposits.

Finance Expenses

Finance expenses decreased by 63.2% to RMB4.6 million (US\$0.7 million) in 2009 from RMB12.5 million in 2008. Because we did not incur interest expenses relating to any loans or borrowings in 2009, our finance expenses primarily represented exchange losses arising from holding and exchanging foreign currency by our subsidiaries in the PRC.

Profit Before Taxation

Profit before taxation increased by 94.5% to RMB4,678.5 million (US\$685.4 million) in 2009 from RMB2,406.0 million in 2008, as a result of the cumulative effect of the foregoing factors. As a percentage of revenue, profit before taxation increased to 112.4% in 2009 from 78.9% in 2008.

Income Tax

Income tax increased by 27.4% to RMB640.9 million (US\$93.9 million) in 2009 from RMB502.9 million in 2008. As a percentage of revenue, income tax decreased slightly to 15.4% in 2009 from 16.5% in 2008, and our effective tax rate decreased to 13.7% in 2009 from 20.8% in 2008, primarily due to the exemption from PRC income tax for the proceeds of our disposal of our subsidiaries for Phase I of Zhengzhou Project, which was conducted through the sale of our equity interest in a British Virgin Islands entity.

Profit for the Year

Profit for the year increased significantly by 112.2% to RMB4,037.6 million (US\$591.5 million) in 2009 from RMB1,903.0 million in 2008, as a result of the cumulative effect of the foregoing factors. As a percentage of revenue, profit for the year increased to 97.0% in 2009 from 62.4% in 2008.

2008 Compared to 2007

Revenue

Our revenue increased by 732.3% to RMB3,050.3 million in 2008 from RMB366.5 million in 2007, primarily due to significant growth in revenue generated from transfer of operation rights, which increased by over 14 times to RMB2,868.2 million.

Lease income. Revenue generated from lease income increased by 3.2% to RMB182.1 million in 2008 from RMB176.5 million in 2007, primarily due to an increase in the average rental price that we achieved in 2008, partially offset by a decrease in leasable GFA as a result of our transfer of operation rights of Phase I to Phase III of Harbin Project and Phase I of Guangzhou Project.

Transfer of Operation Rights. Revenue generated from the transfer of operation rights increased significantly to RMB2,868.2 million in 2008 from RMB190.0 million in 2007, primarily due to an increase in transfer of GFA realized and to a lesser degree, an increase in average transfer price. Phase I of Guangzhou Project and Phase I of Zhengzhou Project achieved the strongest performance. A total of 28,729 sq.m. was transferred for Phase I of Guangzhou Project and realized an average transfer price of RMB46,786 per sq.m., and Phase I of Zhengzhou Project which commenced operation in late December 2008 recorded a transfer of GFA of 22,792 sq.m. and realized an average transfer price of RMB43,694 per sq.m. In 2008, we also transferred 18,433 sq.m. GFA of Phase III of Harbin Project. Since Phase III of Harbin Project and Phase I of Guangzhou Project were still entitled to tax exemption, they were subject to an income tax rate of 12.5%. Therefore, we decided to transfer the operation rights of these two projects in 2008 with an aim of enhancing the tax benefits to us as a whole.

Cost of Sales

Cost of sales increased by 553% to RMB530.2 million in 2008 from RMB81.1 million in 2007, primarily due to the significantly increase in transfers of operation rights in 2008 which resulted in an increase of cost of sales during the period.

Cost of operating lease. Cost of operating lease decreased by 12.4% to RMB33.3 million in 2008 from RMB38.0 million in 2007, primarily due to the relatively lower cost of operating lease with respect to the GFA that was leased out in 2008 as a result of the transfer of shop units in Phase I of Guangzhou Project in 2008 which was used for leasing in 2007.

Cost of transfer of operation rights. Cost of transfer of operation rights increased by 1,052.9% to RMB496.9 million in 2008 from RMB43.1 million in 2007, primarily due to the significant increase of GFA transferred in 2008 as compared with 2007.

Gross Profit

Gross profit increased by 783.1% to RMB2,520.1 million in 2008 from RMB285.4 million in 2007. Our gross profit margin increased to 82.6% in 2008 from 77.9% in 2007. The increase in gross profit margin was primarily attributable to the substantial increase in the income from the transfer of operation rights in 2008, as well as the upward adjustment of average rental rates of our shopping centers in 2008.

Other Income

Other income increased by 14.0% to RMB61.8 million in 2008 from RMB54.2 million in 2007, primarily due to a one-time income of RMB10.7 million, representing the accumulated interests and penalty that were waived by Everbright Bank.

Administrative Expenses

Administrative expenses increased significantly by 744.2% to RMB108.9 million in 2008 from RMB12.9 million in 2007, primarily due to the expenses of a management incentive scheme for our management personnel of RMB22.3 million, directors' remuneration of RMB24.8 million, donation of RMB5.8 million in connection with the Sichuan earthquake and an increase in other administrative expenses such as entertainment and travelling expenses.

Other Operating Expenses

Other operating expenses increased by 116.5% to RMB73.6 million in 2008 from RMB34.0 million in 2007, primarily due to an increase in staff costs, repair and maintenance costs and advertising and promotion expenses.

Profit from Operations

Profit from operations increased significantly by 719.7% to RMB2,399.4 million in 2008 from RMB292.7 million in 2007, as a result of the cumulative effect of the foregoing factors. Our operating margin decreased to 78.7% in 2008 from 79.9% in 2007.

Finance Income

Finance income increased significantly by 512.9% to RMB19.0 million in 2008 from RMB3.1 million in 2007. We completed private placements of shares in December 2007 and an initial public offering and listing of shares on the Hong Kong Stock Exchange in October 2008. Our bank deposits in 2008 increased substantially as a result of the proceeds from these transactions and thus we recorded a significant increase in interest income.

Finance Expenses

Finance expenses decreased by 29.8% to RMB12.5 million in 2008 from RMB17.8 million in 2007. Our finance expenses in 2007 were interest expenses for our bank loans while those in 2008 were exchange losses arising from holding and exchange of foreign currency by our subsidiaries in China.

Profit Before Income Tax

Profit before income tax increased significantly by 765.5% to RMB2,406.0 million in 2008 from RMB278.0 million in 2007, as a result of the cumulative effect of the foregoing factors. As a percentage of revenue, profit before taxation increased to 78.9% in 2008 from 75.8% in 2007.

Income Tax

Income tax significantly increased to RMB502.9 million in 2008 from RMB11.3 million in 2007. As a percentage of revenue, income tax increased to 16.5% in 2008 from 3.1% in 2007. Our effective tax rate in 2008 was lower than the unified tax rate at 25% promulgated under the Enterprise Income Tax Law of the PRC on March 2007 principally due to some of our projects having commenced construction work prior to implementation of the New Tax Law. These projects were thus entitled to tax exemption for the first two profit-making years and a 50% tax relief in the following three years. In 2008, Phase III of Harbin Project and Phase I of Guangzhou Project were subject to a tax rate of 12.5% and the other projects were subject to a tax rate of 25%.

Profit for the Year

As a result of the factors described above, profit for the year increased significantly by 613.6% to RMB1,903.0 million in 2008 from RMB266.7 million in 2007. As a percentage of revenue, profit for the year decreased to 62.4% in 2008 from 72.8% in 2007, as a result of the cumulative effect of the foregoing factors.

Liquidity and Capital Resources

In 2007, 2008 and 2009, we financed our working capital, capital expenditures and other capital requirements primarily through proceeds from lease income and the transfer of operation rights, as well as proceeds from our private placements in 2007, our initial public offering of shares in the Hong Kong Stock Exchange in October 2008 and our placement of shares in July 2009.

Liquidity

The following table presents selected cash flow data from our consolidated cash flow statements for the periods indicated.

	Year ended December 31,			
	2007	2008	2009	
	RMB	RMB	RMB	US\$
	(in thousands)			
Net cash from operating activities	220,331	536,718	1,691,180	247,759
Net cash used in investing activities	(77,960)	(1,546,706)	(1,897,646)	(278,007)
Net cash from financing activities.....	1,375,857	2,808,008	1,627,481	238,427
Net increase in cash and cash equivalents	1,518,228	1,798,020	1,421,015	208,179

Cash Flows From Operating Activities

Our cash inflow from operating activities is principally generated from lease income and the proceeds from transfer of operation rights as well as revenue from property management and relevant services. Our cash outflow from operating activities is mainly for expenditures related to cost of sales as well as administrative expenses, other operating expenses and finance expenses. These accrual basis net profit items are supplemented by non-cash items, such as depreciation, amortization and non-cash expense accruals, and changes in working capital, including increase or decrease in trade and other payables, inventories and restricted bank deposits.

In 2009, our net cash generated from operating activities was RMB1,691.2 million (US\$247.8 million), which primarily reflected our profit for the year of RMB4,037.6 million (US\$591.5 million), positively adjusted by an increase in trade and other payables of RMB1,829.6 million (US\$268.0 million) primarily related to the payables in connection with construction work, significantly offset by (i) the gain of disposal of our interest in the subsidiary for Phase I of Zhengzhou Project of RMB1,906.8 million (US\$279.3 million) in 2009; (ii) an increase in trade and other receivables of RMB1,946.4 million (US\$285.1 million) in connection with the receivables in connection with, among other things, the disposal of our interest in the subsidiary for Phase I of Zhengzhou Project and (ii) income tax paid of RMB674.3 million (US\$98.8 million).

In 2008, our net cash generated from operating activities was RMB536.7 million, which primarily reflected our profit for the year of RMB1,903.0 million, positively adjusted by an increase in trade and other payables of RMB278.1 million primarily related to the payables in connection with construction work, significantly offset by (i) an increase in trade and other receivables of RMB2,043.7 million in connection with the transfer of operation rights relating to Phase I of Guangzhou Project and Phase I of Zhengzhou Project and (ii) an increase in inventory of RMB129.0 million.

In 2007, our net cash generated from operating activities was RMB220.3 million, which primarily reflected our profit for the year of RMB266.7 million, positively adjusted by (i) a decrease in inventory of RMB38.4 million, (ii) a depreciation of RMB38.2 million and (iii) a decrease in restricted bank deposit of RMB22.4 million. These positive factors were partially offset by (i) a decrease in trade and other payables of RMB152.5 million and (ii) an increase in trade and other receivables of RMB5.5 million.

Cash Flows From Investing Activities

Our cash used in investing activities primarily reflects additions to investment properties, purchase of property and equipment, purchase of land use rights and advances to related parties in 2007. Our cash generated from investing activities primarily reflects repayment from related parties, proceeds from sales of property and equipment and interest received.

A significant portion of our cash flow from investing activities in 2007 is attributable to advances to and repayments from related parties. Before the restructuring and reorganization in connection with our initial public offering, we were a private company under the control of Harbin Renhe Group Co., Ltd (“Renhe Group”) whereby Renhe Group and its controlling shareholders, Mr. Dai Yongge and Ms. Zhang Xingmei, used advances among the different companies they controlled as a way to allocate cash and resources among the different businesses and entities. In addition, we made advances to our directors and Controlling Shareholders. Those advances to our related parties were unsecured, interest free and had no fixed repayment terms. We have eliminated the advances to our related parties since our initial public offering. The following table is a summary of the advances to and repayments from related parties made in 2007, 2008 and 2009:

	2007		2008		2009	
	Advance to	Repayment from	Advance to	Repayment from	Advance to	Repayment from
	(RMB in thousands)					
HAWKEN Xiu Li.....	1,000	49	–	–	–	–
ZHANG Xingmei.....	8	8	–	–	–	–
DAI Yongge	–	109	5	5	–	–
ZHANG Dabin	–	67	–	–	–	–
Renhe Group	201,507	129,680	10	110,149	–	–
Other related-party companies	127,039	252,713	417	6,434	–	–
Total	<u>329,554</u>	<u>382,626</u>	<u>432</u>	<u>116,588</u>	<u>–</u>	<u>–</u>

In 2009, our net cash used in investing activities was RMB1,897.6 million (US\$278.0 million). Cash used in investing activities in 2009 consisted primarily of (i) additions to investment properties of RMB2,106.9 million (US\$308.7 million), related to the completion of Shenyang Project, Wuhan Hanzheng Street Project and our acquisition of Harbin Renhe Spring Project, (ii) purchase of property and equipment of RMB242.9 million (US\$35.6 million); and (iii) an increase in time deposits of RMB248.3 million (US\$36.4 million). This was partially offset by the proceeds that we received in 2008 from the disposal of our subsidiary for Phase I of Zhengzhou Project in the amount of RMB685.5 million (US\$100.4 million).

In 2008, our net cash used in investing activities was RMB1,546.7 million. Cash used in investing activities in 2008 consisted primarily of (i) additions to investment properties of RMB1,333.2 million, related to the completion of Phase I of Zhengzhou Project and (ii) purchase of property and equipment of RMB355.2 million. This was partially offset by repayments from related parties of RMB116.6 million.

In 2007, our net cash used in investing activities was RMB78.0 million. Cash used in investing activities in 2008 consisted primarily of (i) advances to related parties of RMB329.6 million, and (ii) additions to investment properties of RMB89.9 million, related to the completion of the Phase I of Guangzhou Project. This was partially offset by repayments from related parties of RMB382.6 million.

Cash Flows From Financing Activities

Our cash from financing activities primarily reflects capital contributions from equity shareholders, proceeds from third party borrowings, receipt of loans and, in 2007, advances from related parties. Our cash used in financing activities reflects repayments to related parties, interest and dividend payments, repayments of third party borrowings and repayments of loans.

Prior to our initial public offering, when we needed cash, we received advances from our Controlling Shareholders, Renhe Group or other related-party companies. The following table is a summary of the advances we received from and repayments made to related parties in 2007, 2008 and 2009:

	2007		2008		2009	
	Advance from	Repayment to	Advance from	Repayment to	Advance from	Repayment to
	(RMB in thousands)					
HAWKEN Xiu Li.....	–	–	89	14,249	–	–
ZHANG Xingmei.....	14	1,800	–	–	–	–
Renhe Group	84,645	81,090	777	23,724	–	–
Other related-party companies	26,189	58,213	948	11,631	–	–
Total	<u>110,848</u>	<u>141,103</u>	<u>1,814</u>	<u>49,604</u>	<u>–</u>	<u>–</u>

In 2009, our net cash generated from financing activities was RMB1,627.5 million (US\$238.4 million). We completed a follow-on offering of our ordinary shares on July 16, 2009 with the proceeds of RMB3,279.3 million (US\$480.4 million), partially offset by the payment of expenses in connection therewith in the amount of RMB127.8 million (US\$18.7 million) and payment of dividends declared for the year ended December 31, 2008 in the amount of RMB1,524.0 million (US\$223.3 million).

In 2008, our net cash generated from financing activities was RMB2,808.0 million. We completed the initial public offering of shares on October 22, 2008 and received proceeds of RMB2,987.5 million. This was partially offset by the payment of issuing expenses of RMB123.2 million in connection therewith and repayments to related parties of RMB49.6 million.

In 2007, our net cash generated from financing activities was RMB1,375.9 million in 2007. We received during this period capital contributions from equity shareholders in the amount of RMB1,437.7 million related to the investments and advance from related parties of RMB110.8 million. This was partially offset by (i) repayments to related parties of RMB141.1 million and (ii) interest payments of RMB16.4 million.

Capital Resources

As a result of the cash we generated from our operations, we were able to fund the majority of our growth through internal funds without any bank borrowings in 2008 and 2009. Our initial public offering in October 2008 and placement of shares in July 2009 also helped reinforce our capital position.

We intend to continue to fund our future development and Notes servicing costs primarily from cash generated from operations. We may also raise additional funds through debt or equity offerings or sales or other dispositions of assets in the future to finance all or a portion of our future development, for debt servicing or for other purposes. Our ability to obtain adequate financing to satisfy our debt service requirements may be limited by our financial condition and results of operations and the liquidity of international and domestic financial markets. Any failure by us to achieve timely extension or refinancing of our debt may result in our inability to meet our obligations in connection with debt service, accounts payable or other liabilities when they become due and payable. See “Risk Factors – Risks Relating to Our Business – We may not have adequate resources to fund project developments, or to service our financing obligations.”

Restricted Cash

Our restricted cash is composed of bank deposits. Our subsidiaries relating to Phases I to III of Harbin Project and Phase I of Guangzhou Project have entered into agreements with various local banks with respect to bank loans provided to transferees of operation rights. These subsidiaries are required to open restricted bank accounts with the respective bank for the receipt of purchase money that is financed by bank loans, and are contractually required to make deposits equivalent to 10% or 15%

of the principal amount of the loan as security for repayment of the loans under these agreements. These restricted deposits are released when the loans are repaid by the buyers. As of December 31, 2007, 2008 and 2009, such deposits amounted to approximately RMB206.7 million, RMB129.1 million and RMB458.1 million (US\$67.1 million), respectively.

As of December 31, 2007, the amount of restricted bank deposits being pledged to secure each of those loans by our subsidiary relating to Phase I of Guangzhou Project was equivalent to the sum of the principal amount of the loan and an additional 16% of the principal amount. In May 2008, the bank and we made amendments to reduce the restricted bank deposits ratio to 15% of the remaining principal of those loans. The balance of bank deposits in the relevant restricted bank accounts of our subsidiary for Phase I of Guangzhou Project as of December 31, 2009 was RMB401.0 million (US\$58.7 million), a significant portion of which were our deposits in such accounts but not subject to the restrictions.

According to the agreements entered among our subsidiaries relating to Phases I to III of Harbin Project and a bank, the amount of restricted bank deposits accounted for 10% or 15% of the principal of each of those loans. As of December 31, 2009, the amount of restricted bank deposits of our subsidiaries for Phases I to III of Harbin Project in aggregate amounted to RMB57.1 million (US\$8.4 million).

Indebtedness and Obligations

Interest-Bearing Bank Loans and Other Borrowings

As of December 31, 2008 and 2009, we did not have any outstanding bank and other borrowings. As of December 31, 2007, we had bank and other borrowings in the amount of RMB48.5 million, which was fully repaid in 2008.

As of December 31, 2009, we also had guarantees of our transferees' borrowings in an aggregate outstanding amount of RMB980.2 million (US\$143.6 million) and did not have any outstanding guarantees to our related parties and third parties for bank loans.

We did not have any outstanding debt securities issued and outstanding or authorized or otherwise created but unissued, term loans, other borrowings or indebtedness in the nature of borrowing including bank overdrafts, liabilities under acceptances (other than normal trade bills), acceptance credits, hire purchase commitments, mortgages and charges, material contingent liabilities or guarantees outstanding as of December 31, 2009.

Contractual Obligations

We lease office space under non-cancellable operating leases. The leases relate to offices in Hong Kong, Xi'an, Chongqing, Harbin, Guangzhou, Wuhan, Handan and Weifang and several other cities in the PRC. The following table sets forth our minimum lease payments under non-cancellable operating leases as of December 31, 2009.

	December 31, 2009	
	RMB	US\$
	(in thousands)	
Less than one year.....	15,874	2,326
Between one and five years	78,454	11,494
More than five years.....	1,950	286
Total.....	96,278	14,106

In addition to the operating lease commitments set out above, we had the following capital commitments as of December 31, 2009.

	December 31, 2009	
	RMB	US\$
	(in thousands)	
Contracted for.....	1,096,289	160,607
Authorized but not contracted for	1,248,794	182,949
Total.....	<u>2,345,083</u>	<u>343,556</u>

We expect to fund such capital commitments principally from cash generated from our operations and proceeds from this offering.

Trade and Other Receivables

We have trade receivables due from third parties which amounted to RMB6.0 million, RMB1,834.0 million and RMB2,499.4 million (US\$366.2 million) as of December 31, 2007, 2008 and 2009, respectively. The average trade receivables turnover days in each of 2007, 2008 and 2009, being the result of 360 times the amount of trade receivables as of the relevant balance sheet date as divided by the revenue generated in the relevant fiscal year, were 6 days, 216 days and 216 days, respectively. The significant increase in trade receivables as of December 31, 2008 was related to a sharp increase in revenue generated from the transfer of operation rights of shop units in Phases I to III of Harbin Project, Phase I of Guangzhou Project and Phase I of Zhengzhou Project in December 2008 where most of the transferee of the operation rights were in the process of completing the procedures for applying for their respective loans by the year end. The further increase in trade receivables in 2009 was primarily related to the receivable of RMB570 million (US\$83.5 million) in connection with our transfer of 30,000 sq.m. GFA in the Shenyang Project.

Our receivables as of December 31, 2009 also included RMB1,704.4 million (US\$249.7 million) in connection with the disposal of our interest in Phase I of Zhengzhou Project. This represented the balance of payment which is expected to be received on or before June 30, 2010 according to the terms of the Sales and Purchase Agreement that we entered into with the transferee. See "Business – Our Projects – Phase I of Zhengzhou Project." As of the date of this offering memorandum, this receivable is still outstanding. In addition, we had other receivables of RMB595.6 million as of December 31, 2009, of which RMB550.6 million (US\$80.7 million) was owed to us by the entities that directly or indirectly own Phase I of Zhengzhou Project. This used to be part of our inter-company financing arrangement and becomes our receivables when we disposed of interest in Phase I of Zhengzhou Project. The amount is due June 30, 2010. If we are unable to collect these receivables, our results of operations and financial condition would be adversely affected. The balances of trade and other receivables, including deposits for construction, deposits and advances to third parties, are expected to be settled or recovered within one year.

Trade and Other Payables

Our trade and other payables as of December 31, 2007, 2008 and 2009, respectively, were as follows:

	Year ended December 31,			
	2007	2008	2009	
	RMB	RMB	RMB	US\$
	(in thousands)			
Receipt in advance	548,016	124,715	167,600	24,554
Construction payables	48,527	129,496	354,523	51,938
Other taxes payable.....	8,280	134,230	126,316	18,505
Deposits.....	53,358	67,815	325,358	47,665
Salary and welfare expenses payable.....	3,938	33,645	76,519	11,210
Professional service fee payables.....	–	17,885	7,104	1,041
Dividends payable.....	23,879	–	–	–
Amounts due to related parties.....	29,342	–	–	–
Others.....	8,344	23,508	69,217	10,140
Total	<u>723,684</u>	<u>531,294</u>	<u>1,126,637</u>	<u>165,053</u>

Our receipt in advance primarily relates to the transfer of operation rights for our shop units in Harbin, Guangzhou, Zhengzhou and Shenyang and the rental income received in advance. Construction payables mainly represent unpaid construction cost for our projects in Harbin, Guangzhou, Zhengzhou, Shenyang, Wuhan, Chongqing, Weifang, and Handan, the payment terms of which were determined through negotiation with each individual contractor and reflected in the construction contracts. Other taxes payables mainly represent the payables of business tax, which is 5% of revenue. It also includes the payables of stamp duty and the individual income taxes withheld by us pursuant to the requirements under PRC tax laws and regulations.

The due date of construction payables included in current liabilities as of December 31, 2007, 2008 and 2009 is as follows:

	Year ended December 31,			
	2007	2008	2009	
	RMB	RMB	RMB	US\$
	(in thousands)			
Due within one year	44,665	123,625	350,270	51,315
Overdue	3,862	5,871	4,253	623
Total	<u>48,527</u>	<u>129,496</u>	<u>354,523</u>	<u>51,938</u>

Our overdue trade and other payables were primarily related to the delayed payment of construction expenses for certain of our projects.

Working Capital

As of December 31, 2009, our net current assets was RMB8,956.7 million (US\$1,312.2 million), comprising the following:

	As of December 31, 2009	
	RMB	US\$
	in thousands	
Current assets		
Inventories	121,265	17,765
Trade and other receivables	5,440,822	797,085
Cash at bank and on hand	4,904,426	718,503
Total current assets.....	<u>10,466,513</u>	<u>1,533,353</u>
Current liabilities		
Trade and other payables.....	1,126,637	165,053
Taxation	383,132	56,129
Total current liabilities.....	<u>1,509,769</u>	<u>221,182</u>

Off-Balance Sheet Commitments and Arrangements

We arranged bank financing with Bank of China and Harbin Bank for the purchasers of shop units in Phase I to III of Harbin Project and Phase I of Guangzhou Project. In accordance with market practice in the PRC, we are required by the banks to guarantee the repayment of the bank loans granted to the transferees for the financing of the transfer of the operation rights of the respective shop units. These guarantees are fully released when the transferees repay their bank loans in full, normally for a term of three to five years. As of December 31, 2007, 2008 and 2009, we had guarantees in respect of our transferees' borrowings in an aggregate outstanding amount of approximately RMB169.0 million, RMB294.2 million and RMB980.2 million (US\$143.6 million), respectively.

We have not entered into any derivative contracts and do not have any variable interests in any non-consolidated entities that provide financing, liquidity, market risk or credit support to us or engage in leasing or hedging or research and development services with us.

Market Risk

Interest Rate Risk

Because we have not had any outstanding bank borrowings since 2008, changes in interest rates have not affected our finance expenses. In response to the global economic crisis, the PBOC reduced the benchmark one-year lending rates in China from 7.47% as of December 31, 2007 to 5.31% as of December 31, 2009. However, there is no assurance that the interest rates will not be adjusted upwards in the future. An increase in interest rates would adversely affect our prospective transferees' ability to obtain financing and may depress overall demand for our shop units. Higher interest rates may adversely affect our revenue, gross profits and net profits.

Foreign Exchange Rate Risk

We conduct our business predominantly in China and receive all our revenues in Renminbi. The value of Renminbi against the U.S. dollar and other currencies may fluctuate and is affected by, among other things, changes in China's economic and political conditions. The conversion of Renminbi into foreign currencies, including the U.S. dollar, has been based on rates set by the PBOC. On July 21, 2005, the PRC government changed its decade-old policy of pegging the value of Renminbi to the U.S. dollar. Under the new policy, Renminbi is permitted to fluctuate within a narrow and managed band against a basket of certain foreign currencies. While the international reaction to the Renminbi revaluation has generally been positive, there remains significant international pressure on the PRC government to adopt an even more flexible currency policy, which could result in a further and more significant appreciation of Renminbi against the U.S. dollar.

All of our cash and bank balances denominated in Renminbi are placed in banks in China. Renminbi is not freely convertible and the remittance of earnings overseas is subject to exchange control promulgated by the Chinese government. All our revenue-generating operations are transacted in Renminbi. Foreign currency payments, including the remittance of earnings outside China, are subject to the availability of foreign currency (which depends on our foreign currency denominated earnings) or must be arranged through the PBOC with government approval. We, therefore, are exposed to foreign exchange risk on financing transactions denominated in currencies other than the functional currency of the PRC subsidiaries (RMB) and the overseas group entities (HKD). Depreciation or appreciation of the RMB and Hong Kong dollar against foreign currencies can affect our operational results. See "Risk Factors – Risks Relating to the PRC – Fluctuations in the exchange rate of Renminbi may materially and adversely affect our business, financial condition and results of operations." We currently do not hedge our foreign exchange risk but may do so in the future.

Credit Risk

We have policies in place to evaluate credit risk when we commence a new project and to limit our credit exposure to individual customers. Given that we request that tenants pay rental and other service fees in advance, the credit risk of rental and service fees receivables is low. However, we typically guarantee the bank loans undertaken by our customers to finance their purchase of operation rights and in certain cases pledge cash in restricted accounts as security. As of December 31, 2009, we had restricted bank deposits pledged as security in the amount of RMB458.1 million (US\$67.1 million). If a purchaser defaults on the payment of its bank loan during the term of the guarantee, the bank may demand that we repay the outstanding amount under the loan and any accrued interest thereon and take the cash deposited in the restricted accounts as such repayment. Under such circumstances, we are entitled to indemnification from the customers which includes the right to transfer the operation rights of the relevant shop units to recover any amounts paid by us to the bank, but there can be no assurance that we would be able to transfer any such shop units at a price equal to or greater than the amount necessary to pay off the defaulting purchaser's outstanding loan amount and any accrued interest.

Inflation

According to the National Bureau of Statistics of China, China's overall national inflation rate, as represented by the general consumer price index, was 4.8% in 2007, 5.9% in 2008 and -0.7% in 2009. We have not in the past been materially affected by inflation, but we can provide no assurance that we will not be affected in the future.

Commodities Risk

We utilize large quantities of construction materials, including steel and concrete, in our project developments. We typically enter into fixed or guaranteed maximum price construction contracts with independent construction companies, each of which covers the development of a significant part of our overall project. These contracts typically cover both the supply of the building materials and the construction of the facility, for a construction period of one year or more. If the price of construction materials were to increase significantly prior to our entering into a fixed or guaranteed maximum price construction contract, we might be required to pay more to prospective contractors.

Non-GAAP Financial Measures

We use EBITDA to provide additional information about our operating performance. EBITDA refers to our profit before interest income/expenses, amortization of intangible assets, non-operating income/expenses, income tax expense and depreciation. EBITDA is not a standard measure under IFRSs or US GAAP. As the development of underground shopping center is capital intensive, capital expenditure and levels of debt and interest expenses may have a significant impact on the profit for the year of companies with similar operating results. Therefore, we believe that the investor community commonly uses this type of financial measure to assess the operating performance of companies engaged in business similar to us.

As a measure of our operating performance, we believe that the most directly comparable IFRSs measure to EBITDA is profit from operations for the year. We operate in a capital intensive industry. We use EBITDA in addition to profit for the year because profit for the year includes many accounting items associated with capital expenditures, such as depreciation, as well as non-operating items, such as amortization of intangible assets and interest income and interest expense. These accounting items may vary between companies depending on the method of accounting adopted by a company. By minimizing differences in capital expenditures and the associated depreciation expenses as well as reported tax positions, intangible asset amortization and interest income and expense, EBITDA provides further information about our operating performance and an additional measure for comparing our operating performance with the results of other companies. Funds depicted by this measure may not be available for debt service due to covenant restrictions, capital expenditure requirements and other commitments.

The following table reconciles our profit for the year under IFRSs to our EBITDA for the years indicated.

	Year Ended December 31,			
	2007	2008	2009	
	RMB	RMB	RMB	US\$
	(in thousands)			
Profit from operations	292,670	2,399,446	4,671,287	684,347
Depreciation	38,193	33,764	65,294	9,566
Amortization	1,257	1,030	407	60
EBITDA	332,120	2,434,240	4,736,988	693,973
EBITDA Margin ⁽¹⁾	90.6%	79.8%	113.8%	113.8%

(1) EBITDA margin refers to EBITDA divided by revenue for the relevant year, expressed as a percentage.

You should not consider our EBITDA in isolation or construe it as an alternative to cash flows, profit or any other measure of performance or as an indicator of our operating performance, liquidity, profitability or cash flows generated by operating, investing or financing activities or any other standard measure under IFRSs or US GAAP. Our definition of EBITDA does not account for taxes and other non-operating cash expenses. Our EBITDA presented in this offering memorandum may not be comparable to similarly titled measures presented by other companies. EBITDA, as presented in this offering memorandum, also differs from Consolidated EBITDA, as defined in the Notes.

Changes in Accounting Policies

The International Accounting Standards Board has issued one new IFRS, a number of amendments to IFRSs and new Interpretations that are first effective for the current accounting period of the Group and the Company. Of these, the following developments are relevant to the Group's financial statements:

- IFRS 8, *Operating segments*
- IAS 1, *Presentation of financial statements* (revised 2007)
- Improvements to IFRSs (2008)
- Amendments to IAS 27, *Consolidated and separate financial statements – cost of an investment in a subsidiary, jointly controlled entity or associate*
- Amendments to IFRS 7, *Financial instruments: Disclosures – improving disclosures about financial instruments*
- Amendments to IFRS 2, *Share-based payment – vesting conditions and cancellations*
- IFRIC 15, *Agreements for the construction of real estate*

IFRS 8, the amendments to IAS 27 and IFRS 2 and Interpretation IFRIC 15 have had no material impact on the Group's financial statements as the amendments and interpretations were consistent with policies already adopted by the Group. In addition, the amendments to IFRS 7 do not contain any additional disclosure requirements specifically applicable to the financial statements. The impact of the remainder of these developments is as follows:

- As a result of the adoption of IAS 1, *Presentation of financial statements* (revised 2007), details of changes in equity during the year arising from transactions with equity shareholders in their capacity as such have been presented separately from all other income and expenses in a revised consolidated statement of changes in equity. All other items of income and expense are presented in the consolidated income statement, if they are recognised as part of profit or loss for the year, or otherwise in a new primary statement, the consolidated statement of comprehensive income. Corresponding amounts have been restated to conform to the new presentation. This change in presentation has no effect on reported profit or loss, total income and expense or net assets for any period presented.
- The "Improvements to IFRSs (2008)" comprise a number of minor and non-urgent amendments to a range of IFRSs which the IASB has issued as an omnibus batch of amendments. Of these, the following amendment has resulted in changes to the Group's accounting policies:
 - As a result of amendments to IAS 40, *Investment property*, investment property that is under construction is recorded and measured as investment property, which was previously recorded as property and equipment. In accordance with the transitional provisions in the amendment, this new policy will be applied prospectively and previous periods have not been restated.

Industry Overview

The information and statistics set out in this section and elsewhere in this offering memorandum relating to the relevant industries that affect our business have been extracted from official government publications and sources. We have not independently verified such information or statistics. None of us, our directors or advisors or any other party involved in the offering makes any representation as to the accuracy or completeness of such information and statistics nor any underlying economic assumptions relied upon therein.

Introduction

We focus on the operation and development of stand-alone underground shopping centers for wholesale and retail sales of apparel and accessories in China. The underground space we develop that is categorized as underground civil air defense shelters is governed by the relevant laws and regulations in China. For a more detailed description of the laws and regulations applicable to us, see "Regulation." To maximize the limited space for commercial use in highly-developed commercial areas, the government has permitted the development and commercialization of underground air defense shelters by the private sector.

The development of underground commercial facilities can also be found in other countries. In Japan, underground civil facilities had been developed with government planning and private sector participation. Many of the successful underground shopping spaces were developed as extensions of railway or subway stations in densely developed urban areas. In the United States, the development of underground space commenced in 1970s. In Seattle, Washington, Two Union Square was designed as a multi-level underground plaza with the exits of each level connected to the surrounding main roads. In Paris, France, the world renowned Musée du Louvre is connected to an underground facility integrating subway, carpark and shopping area right in the middle of the highly developed city center.

Although the historical background as well as the form and format of underground facility developments vary, we believe that the main driving forces of such developments are the public and commercial needs for space in highly-developed areas.

Underground Space in the PRC

Similar to the trends in other countries, the commercial use of underground space in China has been concentrated in highly-developed areas, and the development of underground space in China gathered momentum when the government authorities promulgated rules in 1983 allowing for the development of underground civil air defense shelters for commercial use. In 1990s, for the first time, PRC laws and regulations explicitly allowed foreign capital to invest in the development and operation of underground civil air defense shelters. Subsequently, rules and notices were issued to encourage private and foreign enterprise participation in the development of underground civil air defense shelters. A brief timeline of key reforming activities is set out below:

1983.....	The PRC government promulgated rules relating to the development and use of underground civil air defense shelters during peace time.
1993.....	The PRC government promulgated rules to explicitly permit the development of underground civil air defense shelters funded by private and foreign capital.
1997.....	The PRC government promulgated rules providing for the favorable tax treatment for foreign invested enterprises engaged in the underground civil air defense shelters sector.

- 2001..... The PRC government issued a notice requiring that the ownership and operation rights of underground civil air defense shelters be separated and that operation rights be transferable in a market-based system.

- 2003..... The PRC government promulgated rules regarding the approval process for and the administration and supervision of the development and construction of underground civil air defense shelters using private and foreign capital.

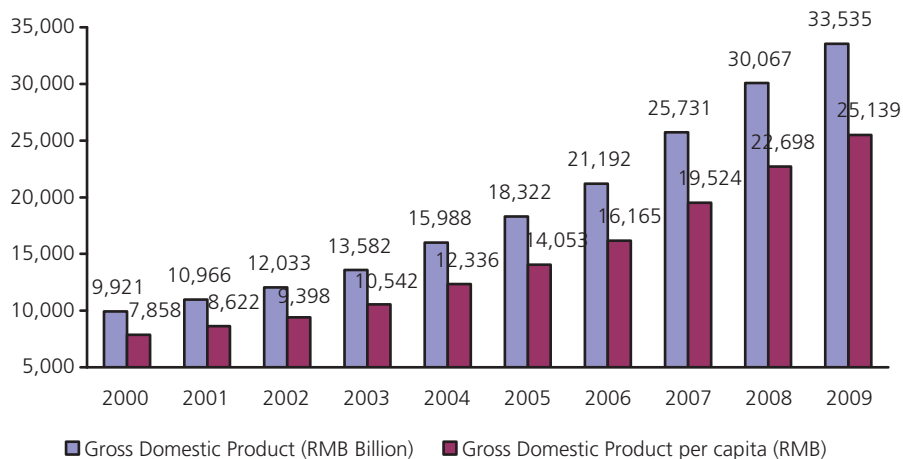
We have obtained approvals for the projects (項目建議書批覆) from the competent PRC authorities for our projects. See “Business – Our Projects.”

Unlike integrated underground shopping centers which are typically developed together with, and will be restricted by, the structure of the above-the-ground buildings, stand-alone underground shopping centers are planned, designed and constructed as separate facilities in many cases underneath streets and roads.

The Economy of China

The Chinese economy has grown significantly since the Chinese government introduced economic reforms in the late 1970s. China’s accession to the World Trade Organization, or WTO, in 2001 has further accelerated the reform of the PRC economy. China’s gross domestic product, or GDP, has increased from approximately RMB9,921 billion in 2000 to approximately RMB33,535 billion in 2009 at a CAGR of approximately 14.5%. On December 11, 2004, nine business sectors, including the retail industry, were fully opened to foreign participation in line with the commitments which China made upon accession to the WTO. The following graph sets forth China’s GDP and GDP per capita in China in each of the years from 2000 to 2009.

GDP and GDP per Capita in China



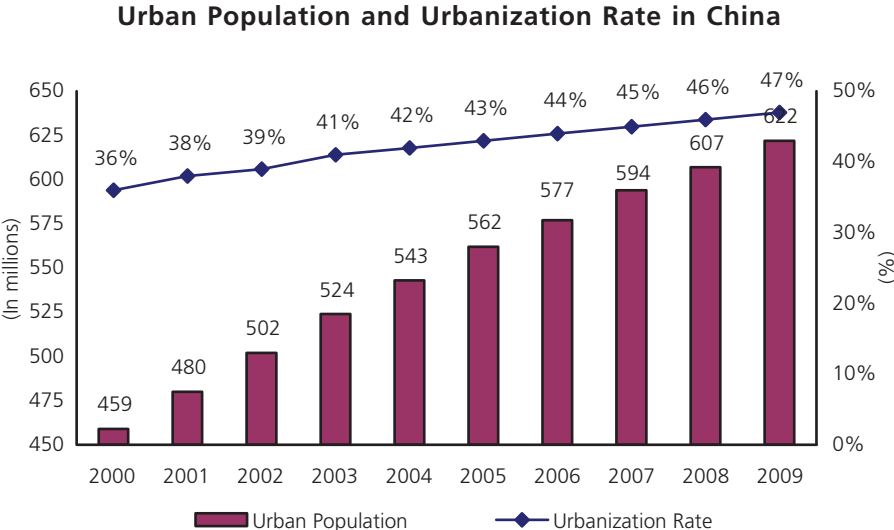
Source: National Bureau of Statistics of China

The International Monetary Fund estimated in its World Economic Outlook Database published in October 2009 that China’s real GDP is forecasted to grow at an annual rate of 9.0% in 2009, surpassing many developed economies in the world.

The urban population and urbanization rate of China have shown a consistent upward trend alongside its economic development. According to the National Bureau of Statistics of China, the total urban population in China increased to 622 million as of December 31, 2009, from 459 million as of December 31, 2000, representing an increase of 35.5%. The urbanization rate, defined as the urban population as a percentage of the total population, increased from 36.2% in 2000 to 46.6% in 2009. We believe such trends will increase the need for more underground space in densely populated cities

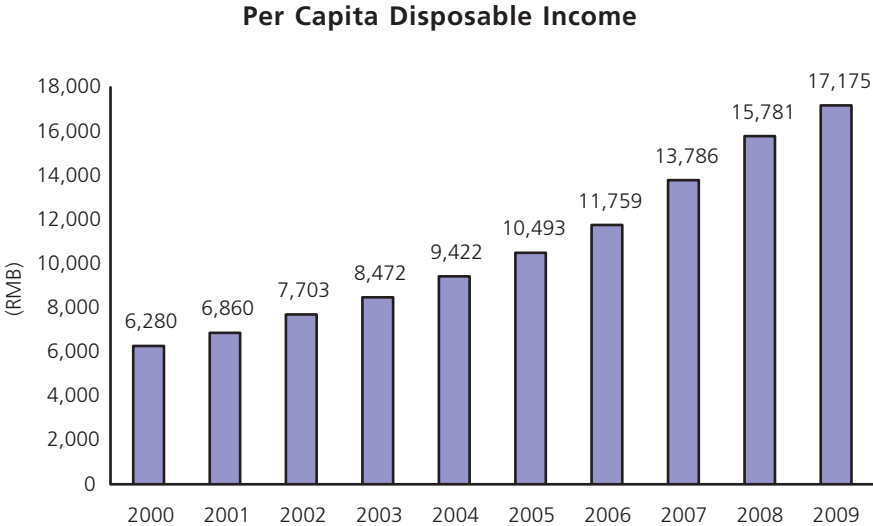
as shelters in times of war. We also believe that such trends will lead to increased consumer spending as average disposable income is higher in cities compared to rural areas. We expect these factors will have a positive impact on our underground shopping center business.

The graph below illustrates the growth of urban population and urbanization rate in China in each of the years from 2000 to 2009.



Source: National Bureau of Statistics of China

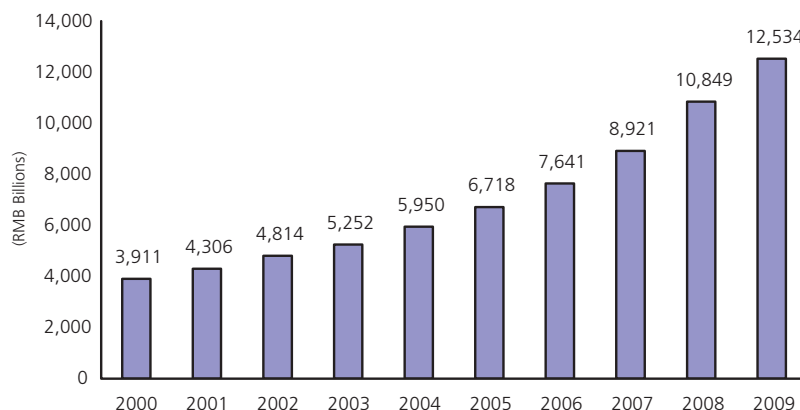
Individuals have also exhibited an increasing trend in their annual living expenditure. The illustration below shows the increase of per capita disposable income in China from RMB6,280 in 2000 to RMB17,175 in 2009, at a CAGR of 11.8%.



Source: National Bureau of Statistics of China

The retail sales of consumer goods also increased in the years from 2000 to 2009, at a CAGR of 13.8%, outpacing the growth rate of per capita disposable income.

Retail Sales of Consumer Goods



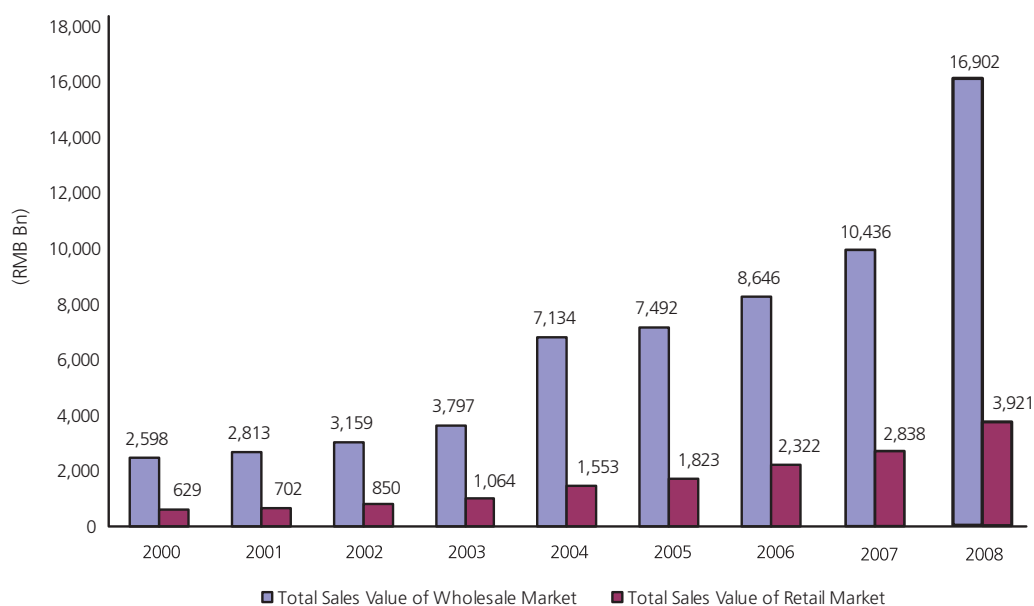
Source: National Bureau of Statistics of China

Wholesale Market in the PRC

According to the United Nations Statistics Division, “wholesale” is the resale (sale without transformation) of new and used goods to retailers, to industrial, commercial, institutional or professional users, or to other wholesalers, or involves acting as an agent or broker in buying merchandise for, or selling merchandise to, such persons or companies. Wholesalers frequently physically assemble, sort and grade goods in large lots, break bulk, repack and redistribute in smaller lots.

Wholesale plays a major role in commodity transactions and the economy. In China, approximately 50% of industrial products and 80% of agricultural products are sold by wholesalers. The wholesale market represents 41% of national GDP in 2008, an increase from 26% in 2000. The illustration below shows the size in terms of total sales of wholesale and retail markets in each of the years from 2000 to 2008. During that period, the size of the sales value of wholesale market was four times of the retail market on average.

Wholesale Market and Retail Market in the PRC



Sources: National Bureau of Statistics of China

The Economies of Cities in which We Operate

Harbin

Harbin is the capital city of Heilongjiang Province in the northeastern region of China with a population of approximately 9.9 million as of 2008. The city experienced a high GDP growth rate for the five-year period from 2004 to 2008. Harbin's GDP reached approximately RMB287 billion in 2008, representing a per capita GDP of approximately RMB29,012. The per capita annual disposable income of urban households in Harbin has increased from approximately RMB8,940 in 2004 to approximately RMB14,589 in 2008, representing a CAGR of 13.0% during the period. The table below sets forth selected economic statistics of Harbin for the periods indicated.

	2004	2005	2006	2007	2008
Nominal GDP (RMB Bn).....	168	183	209	244	287
Real GDP growth rate (%).....	14.7%	14.1%	13.5%	13.5%	13.2%
GDP per capita (RMB)	17,321	18,852	21,374	24,768	29,012
Per capita annual disposable income of urban households (RMB).....	8,940	10,065	11,230	12,772	14,589

Sources: Harbin Statistic Bureau

Guangzhou

Guangzhou is the largest city in southern China and the capital city of Guangdong Province with a population of approximately 10.2 million as of 2008. The city experienced a high GDP growth rate for the five-year period from 2004 to 2008. Guangzhou's GDP reached approximately RMB821 billion in 2008, representing a per capita GDP of approximately RMB81,233. The per capita annual disposable income of urban households in Guangzhou has increased from approximately RMB16,884 in 2004 to approximately RMB25,317 in 2008, representing a CAGR of 10.7% during the period. The table below sets forth selected economic statistics of Guangzhou for the periods indicated.

	2004	2005	2006	2007	2008
Nominal GDP (RMB Bn).....	445	515	607	705	821
Real GDP growth rate (%).....	15.0%	13.0%	14.7%	14.5%	12.3%
GDP per capita (RMB)	45,906	53,809	63,100	71,219	81,233
Per capita annual disposable income of urban households (RMB).....	16,884	18,287	19,851	22,469	25,317

Sources: Guangzhou Statistic Bureau

Zhengzhou

Zhengzhou is the capital city of Henan Province in the central region of China with a population of approximately 7.4 million as of 2008. Zhengzhou's GDP reached approximately RMB300 billion in 2008, representing a per capita GDP of approximately RMB40,617. The per capita annual disposable income of urban households in Zhengzhou has increased from approximately RMB9,364 in 2004 to approximately RMB15,732 in 2008, representing a CAGR of 13.8% during the period. The table below sets forth selected economic statistics of Zhengzhou for the periods indicated.

	2004	2005	2006	2007	2008
Nominal GDP (RMB Bn).....	138	165	200	242	300
Real GDP growth rate (%).....	15.5%	15.8%	15.7%	15.6%	18.4%
GDP per capita (RMB)	19,415	23,045	27,798	33,169	40,617
Per capita annual disposable income of urban households (RMB).....	9,364	10,640	11,822	13,692	15,732

Sources: Zhengzhou Statistic Bureau

Shenyang

Shenyang is the capital city of Liaoning Province in the northeastern region of China with a population of approximately 7.8 million as of 2008. Shenyang's GDP reached approximately RMB386 billion in 2008, representing a per capita GDP of approximately RMB54,106. The per capita annual disposable income of urban households in Shenyang has increased from approximately RMB8,924 in 2004 to approximately RMB17,295 in 2008, representing a CAGR of 18.0% during the period. The table below sets forth selected economic statistics of Shenyang for the periods indicated.

	2004	2005	2006	2007	2008
Nominal GDP (RMB Bn).....	190	208	248	307	386
Real GDP growth rate (%).....	15.5%	16%	16.5%	17.7%	16.3%
GDP per capita (RMB)	27,392	29,833	35,283	43,307	54,106
Per capita annual disposable income of urban households (RMB).....	8,924	10,098	11,651	14,607	17,295

Sources: Shenyang Statistic Bureau

Dalian

Dalian is the second largest city of Liaoning Province with a population of approximately 10.0 million as of 2008. The city experienced a high GDP growth rate for the five-year period from 2004 to 2008. Dalian's GDP reached approximately RMB386 billion in 2008, representing a per capita GDP of approximately RMB63,198. The per capita annual disposable income of urban households in Dalian has increased from approximately RMB10,378 in 2004 to approximately RMB17,500 in 2008, representing a CAGR of 14.0% during the period. The table below sets forth selected economic statistics of Dalian for the periods indicated.

	2004	2005	2006	2007	2008
Nominal GDP (RMB Bn).....	196	215	257	313	386
Real GDP growth rate (%).....	16.2%	14.2%	16.5%	17.5%	16.5%
GDP per capita (RMB)	32,274	38,155	42,579	51,624	63,198
Per capita annual disposable income of urban households (RMB).....	10,378	11,030	13,350	15,109	17,500

Sources: Dalian Statistic Bureau

Daqing

Daqing is a city of Heilongjiang Province in the northeastern region of China with a population of approximately 2.7 million as of 2008. The city experienced a high GDP growth rate for the five-year period from 2004 to 2008. In 2008, Daqing's GDP reached approximately RMB222 billion. The table below sets forth selected economic statistics of Daqing for the periods indicated.

	2004	2005	2006	2007	2008
Nominal GDP (RMB Bn).....	124	140	162	182	222
Real GDP growth rate (%).....	10.2%	10.0%	10.5%	10.5%	12.3%

Sources: Daqing Statistic Bureau

Weifang

Weifang is a prefectural level city of Shandong Province of China. The city experienced a high GDP growth rate for the three-year period from 2006 to 2008. In 2008, Weifang's GDP reached approximately RMB249 billion. The table below sets forth selected economic statistics of Weifang for the periods indicated.

	2006	2007	2008
Nominal GDP (RMB Bn).....	172	206	249
Real GDP growth rate (%).....	16.5%	15.8%	13.2%
Per capita annual disposable income of urban households (RMB).....	11,846	13,716	15,691

Sources: Weifang Statistic Bureau

Chongqing

Chongqing is located in the central western part of China with a population of approximately 28.4 million as of 2008. The city experienced a high GDP growth rate for the five-year period from 2004 to 2008. Chongqing's GDP reached approximately RMB509.7 billion in 2008, representing a per capita GDP of approximately RMB18,025.0. The table below sets forth selected economic statistics of Chongqing for the periods indicated.

	2004	2005	2006	2007	2008
Nominal GDP (RMB Bn).....	269	307	349	411	510
Real GDP growth rate (%).....	4.5%	15.2%	13.7%	18.1%	23.6%
GDP per capita (RMB).....	9,624	10,982	12,457	14,622	18,025
Per capita annual disposable income of urban households (RMB).....	9,221	10,244	11,570	13,715	14,368

Sources: Chongqing Statistic Bureau

Putian

Putian is a prefectural level city of Fujian Province in the eastern Fujian Province of China with a population of approximately 2.8 million as of 2008. The city experienced a high GDP growth rate for the four-year period from 2005 to 2008. Putian's GDP reached approximately RMB61 billion in 2008, representing a per capita GDP of approximately RMB21,515. The per capita annual disposable income of urban households in Putian has increased from approximately RMB11,026 in 2005 to approximately RMB16,495 in 2008, representing a CAGR of 14.4% during the period. The table below sets forth selected economic statistics of Putian for the periods indicated.

	2005	2006	2007	2008
Nominal GDP (RMB Bn).....	36	42	51	61
Real GDP growth rate (%).....	15.3%	16.0%	16.5%	15.0%
GDP per capita (RMB).....	12,855	15,013	18,188	21,515
Per capita annual disposable income of urban households (RMB).....	11,026	12,274	14,351	16,495

Sources: Putian Statistic Bureau

Source of Information

National Bureau of Statistics of China

National Bureau of Statistics is an agency directly under the State Council in charge of statistics and economic accounting in China. National Bureau of Statistics is an Independent Third Party of us. The information from the National Bureau of Statistics disclosed in this offering memorandum is official public information and was prepared in the ordinary course of the National Bureau of Statistics' activities.

Business

Overview

We are a PRC-based underground shopping center operator and developer that focuses on the operation and development of stand-alone underground shopping centers for wholesale and retail sales of apparel and accessories in China. Competition among various types of shopping centers in China, whether underground or above the ground, is intense. However, by building civil air defense shelters and using them as underground shopping centers during peace time, we believe that we have a distinctive and advantageous business model that has contributed to our position as one of the major apparel and accessories wholesale centers in the cities where our underground shopping centers are located: we are not subject to many of the laws, regulations, taxes and policies that apply to the real property industry in China and are not subject to land use rights premiums and land appreciation tax under PRC laws and regulations, which enables us to develop our projects at competitive costs. By building our shopping centers underground, we gain access to prime commercial areas in the cities in which we operate where the land supply above-ground is limited. We engage in market analysis, site selection, project planning and supervision, leasing and transfer of operation rights of shop units, and provide shopping center management services.

We currently operate four underground shopping centers in Harbin, Heilongjiang Province, three of which are interconnected, one in Guangzhou, Guangdong Province, and one in Shenyang, Liaoning Province, with an aggregate GFA of approximately 238,618 sq.m., and are providing management services for one underground shopping center in Zhengzhou, Henan Province, with an aggregate GFA of approximately 94,180 sq.m. We have 27 other projects in Daqing and Harbin, Heilongjiang Province, Dalian and Anshan, Liaoning Province, Weifang and Qingdao, Shandong Province, Wuhan, Hubei Province, Handan, Hebei Province, Putian, Fujian Province, Chengdu, Sichuan Province, Ganzhou and Nanchang, Jiangxi Province, Luoyang and Zhengzhou, Henan Province, Kunming, Yunnan Province, Shenzhen and Guangzhou, Guangdong Province, Wuhu, Anhui Province, Chongqing and Tianjin, with an aggregate approved GFA of approximately 3,635,660 sq.m. We have obtained approvals for the projects (項目建議書批覆) for our projects from the competent PRC authorities. All of our projects have easy access to transportation hubs such as subway stations, railway stations, city bus stops and inter-city bus terminals.

We opened our first underground shopping center in Harbin in June 1992 with a GFA of approximately 15,920 sq.m. With an initial business focus on Harbin, we have three additional underground shopping centers in that city with a GFA of approximately 26,829 sq.m., 21,015 sq.m. and 16,800 sq.m., which officially opened for business in 2001, 2004 and 2008, respectively. Leveraging our business and operating experience as well as our success in Harbin, we began expanding to other cities in China in 2005: we opened one underground shopping center in Guangzhou in January 2007 with a GFA of approximately 47,554 sq.m., one in Zhengzhou in December 2008 with a GFA of approximately 94,180 sq.m. and one in Shenyang in September 2009 with a GFA of approximately 110,500 sq.m. Over the past 18 years, we have accumulated extensive experience in operating and developing underground shopping centers in China, developed a sizeable customer base of tenants and gained significant knowledge of the wholesale and retail markets for apparel and accessories in China. We believe these advantages will help us replicate our business in other cities in China.

We focus on the operation of underground shopping centers we have developed or acquired. Following the completion of development or the acquisition, we operate our underground shopping centers by leasing the majority of the shop units to generate recurring rental income. In an effort to enhance liquidity and optimize the use of our capital resources, we also transfer the operation rights of a portion of our shop units to quickly recover the construction costs and fund future project developments. Jingtian, our PRC legal advisor, is of the opinion that under the Civil Air Defense Law of the PRC and the certificates from local civil air defense offices, such a transfer of operation rights is valid, within the scope of business of our relevant subsidiaries as permitted by law and as approved by the authorities, and not subject to any other government approvals or filings. For the years ended December 31, 2007, 2008 and 2009, the revenue generated from the transfer of operation rights represented 51.8%, 94.0%, and 96.9% of our total revenue for the same periods, respectively.

We may also use alternative methods to transfer the operation rights of the shop units in our projects, such as through the disposal of the equity interests in an offshore entity which holds, directly or indirectly, underground shop units in any single project. In 2009, we disposed of our entire interest in our subsidiary holding Phase I of Zhengzhou Project to First Achieve Holdings Limited, an independent third party, for a total consideration of HK\$2,765.4 million and recorded a net gain from disposal of subsidiaries in the amount of RMB1,906.8 million in 2009, which contributed a significant portion of our profit for that year.

With the growing number of our underground shopping centers encompassing larger areas of shop units for lease, we aim to gradually balance the income stream comprising lease income and income from the transfer of operation rights to optimize our profitability. From the long-term perspective, we expect that lease income will eventually constitute an important component of our income. We provide comprehensive management services to all shop units to attract more shoppers to our underground shopping centers and help our tenants increase their sales revenue. Starting from 2006, we adopted “The First Tunnel” (“地一大道”) as the name for our underground shopping center in Guangzhou and for those developed thereafter in Zhengzhou and Shenyang. To solidify and strengthen our brand recognition, we plan to use “The First Tunnel” (“地一大道”) as the brand name for all of our future underground shopping centers, as well as those in Harbin, which are currently named “Renhe Shop” or “Renhe Spring.”

All of our completed underground shopping centers were designed and constructed as underground civil air defense shelters in accordance with the standards set by and pursuant to the approvals of the National Civil Air Defense Office and its local offices. Under the “Civil Air Defense Law of the PRC” and the relevant regulations thereunder, the PRC government supports privately-owned and foreign-invested companies that invest in the development of civil air defense shelters, which, during peacetime, may be used and managed by and for the benefit of the investors. For building civil air defense shelters, which government authorities in China have the right to temporarily take over for use as civilian shelters during times of war, we are entitled to use, operate, manage and profit from the facilities we develop or acquire, including leasing or transferring operation rights of shop units in these facilities, and are not required to pay consideration to the government for such rights. Though current PRC laws and regulations do not define “times of war” for the purpose of civil air defense shelters, Jingtian, our PRC legal advisor, advised us that the term “times of war” as defined in the Criminal Law of the People’s Republic of China may be used as a reference for such purpose. That law defines “times of war” as times when the PRC government declares a state of war, when the armed forces receive instructions to execute tasks, when any enemy launches a surprise attack or when the armed forces execute tasks under martial law or cope with emergencies of violence. Our underground shopping centers, like other properties in China, might also be taken over by the government authorities in case of emergencies as provided under *the Emergency Response of the PRC* and *the Martial Law of the PRC*. If any of our lease or transfer of operation rights agreements is terminated as a result of the taking over of the facilities by the PRC government and the shop units are returned to us upon our request for the remainder of the lease terms or operational rights terms, according to the contract terms, we would be required to refund our tenants or transferees the unused portion of the advance lease payments or the transfer price for the remaining term, as the case may be, and such events would materially and adversely affect our business, financial condition and results of operations. See “Risk Factors – Legal and Regulatory Risks Relating to Our Industry – The government in China has the right to take over our underground projects during times of war.” Because the development of underground civil air defense shelters for commercial use is not categorized as real estate property development under current PRC laws and regulations, we are not subject to many of the laws, regulations, taxes and policies that apply to the real property industry in China for development of underground air defense shelter projects. See “Regulations – Special Requirements Applicable To Real Estate Developers.”

For the years ended December 31, 2007, 2008 and 2009, our revenue was RMB366.5 million, RMB3,050.3 million and RMB4,162.9 million (US\$609.9 million), respectively, and our profit for the year, during the same periods, was RMB266.7 million, RMB1,903.0 million and RMB4,037.6 million (US\$591.5 million), respectively.

Our Competitive Strengths

We attribute our success to the following key factors:

Distinctive shopping centers in prime commercial areas with one of the largest and geographically diversified underground shopping center portfolio in China

By building our shopping centers underground, we gain access to prime commercial areas in the cities in which we operate where the land supply above-ground is limited. Our underground shopping centers are located underneath roads in prime commercial areas, and typically there is additional space close to those roads that can be used for the expansion of our existing facilities, if we can obtain the necessary government approval. We believe that the demand for spaces in the prime commercial areas we target helps our projects attract tenants and transferees of our shop units and, therefore, lower the development risks.

All of our underground shopping centers have entrances and exits adjacent to or near commercial buildings, subway stations, railway stations, bus stops or inter-city bus terminals above the ground. Convenient transportation and easy access to our facilities attract shoppers to our shopping centers. In addition, our underground shopping centers are designed in the shape of long corridors with shops on both sides, unlike conventional rectangular-shaped shopping centers. This layout helps attract pedestrians in the area by functioning as underground streets, makes it easier for shoppers to identify and find shops they are looking for and allows us to utilize space in an efficient manner. Unlike individual shops located above the ground, underground shopping centers are less impacted by the effects of weather. As a result, shoppers can enjoy a convenient and comfortable shopping environment. Since our underground shopping centers are close to transportation hubs in major cities or capitals of provinces, our tenants can expand the reach of their market area and more easily ship their merchandise to and from other provinces and the country. We believe that the distinctive characteristics of our underground shopping centers have led to high demand for our shop units and have a positive effect on our rental prices.

In addition, we have developed and maintained a geographically diversified underground shopping center portfolio in China. Our projects are focused on five major areas: Northern China (for example, Harbin and Daqing), Pan-Bohai Rim (for example, Shenyang, Dalian, Weifang and Tianjin), Inland Area (for example, Zhengzhou, Ganzhou, Luoyang and Wuhan), Southwest China (for example, Chongqing and Kunming) and Pearl River Delta and Coastal Areas in Southeastern China (for example, Guangzhou, Putian, Nanchang and Shenzhen). We believe that this diversification in geographical areas reduces the risks posed by any specific project in our project portfolio and has a positive effect on our business and operation.

Competitive development costs

Our development costs are competitive compared to the other commercial properties near our underground shopping centers. For a typical project, we are only required to pay the construction costs. As advised by Jingtian, our PRC legal advisor, we are not subject to land use rights premiums and land appreciation tax for development of underground air defense shelter projects. Prior to 2007, we paid land use rights premiums for all of our projects then in operation in order to obtain land use rights certificates to facilitate our financing. We did not pay any additional land use rights premiums in 2008 and 2009. In addition, we are not subject to many of the laws, regulations, taxes and policies that apply to the real property industry in the PRC because the development of underground civil air defense shelters for commercial use is not categorized as real estate property development under current PRC laws and regulations. For example, as confirmed by Jingtian, our PRC legal advisor, we are not subject to the requirement of obtaining a land use rights certificate before the commencement of any underground air defense shelter project according to the existing PRC laws and regulations including without limitation, a judicial notice issued by the Supreme Court of the PRC in 1996, and we do not need a qualification for real property development to build, or use and operate underground civil air defense shelters.

For shop units we rent out, we collect either a one-time entry fee when a customer first becomes a tenant or at least one-year's rent upfront. For example, we collected and determined the amount of the one-time entry fee based on the market practice for lease of shop units in Phase I of Guangzhou Project. Such cash inflows would cover a portion of the construction costs of such project, which reduces our dependence on outside borrowing and lowers our financing costs, including interest expenses. Our business model has enabled us to lease shop units at rents competitive with other shopping centers in similar locations.

Robust liquidity position and strong credit profile

We actively manage our liquidity position by taking into account our development plans, capital needs and available cash and financing options. As of December 31, 2007, 2008 and 2009, our cash and cash equivalents amounted to RMB1,517.4 million, RMB3,233.6 million and RMB4,656.1 million (US\$682.1 million), respectively, and for the same periods, our bank loans and other borrowings were RMB19.2 million, nil and nil, respectively. In addition, over the years, we have accumulated experience in executing underground projects and were able to complete a project ready for operation within one year following the commencement of construction. We believe the short development cycle, together with our ability to pre-lease and pre-sale the shop units prior to the completion of our project, has enabled our projects to generate cash flow in a relatively short period after commencement of development.

We believe we have developed a strong credit profile over the years. Through transfer of a minor portion of the operating rights, we were able to recover the construction cost and the remaining shopping units provide stable rental income for us. With a liquid secondary market for our shopping units, we are able to satisfy our cash needs by transferring operating rights of the shopping units that were held for lease. We also have accessed the international capital markets through equity offerings. Since our initial public offering in October 2008, which generated proceeds of RMB2,987.5 million, in July 2009, we raised an additional RMB3,279.3 million through a private placement of new shares.

Market leader in underground shopping center development

We believe that we are a market leader in China in developing underground shopping centers due to our past experience and extensive tenant pool. Over the years, we have accumulated experience in executing underground projects and have completed a project ready for operation within one year following the commencement of construction. The construction of underground shopping centers in prime commercial areas is complicated and requires cooperation of various government authorities and utility suppliers such as electric, water, gas, telecommunication and cable companies. Our experience in developing underground shopping centers allows us to complete the ground construction work within a short period of time to minimize the impact of construction on the above-ground traffic and the daily lives of the city's residents. This is particularly critical since all of our underground projects are located in the center of prime commercial areas and are adjacent or close to major transportation hubs. In addition, we have a dedicated market research team, which researches and analyzes shopping centers in different cities and compiles a database of wholesalers and retailers. For example, we collected information with respect to more than 20,000 potential tenants prior to the opening of Phase I of Guangzhou Project. We have developed long-term relationships with our tenants as seen in the fact that some of our tenants in our more recently developed underground shopping center in Zhengzhou and Shenyang are also tenants in our Harbin and Guangzhou shopping centers. We believe our knowledge and experience in the development of underground shopping centers helped us achieve a pre-operation leasing rate of close to 100% in Harbin, Guangzhou and will be a factor that distinguishes us from our competitors. We believe that our well-recognized "The First Tunnel" ("地一大道") brand contributed to our success in Guangzhou, Zhengzhou and Shenyang and will serve as an advantage when we expand into other cities using the same brand.

Comprehensive shopping center management services

We take business concepts from the management of large-scale retail shopping centers and department stores and apply them innovatively to our business operations that cater largely to wholesale tenants. Our agreements for the lease or transfer of operation rights of our shop units contain a standard provision whereby, throughout the term of the lease or transferred period, as applicable, we provide comprehensive shopping-center management services at a pre-determined monthly fee. This helps maximize the sales revenue of our tenants, which in turn has a positive effect on our rental rates and revenue. For example, we have designated different areas in our underground shopping center for apparel or accessories with different themes so that target customers can more easily find the merchandise they want. Concentrating tenants selling similar products in the same area draws shoppers looking for a particular type of product and encourages tenants to carry more specialized goods, which expands the variety of merchandise offered in our shopping centers. We also organize or sponsor promotional events, such as the Discount International Brands Trade Fair in January 2010 and the Street Culture Fair in December 2009, in order to attract more shoppers to our shopping centers. In addition to services related to marketing activities, we provide our tenants with services such as assistance in inbound and outbound shipments and security services by trained professionals.

Established business model which has been successfully replicated in the markets we operate

Our business model has been successfully replicated in different cities. Although development of underground space is not subject to the limitations of above-ground land supply so long as approvals from the relevant authorities can be obtained, we believe that site selection, the ability to manage the construction process and the relevant operational experience are critical to the success of the development of an underground shopping center. We have accumulated over 18 years of experience and have established a good track record, as demonstrated in our projects in Harbin, Guangzhou, Zhengzhou and Shenyang, in the operation and development of large-scale underground shopping centers for wholesale and retail sales of apparel and accessories. We believe that such experience and track record will serve as an advantage when we compete for future projects to replicate our business model in other cities.

We believe that government authorities are generally supportive of the development of underground space such as our underground shopping centers since, as in the case of our project in Guangzhou which is close to the crowded Whitehorse shopping center and Xindadi Apparel Shopping Mall, our underground shopping centers also function as underground streets, divert the heavy pedestrian traffic in busy downtown areas and alleviate crowd problems.

Experienced management team

Our senior management team has an average of approximately 14 years of experience in developing and operating underground shopping centers. Particularly, our Chief Executive Officer and Chairman, Mr. Dai Yongge, has been working in this industry for over 17 years. The key members of our management were pioneers in our industry who created and extended our business model and led the growth and success of our business. Our senior management team is stable and the key members have been working together for more than eight years. In addition, we have well-trained local management teams, which are important for our future growth. Currently, the majority of our local management teams have more than five years of management experience in their relevant positions and more than 75% of them hold a bachelor degree. We also provide training to improve the management ability of our local management teams. We believe that our experienced senior management team and well-trained local management teams will contribute to our operational stability and continued business expansion.

Our Strategies

We intend to leverage the development and operations experience that we gained in Harbin, Guangzhou, Zhengzhou and Shenyang and grow our business by expanding into other cities in China. To achieve our business objectives and drive our future growth, we plan to adopt the following strategies:

Expand our business and enlarge a national underground shopping center operation network

We successfully utilized our development and operations experience in Harbin to enter the Guangzhou, Zhengzhou and Shenyang markets in a short period of time. In addition, we have acquired seven projects in Harbin, Weifang, Daqing, Dalian and Chengdu since July 2009 and have also recently begun the construction of additional projects in Wuhan, Handan, Putian, Chongqing and Anshan. With our existing projects and those under renovation or construction, we have established an operation network of underground shopping centers in certain strategically selected cities around the country. Our goal is to leverage our experience and expand into other major cities in China with large-scale underground shopping centers similar to our existing ones. Through this expansion, we intend to increase the scale of our operations to secure and strengthen our position as a national market leader for the development and operation of underground shopping centers in the PRC. We are also conducting feasibility studies or have submitted applications by ourselves or through nominees, for projects in several other cities in the PRC. Our long-term objective is to build a nation-wide network of underground shopping centers and integrate our future projects under a chain model using a unified brand name. We aim to be recognized as a national operator of underground shopping centers that offer the best chance of success in the apparel and other businesses and to provide quality services and a comfortable environment for our tenants.

Maintain prudent financial management policies

We will continue to closely monitor our capital and cash positions and gauge our development scale and time our project development accordingly. We have budget and financing planning and cash management at the project level as well as the group level. While we will explore a variety of financing sources to fund the development and operation of our projects, we will closely monitor our level of indebtedness to ensure a healthy leverage ratio. We will continue to carefully manage our development cost for each project during the course of its development, with an emphasis on cost reduction and cost efficiency. We will actively manage our sales and pre-sales to ensure adequate cash flow for our ongoing capital requirements from new projects and to ensure a growing gross floor area for leasing in our underground shopping centers. We will also remain disciplined in our capital commitments and seek to maintain a balanced capital structure.

Optimize leasing terms and diversify the business of our underground shopping centers

We intend to maximize our revenue and profit through the following measures:

- optimizing leasing terms: We plan to optimize the leasing terms of our shop units. Our leases typically provide for a fixed rent during the lease term. While we intend to maintain long term leases for our shopping centers in Harbin, we plan to set a short lease term for our new shop units in shopping centers in growing markets so that our rental income will more timely reflect the growth of the wholesale and retail markets for apparels and accessories in China; and
- diversifying the business of our underground shopping centers: We plan to further diversify our geographical and industry risks by establishing underground shopping centers in various high growth cities in China and developing shopping centers for the wholesale and retail sales of various types of merchandise in addition to apparel.

Strategically promote “The First Tunnel” (“地—大道”) brand

We believe that a self-owned brand is crucial to building a unified chain. We plan to establish “The First Tunnel” (“地—大道”) as a nationally recognized brand among underground shopping centers in China. Enhanced brand recognition, if achieved, will help attract new tenants and accelerate our expansion into new markets, which in turn will further enhance our brand recognition.

Further improve our management systems and expand our potential tenant pool

We plan to further improve our project planning and shopping center management systems, the segmentation of target clientele for our tenants, optimization of space utilization, management

efficiency and the provision to our tenants of information relating to our underground shopping centers. We believe that we can thereby enhance the reputation of our underground shopping centers and our prospects for realizing increased rental income, as well as retain the loyalty of our existing tenants. We also plan to expand our database of potential tenants. Our market research team will continue to conduct in-depth research and evaluation of potential locations for our future projects. We believe that our market research capabilities will enable us to devise effective strategies for future expansion and position our shopping centers in cost-effective and profitable markets and trades.

Continue to hold the majority of our underground shop units for lease and enhance rental income

Our strategy is to achieve an optimal balance between the portions of units for one-off income from transfer of operation rights and those for recurring income from leasing, so as to satisfy the funding requirements of the construction of new projects as well as to benefit from the recurring cash flow and long term rental increase potentials. While the aforesaid portions are subject to adjustment from time to time with due consideration of our future capital requirements, it is our current policy to keep the majority of our shop units in terms of GFA in any of our existing or new projects for leasing and to transfer the operation rights of the rest over time. In addition, we aim to achieve stable growth in our total revenue by having an optimized mix of revenue from transfer of operation rights and rental income. With respect to some of our new projects' shop units held for leasing, we collect one-time entry fees or at least one-year's rent upfront from new tenants before completing construction to enhance our liquidity. Current PRC laws and regulations do not restrict or prohibit us from charging upfront fees in connection with the operation of underground shopping centers built as civil air defense shelters, nor do they regulate the amount of such fees that we may charge. The rental and the transfer price of operation rights of our shop units are primarily determined with reference to the prevailing market practice and prices for comparable commercial properties located around the vicinity of our underground shopping centers and based on our overall marketing strategies.

Our Projects

We focus on the development and operation of stand-alone underground shopping centers for wholesale and retail sales of apparel and accessories in China, and have over 18 years of experience in operating and developing underground shopping centers.

We have developed and currently operate three underground shopping centers in Harbin (all of which are interconnected except for Gexin section of Phase II of Harbin Project), one in Guangzhou and one in Shenyang. We have also developed one underground shopping center in Zhengzhou and transferred all of our interest in it to a third party in December 2009. For each of these projects, we participate in every phase of the project development, including project planning and designing, selecting construction contractors and supervising constructions, and operating the underground shopping centers when the projects are completed.

In addition, we have acquired the operation rights of and currently operate an underground shopping center in Harbin under the name of Harbin Renhe Spring. We also acquired the operation rights of six additional projects in July 2009 and one additional project in April 2010. Three out of the seven acquired projects are located in Weifang and one in each of Daqing, Dalian, Harbin and Chengdu.

We have several other projects in Harbin, Wuhan, Handan, Putian, Chongqing, Anshan, Chengdu, Tianjin, Ganzhou, Luoyang, Kunming, Nanchang, Shenzhen, Qingdao, Guangzhou and Zhengzhou. Our projects are focused on five major areas: Northern China (for example, Harbin and Daqing), Pan-Bohai Rim (for example, Shenyang, Dalian, Weifang and Tianjin), Inland Area (for example, Zhengzhou, Ganzhou, Luoyang and Wuhan), Southwest China (for example, Chongqing and Kunming) and Pear River Delta and Coastal Areas in Southeastern China (for example, Guangzhou, Putian, Nanchang and Shenzhen).

We have completed and currently operate the following seven projects:

- *Phase I of Harbin Project:* an underground shopping center with a GFA of approximately 15,920 sq.m., focusing on the women's fashion apparel. This project was opened for business in June 1992;
- *Phase II of Harbin Project:* an underground shopping center with a GFA of approximately 26,829 sq.m., focusing on the women and children's apparel and grocery food products. The first stage of this project was opened for business in January 2001 and the second stage of this project was opened for business in December 2001;
- *Phase III of Harbin Project:* an underground shopping center with a GFA of approximately 21,015 sq.m., focusing on branded apparel, jeans and casual wear. This project was opened for business in January 2004;
- *Phase I of Guangzhou Project:* an underground shopping center with a GFA of approximately 47,554 sq.m. for apparel wholesale and retail sales. This project was opened for business in January 2007;
- *Phase I of Zhengzhou Project:* an underground shopping center with a GFA of approximately 94,180 sq.m. for apparel wholesale and retail sales. This project was opened for business in December 2008 and we have transferred our interest in the entire project in December 2009. We, however, continue to provide management services for the project and charge a management service fee in connection therewith;
- *Phase I of Shenyang Project:* an underground shopping center with a GFA of approximately 110,500 sq.m. for apparel wholesale and retail sales. This project was opened for business in September 2009; and
- *Harbin Renhe Spring Project:* an underground shopping center that we acquired in December 2008 with a GFA of approximately 16,800 sq.m. for apparel wholesale and retail sales.

We have 27 other projects:

- *Daqing Project:* an underground area that we acquired in July 2009 with an aggregate GFA of approximately 40,178 sq.m. and is currently under trial operation;
- *Dalian Project:* an underground area that we acquired in July 2009 with an aggregate GFA of approximately 15,344 sq.m. and is currently under renovation;
- *Heilongjiang Renhe Spring Project (Youyi Road section and Sofia section):* underground areas that we acquired in July 2009 with an aggregate GFA of approximately 26,100 sq.m. and consist of two sections: the Youyi Road section, which has been opened for business, and the Sofia section, which is currently under renovation;
- *Weifang Project (Train Station Plaza):* an underground area that we acquired in July 2009 with an aggregate GFA of approximately 30,000 sq.m. and is currently under renovation;
- *Weifang Project (Fengzhengdu Memorial Plaza section):* an underground area that we acquired in July 2009 with an aggregate GFA of approximately 86,800 sq.m. and is currently under renovation;
- *Weifang Project (Zhongya Commercial Center section):* an underground area that we acquired in July 2009 with an aggregate GFA of approximately 28,000 sq.m. and is currently under renovation;
- *Phase VI of Harbin Project:* underground areas with an approved GFA of approximately 150,880 sq.m.; we commenced construction of this project in March 2009 and plan to open it for business by the end of 2010;
- *Wuhan Hanzheng Street Project:* an underground area with an approved GFA of approximately 126,220 sq.m.; we commenced construction of this project in July 2009 and plan to open it for business by the end of 2010;

- *Handan Project*: an underground area with an approved GFA of approximately 100,000 sq.m.; we commenced construction of this project in September 2009 and plan to open it for business by the end of 2010;
- *Putian Project*: an underground area with an approved GFA of approximately 190,000 sq.m.; we commenced construction of this project in December 2009 and plan to open it for business by the end of 2010;
- *Phase I of Chongqing Banan Project*: an underground area with an approved GFA of approximately 70,000 sq.m.; we commenced construction of this project in the first quarter of 2010 and plan to open it for business by the end of 2010;
- *Phase I of Chongqing Dadukou Project*: an underground area with an approved GFA of approximately 100,000 sq.m.; we commenced construction of this project in the first quarter of 2010 and plan to open it for business by the end of 2010;
- *Phase I of Anshan Project*: an underground area with an approved GFA of approximately 49,840 sq.m.; we commenced construction of this project in the first quarter of 2010 and plan to open it for business by the end of 2010;
- *Phase I of Chengdu Project*: underground areas that we acquired in April 2010 with an approved GFA of approximately 90,500 sq.m.; with respect to 40,100 sq.m. thereof, construction has been completed and the remaining 50,400 sq.m. thereof is subject to future development;
- *Phase IV of Harbin Project*: an underground area with an approved GFA of approximately 15,738 sq.m. for future development;
- *Phase V of Harbin Project*: an underground area with an approved GFA of approximately 10,000 sq.m. for future development;
- *Tianjin Project*: an underground area with an approved GFA of approximately 121,220 sq.m. for future development;
- *Ganzhou Project*: an underground area with an approved GFA of approximately 170,000 sq.m. for future development;
- *Luoyang Project*: an underground area with an approved GFA of approximately 194,840 sq.m. for future development;
- *Wuhan Northwestern Lake (Xibei) Project*: an underground area with an approved GFA of approximately 450,000 sq.m. for future development;
- *Kunming Project*: an underground shopping center with an approved GFA of approximately 200,000 sq.m. for future development;
- *Nanchang Bayi Tunnel Project*: an underground area with an approved GFA of approximately 162,000 sq.m. for future development;
- *Shenzhen Project*: an underground area with an approved GFA of approximately 160,000 sq.m. for future development;
- *Wuhu Project*: an underground area with an approved GFA of approximately 150,000 sq.m. for future development;
- *Qingdao Project*: an underground area with an approved GFA of approximately 500,000 sq.m. for future development;
- *Phase II of Guangzhou Project*: an underground area with an approved GFA of approximately 48,000 sq.m. for future development; and
- *Phase II of Zhengzhou Project*: an underground area with an approved GFA of approximately 350,000 sq.m. for future development.

The following table summarizes GFA information relating to our projects as of the date of this offering memorandum, unless otherwise disclosed below.

Project	Projects in operation		Other Projects ⁽¹⁾	Aggregate GFA ⁽⁴⁾	Leased GFA ⁽⁵⁾	Occupancy Rate ⁽⁶⁾	Location
	Sold GFA ⁽²⁾	Leasable GFA ⁽³⁾	Sold GFA ⁽²⁾				
Phase I of Harbin Project ⁽⁷⁾	8,368	7,552	–	15,920	7,552	100%	Harbin
Phase II of Harbin Project ⁽⁷⁾	7,383	19,446	–	26,829	19,446	100%	Harbin
Phase III of Harbin Project ⁽⁷⁾	18,433	2,582	–	21,015	2,582	100%	Harbin
Phase I of Guangzhou Project ⁽⁷⁾	41,967	5,587	–	47,554 ⁽⁸⁾	5,587	100%	Guangzhou
Phase I of Zhengzhou Project ⁽⁹⁾	– ⁽⁹⁾	–	–	94,180 ⁽⁹⁾	–	–	Zhengzhou
Phase I of Shenyang Project.....	31,148	79,352	–	110,500	79,352	100%	Shenyang
Harbin Renhe Spring Project.....	0	16,800	–	16,800	16,800	100%	Harbin
Daqing Project.....	–	–	0	40,178	–	–	Daqing
Dalian Project.....	–	–	0	15,344	–	–	Dalian
Heilongjiang Renhe Spring Project.....	–	–	6,448	26,100	–	–	Harbin
Weifang Project (Train Station Plaza section).....	–	–	0	30,000	–	–	Weifang
Weifang Project (Fengzhengdu Memorial Plaza section).....	–	–	0	86,800	–	–	Weifang
Weifang Project (Zhongya Commercial Center section).....	–	–	0	28,000	–	–	Weifang
Phase VI of Harbin Project.....	–	–	40,329	150,880	–	–	Harbin
Wuhan Hanzheng Street Project.....	–	–	26,130	126,220	–	–	Wuhan
Handan Project.....	–	–	0	100,000	–	–	Handan
Putian Project.....	–	–	0	190,000	–	–	Putian
Phase I of Chongqing Banan Project.....	–	–	0	70,000	–	–	Chongqing
Phase I of Chongqing Dadukou Project.....	–	–	0	100,000	–	–	Chongqing
Phase I of Anshan Project.....	–	–	0	49,840	–	–	Anshan
Phase I of Chengdu Project.....	–	–	–	90,500	–	–	Chengdu
Phase IV of Harbin Project.....	–	–	–	15,738	–	–	Harbin
Phase V of Harbin Project.....	–	–	–	10,000	–	–	Harbin
Tianjin Project.....	–	–	–	121,220	–	–	Tianjin
Ganzhou Project.....	–	–	–	170,000	–	–	Ganzhou
Luoyang Project.....	–	–	–	194,840	–	–	Luoyang
Wuhan Northwestern Lake (Xibeihu) Project.....	–	–	–	450,000	–	–	Wuhan
Kunming Project.....	–	–	–	200,000	–	–	Kunming
Nanchang Bayi Tunnel Project.....	–	–	–	162,000	–	–	Nanchang
Shenzhen Project.....	–	–	–	160,000	–	–	Shenzhen
Wuhu Project.....	–	–	–	150,000	–	–	Wuhu
Qingdao Project.....	–	–	–	500,000	–	–	Qingdao
Phase II of Guangzhou Project.....	–	–	–	48,000	–	–	Guangzhou
Phase II of Zhengzhou Project.....	–	–	–	350,000	–	–	Zhengzhou
Total.....	107,299	131,319	72,907	3,968,458	131,319	–	

Notes:

- (1) Includes projects with respect to which construction has been completed but which are currently under renovation or trial operation, and projects under development or for future development.
- (2) Represents the GFA for which we have transferred the operation rights to third parties.
- (3) Represents the GFA which we have currently leased to tenants or are vacant but are held by us for leasing.
- (4) Represents the actual completed GFA for our projects in operation and the approved GFA for our other projects.
- (5) Represents the GFA that is leased out.
- (6) Represents the leased out rate, dividing the leased GFA by the leasable GFA of the specified project.
- (7) We chose to pay land premiums and obtained land use rights certificates for these projects. The land use rights premiums were determined based on our negotiation with local land administrative authorities, taking into consideration of the nature of our projects as civil air defense shelters.
- (8) Includes 6,196 sq.m. of leasable GFA which was originally approved as a parking lot but we had improperly converted into leasable GFA. We, however, received oral confirmation from the local authorities to continue using it for commercial purpose. See “– Our Principal Activities – Legal Proceedings.”
- (9) We have transferred all of our interest in Phase I of Zhengzhou Project to an independent third party in December 2009 and are currently providing management services only for Phase I of Zhengzhou Project.

Other than the above-mentioned projects, we are currently actively investigating the feasibility of developing similar underground shopping centers in other major cities, and have submitted preliminary applications to the governments in various locations in the PRC for project approvals. We cannot assure you, however, that we will be able to obtain government approvals for the projects at our desired locations in a timely manner, or at all. See “Risk Factors – Legal and Regulatory Risks Relating to Our Industry – Our project developments are subject to stringent government approvals, and we cannot assure you that the approval would be granted in time, or at all.”

The following are detailed descriptions of our seven projects in operation and 27 other projects.

Projects in Operation

Phase I of Harbin Project

Phase I of Harbin Project is located underneath Dongdazhi Street in the commercial center of Nangang District of Harbin. The project occupies two underground floors and has an aggregate GFA of approximately 15,920 sq.m.

The construction of Phase I of Harbin Project commenced in November 1991 and the shopping center was opened for business in June 1992. The construction cost for Phase I of Harbin Project was RMB42.6 million and the total development costs (including the acquisition costs for the land use rights for the underground site and construction cost) incurred were approximately RMB44.7 million.

As of the date of this offering memorandum, we have transferred the operation rights of 8,368 sq.m., representing approximately 52.6% of the project’s GFA to third parties, and hold the remaining GFA of approximately 7,552 sq.m. for leasing.

As of December 31, 2009, we had 465 tenants in Phase I of Harbin Project. Our tenants are mainly engaged in wholesale and retail sales of women’s fashion apparel. Most of the leases have a term ranging from three to six years. We normally fix the rent for the entire lease term and require the tenants pay rent for the entire term of the lease upfront or on an annual basis at the beginning of each lease period during the term. We typically grant tenants a right of first refusal for renewal of their lease upon the expiration of the lease term. See “– Our Principal Activities – Leases – Expiries, Renewals and Rent Reviews.”

For the years ended December 31, 2007, 2008 and 2009, our revenue from Phase I of Harbin Project was RMB28.5 million, RMB110.3 million and RMB239.7 million (US\$35.1 million), respectively. Our revenue generated for the year ended December 31, 2009 consisted of lease income of RMB25.1 million (US\$3.7 million) and revenue from the transfer of operation rights of RMB214.6 million (US\$31.4 million).

Phase II of Harbin Project

Phase II of Harbin Project is located underneath Dongdazhi Street and Guogeli Street in the commercial center of Nangang District of Harbin with an aggregate GFA of approximately 26,829 sq.m. It consists of two separate sections: Baorong section and Gexin section. Baorong section occupies two underground floors and has an aggregate GFA of approximately 15,393 sq.m. Baorong section is used as a wholesale and retail market for women’s and children’s apparel. Baorong section is connected to, and could be deemed as an extension of, Phase I of Harbin Project. We developed and have operated Gexin section of the project as an underground grocery shopping center according to the Harbin government’s planning guidelines. Gexin section occupies two underground floors and has an aggregate GFA of approximately 11,436 sq.m.

The construction of Phase II of Harbin Project was conducted in two stages. The construction of the first stage (Baorong section) commenced in October 1999 and the Baorong section was opened for business in January 2001. The construction of the second stage (Gexin section) commenced in June 2001 and the Gexin section was opened for business in December 2001. The construction cost for Phase II of Harbin Project was RMB103.7 million and the total development costs (including the acquisition costs for the land use rights for the underground site, construction cost and miscellaneous costs) incurred were approximately RMB112.4 million.

As of the date of this offering memorandum, we have transferred the operation rights of 7,383 sq.m. representing approximately 27.5% of the project's GFA to third parties, and the remaining 19,446 sq.m. is used for lease to tenants.

As of December 31, 2009, we had 462 tenants in Phase II of Harbin Project. Most of the leases in Baorong section of Phase II of Harbin Project have a term of one to three years. For Gexin section of the Phase II of Harbin Project, the leases typically have a term of one year. We normally fix the rent for the entire lease term and require that tenants pay rent for the entire term of the lease upfront or on an annual basis at the beginning of each lease period during the term. We typically grant tenants a right of first refusal for renewal of their lease upon the expiration of the lease term. See “– Our Principal Activities – Leases – Expiries, Renewals and Rent Reviews.”

With regard to the shop units in Phase II of Harbin Project for which operation rights have been transferred, we entered into agreements with the purchasers to transfer all operation rights of the shop units for a term covering most of our exclusive-use period. We continue to provide management services for the transferred shop units and charge a management service fee, which is adjusted according to inflation.

For the years ended December 31, 2007, 2008 and 2009, our revenue from Phase II of Harbin Project was RMB21.2 million, RMB63.1 million, and RMB28.7 million (US\$4.2 million), respectively. Our revenue generated for the year ended December 31, 2009 consisted of lease income of RMB21.6 million (US\$3.2 million) and revenue from the transfer of operation rights of RMB7.1 million (US\$1.0 million).

Phase III of Harbin Project

Phase III of Harbin Project is located underneath Guogeli Street in the commercial center of Nangang District in Harbin. The project occupies two underground floors and has an aggregate GFA of approximately 21,015 sq.m. available for lease.

The construction of Phase III of Harbin Project commenced in October 2002 and the shopping center was officially opened for business in January 2004 following a trial operation from October 2003 to December 2003. The construction cost for Phase III of Harbin Project was RMB68.9 million and the total development costs (including the acquisition costs for the land use rights for the underground site, construction cost and miscellaneous cost) incurred were approximately RMB74.2 million.

As of the date of this offering memorandum, we have transferred the operation rights of 18,433 sq.m., representing approximately 87.7% of the project's GFA to third parties, and hold the remaining GFA of approximately 2,582 sq.m. for leasing. The shop units on the upper floor are occupied by tenants engaged in the wholesale and retail sales of branded apparel and those on the lower floor are mainly occupied by jeans and casual wear distributors.

As of December 31, 2009, we had 128 tenants in Phase III of Harbin Project. The terms of most of the leases range from one to three years. We normally fix the rent for the entire lease term and request that the tenants pay rent for the entire term of the lease upfront or on an annual basis at the beginning of each lease period during the term. We typically grant tenants a right of first refusal for renewal of their lease upon the expiration of the lease term. See “– Our Principal Activities – Leases – Expiries, Renewals and Rent Reviews.”

For the years ended December 31, 2007, 2008 and 2009, our revenue from Phase III of Harbin Project was RMB36.7 million, RMB438.8 million and RMB5.2 million (US\$0.8 million), respectively. All of our revenue generated for the year ended December 31, 2009 is derived from lease income.

All three phases of our Harbin Project have easy access to public transportation. Above our projects in Harbin is the commercial center of Nangang District, which has more than 30 bus lines passing through and connects to most areas in Harbin. We believe that such location is an important factor for generating customer traffic for the tenants in our projects in Harbin.

Phase I of Guangzhou Project (“The First Tunnel in Guangzhou”)

Phase I of Guangzhou Project is located underneath Zhanqian Road and Zhanhou Road and is in the Guangzhou Railway Station commercial center, which is one of the largest apparel distribution centers in China. More than 15 apparel shopping centers are within 500 meters of Phase I of Guangzhou Project, and some of these shopping centers have been in operation for approximately 15 years, including Whitehorse shopping center and Xindadi Apparel Shopping Mall. Merchandise from these shopping centers supply other wholesale and retail centers throughout China and even markets around the world, including Russia, the United States, the Middle East and Africa. Phase I of Guangzhou Project occupies two underground floors and has an aggregate GFA of approximately 47,554 sq.m.

Phase I of Guangzhou Project features especially easy access to convenient public transportation. It is adjacent to Guangzhou Railway Station and the Long Distance Bus Terminal of Guangdong Province and the lower floor of the project is connected to a Line 2 station of Guangzhou’s subway.

The construction of Phase I of Guangzhou Project commenced in September 2005 and the shopping center was officially opened for business in January 2007 following a trial operation from August 2006 to December 2006. The construction cost was RMB390.8 million and the total development costs (including the acquisition costs for the land use rights of underground site and construction cost) incurred for Phase I of Guangzhou Project were approximately RMB438.6 million.

We started transferring operation rights of shop units of Phase I of Guangzhou Project in January 2007. As of the date of this offering memorandum, we have transferred the operation rights over an aggregate GFA of approximately 41,967 sq.m., representing approximately 88.3% of the project’s GFA to third parties for a term covering most of our exclusive-use period, and hold the remaining GFA of approximately 5,587 sq.m. for leasing. When we transfer the operation rights of the shop units of the Phase I of Guangzhou Project, we typically require the purchasers to pay at least 50% of the consideration upon signing of the transfer agreement and the remaining 50%, either in cash or through bank loans upon the delivery of the operation rights of shop units. If the purchasers need bank loans to finance their purchase of the operation rights of the shop units, such loans typically have a term of three to five years and we normally provide guarantees for such loans.

As of December 31, 2009, we had 149 tenants in Phase I of Guangzhou Project. Our tenants are engaged in various sectors of the apparel business. We normally fix the rent for the first year of the lease term and increase the rent annually at a percentage agreed in the lease agreement for the remaining term. The rent is collected on a monthly basis and is normally due for each month at the end of the previous month. In Guangzhou, we also charge a one-time entry fee, which we did not charge for any of the three projects in Harbin. The amount of such one-time entry fee for each shop unit was determined at our sole discretion based on various factors of the shop unit, including location, size, and monthly rents, etc.

For the years ended December 31, 2007, 2008 and 2009, our income from the one-time entry fee was RMB14.3 million, RMB35.1 million and RMB9.7 million, respectively. See “Management’s Discussion and Analysis of Financial Condition and Results of Operations – Description of Certain Consolidated Income Statement Items – Revenue – Lease Income.” According to the lease agreements, the one-time entry fee, once received, is non-refundable even in the event that our underground shopping centers are taken over by government authorities in China during times of war or in cases of emergency. We grant tenants a right of first refusal for renewal of their lease upon the expiration of the lease term. See “– Our Principal Activities – Leases – Expiries, Renewals and Rent Reviews.”

For the years ended December 31, 2007, 2008 and 2009, our revenue from Phase I of Guangzhou Project was RMB280.1 million, RMB1,442.2 million and RMB404.6 million (US\$59.3 million), respectively. Our revenue generated for the year ended December 31, 2009 consisted of lease income of RMB30.4 million (US\$4.5 million) and revenue from the transfer of operation rights of RMB374.2 million (US\$54.8 million).

Phase I of Zhengzhou Project

Phase I of Zhengzhou Project is located underneath Datong Road, Fushou Street, Dunmu Road, Qiaojiamen Road and South Qiaojiamen Road and adjacent to the railway station commercial center of Zhengzhou. The project is adjacent to various apparel distribution centers including the Tianrong Apparel Center and Yinji Commercial Center. The project occupies two underground floors and has an aggregate GFA of 94,180 sq.m.

The construction of Phase I of Zhengzhou Project commenced in December 2007 and the shopping center was opened for business in December 2008. The construction cost for Phase I of Zhengzhou Project was RMB829.4 million and the total development costs (including the acquisition costs for the land use rights of underground site and construction cost) incurred were approximately RMB829.4 million.

For the years ended December 31, 2008 and 2009, our revenue from Phase I of Zhengzhou Project was RMB995.9 million and RMB13.0 million (US\$1.9 million), respectively. On December 18, 2009, we transferred our entire interest in Phase I of Zhengzhou Project to First Achieve Holdings Limited, an independent third party, for a total consideration of HK\$2,765.4 million, 30% of which has been paid in December 2009 and the balance shall be paid by the purchaser on or before June 30, 2010. We will continue to provide management services for the transferred Phase I of Zhengzhou Project and charge a monthly management service fee of HK\$300,000, which is adjusted according to inflation.

Phase I of Shenyang Project

Phase I of Shenyang Project is located underneath Changjiang Street (between Chongshan Middle Road and Kuanshan Middle Road) and Bitang Park. The project occupies an underground floor with an aggregate GFA of 110,500 sq.m. As of the date of this offering memorandum, we have transferred operation rights with respect to a GFA of approximately 31,148 sq.m., or approximately 28.2% of the total GFA, to third parties and hold the remaining GFA of approximately 79,352 sq.m. for leasing.

The construction of Phase I of Shenyang Project commenced in July 2008 and the shopping center was opened for business in September 2009. The construction cost for Phase I of Shenyang Project was approximately RMB764.0 million.

On April 24, 2009, we transferred the operation rights with an aggregate GFA of 30,000 sq.m. in Phase I of Shenyang Project to, an independent third party, for a total consideration of RMB1,350.0 million, which has been paid in full as of the date of this offering memorandum.

As of December 31, 2009, we had 1,424 tenants in Phase I of Shenyang Project. Our tenants are mainly engaged in wholesale and retail sale of apparel and accessories. The terms of most of the leases for Phase I of Shenyang Project range from one to three years. We normally fix the rent for the entire lease term and request that the tenants pay rent for the entire term of the lease upfront or on an annual basis at the beginning of each lease period during the term. We typically grant tenants a right of first refusal for renewal of their lease upon the expiration of the lease term.

For the year ended December 31, 2009, our revenue from Phase I of Shenyang Project was RMB1,336.9 million (US\$195.9 million), including the lease income of RMB15.9 million (US\$2.3 million) and the transfer of operation rights of RMB1,321.0 million (US\$193.5 million).

Harbin Renhe Spring Project

In December 2008, we acquired the operation rights of Fashion Plaza in Harbin and renamed it as "Renhe Spring." Harbin Renhe Spring Project is located underneath Shitoudao Street and Maimai Street of Daoli District, Harbin. The project occupies an underground floor with an aggregate GFA of 16,800 sq.m. We hold all of the GFA in this project for leasing. Our tenants are mainly engaged in wholesale and retail sale of apparel business.

As of December 31, 2009, we had 428 tenants in Harbin Renhe Spring Project. The terms of most of the leases for this project range from one to three years. We normally fix the rent for the entire lease term and request that the tenants pay rent for the entire term of the lease upfront or on an annual basis at the beginning of each lease period during the term. We typically grant tenants a right of first refusal for renewal of their lease upon the expiration of the lease term.

For the year ended December 31, 2009, our revenue from Harbin Renhe Spring Project was RMB18.1 million (US\$2.7 million), all of which was lease income.

Other Projects

Daqing Project

We acquired the Daqing Project from Daqing Yigao Investment Co. Ltd., an independent third party, in July 2009 for a purchase price of approximately RMB77.1 million. Daqing Project is located underneath the Jiexin Park, Dongfeng New Village of Daqing, Heilongjiang Province. The project occupies an underground area with an aggregate GFA of approximately 40,178 sq.m. We are currently conducting a trial operation of this project and plan to open it for business by the end of 2010.

Dalian Project

We acquired the Dalian Project from China Construction Bank, Dalian Qingni Branch, an independent third party, through an auction process in July 2009 for a purchase price of approximately RMB32.0 million. Dalian Project is located underneath Wuhui Road of Zhongshan District of Dalian. The project occupies two underground floors with an aggregate GFA of approximately 15,344 sq.m. We are currently conducting renovation of this project and plan to open it for business by the end of 2010.

Heilongjiang Renhe Spring Project

We acquired the Heilongjiang Renhe Spring Project from Harbin City Construction Investment Group Co. Ltd., an independent third party, in July 2009 for a purchase price of approximately RMB265.0 million. This project consists of two sections. The Youyi Road section is located underneath Youyi Road and Zhongyang Avenue and the Sofia section is located underneath the Saint Sophia Church. The project occupies underground areas with an aggregate GFA of approximately 26,100 sq.m. We have opened the Youyi Road section for business and are currently conducting renovation of the Sofia section. We plan to open the Sofia section for business by the end of 2010.

Weifang Project (Train Station Plaza)

We acquired the Weifang Project (Train Station Plaza) from Weifang Civil Air Defense Office, an independent third party, in July 2009 for a purchase price of approximately RMB50.0 million. This project is located underneath the Train Station Plaza. It occupies an underground area with an aggregate GFA of approximately 30,000 sq.m. We are currently conducting a renovation of this project and plan to open it for business by the end of 2010.

Weifang Project (Fengzhengdu Memorial Plaza section)

We acquired the Weifang Project (Fengzhengdu Memorial Plaza section) from Weifang Civil Air Defense Office, an independent third party, in July 2009 for a purchase price of approximately RMB350.0 million. This project is located underneath the Fengzhengdu Memorial Plaza and the Old Guomao Plaza. It occupies an underground area with an aggregate GFA of approximately 86,800 sq.m. We are currently conducting a renovation of this project and plan to open it for business by the end of 2010.

Weifang Project (Zhongya Commercial Center section)

We acquired the Weifang Project (Zhongya Commercial Center section) from Weifang Civil Air Defense Office, an independent third party, in July 2009 for a purchase price of approximately RMB60.0 million. This project is located underneath Zhongya Commercial City. It occupies an underground area with an aggregate GFA of approximately 28,000 sq.m. We are currently conducting a renovation of this project and plan to open it for business by the end of 2010.

Phase VI of Harbin Project

Phase VI of Harbin Project includes two sections: Nangang section and Daoli section. Nangang section is located underneath Guogeli Avenue, Dong Dazhi Street, Huayuan Street and Jianshe Street in Nangang District, Harbin and Daoli section is located underneath Shangzhi Avenue, West Twelfth Street and Toulong Street in Daoli District, Harbin. The project has an approved GFA of approximately 150,880 sq.m. We commenced construction of this project in March 2009 and plan to open it for business by the end of 2010.

Wuhan Hanzheng Street Project

Wuhan Hanzheng Street Project is located underneath Zhongshan Avenue, Yanjiang Avenue and Youyi South Road of Wuhan. The project has an approved GFA of 126,220 sq.m. We commenced construction of this project in July 2009 and plan to open it for business by the end of 2010.

Handan Project

Handan Project is located underneath Lingxi Street, Heping Road and Huanchengxi Road of Handan. The project occupies an underground shopping center with an approved GFA of approximately 100,000 sq.m. We commenced construction of this project in September 2009 and plan to open it for business by the end of 2010.

Putian Project

Putian Project is located underneath the Fenghuangshan Square, Wenxian Road (from the east of Fenghuangshan Square to Baeryi Street) and Xueyuan Road (500 metres to the north and south from the junction of Wenxian Road and Xueyuan Road) in Putian, Fujian Province. The project occupies an underground shopping center with an approved GFA of approximately 190,000 sq.m. We commenced construction of this project in December 2009 and plan to open it for business by the end of 2010.

Phase I of Chongqing Banan Project

Phase I of Chongqing Banan Project is located underneath Baxian Avenue of Banan District of Chongqing. The project occupies an underground shopping center with an approved GFA of approximately 70,000 sq.m. We commenced construction of this project in the first quarter of 2010 and plan to open it for business by the end of 2010.

Phase I of Chongqing Dadukou Project

Phase I of Chongqing Dadukou Project is located underneath Hurong Road, Jinxia Street and Songqing Road of Chongqing. The project occupies an underground shopping center with an approved GFA of approximately 100,000 sq.m. We commenced construction of this project in the first quarter of 2010 and plan to open it for business by the end of 2010.

Phase I of Anshan Project

Phase I of Anshan Project is located underneath Tiedong Second Dao Street, Culture Street and Jianguo Road of Anshan, Liaoning Province. The project has an approved GFA of approximately 49,840 sq.m. We commenced construction of this project in the first quarter of 2010 and plan to open it for business by the end of 2010.

Phase I of Chengdu Project

We acquired an underground shopping center in Chengdu, Sichuan Province in April 2010 for a purchase price of approximately RMB289.0 million. The project is located underneath the Dongyu Street (starts at the East End of South Renmin Road in the west and ends at Shuncheng Street in the east), part of Shuncheng Street (starts at the South End of West Yulong Street in the north, ends at the North End of Dongyu Street in the south), and part of Yanshikou (which is located at the junction of Shuncheng Street, Dongyu Street, East Avenue, Daye Road and Ranfang Street). The shopping center has an aggregate GFA of approximately 40,100 sq.m. and we have also obtained the underground space use rights over an adjacent area with an aggregate GFA of approximately 50,400 sq.m. As such, the aggregate GFA of Phase I of Chengdu Project is approximately 90,500 sq.m. The construction of the 40,100 sq.m. shopping center has been completed and the remaining 50,400 sq.m. is subject to future development.

Phase IV of Harbin Project

Phase IV of Harbin Project consists of two sections: Nangang section and Daoli section. The Nangang section will be located underneath Guogeli Street, Dongdazhi Street, Huayuan Street and Jianshe Street in Nangang District and the Daoli section will be located underneath Shangzhi street, West 12th Street and Toulong Street in Daoli district of Harbin. The project has an approved GFA of approximately 15,738 sq.m.

Phase V of Harbin Project

Phase V of Harbin Project will be located underneath Wenjiao Street in Harbin. The project has an approved GFA of approximately 10,000 sq.m.

Tianjin Project

Tianjin Project will be located underneath Jinzhongqiao street in Tianjin. The project has an approved GFA of approximately 121,220 sq.m.

Ganzhou Project

Ganzhou Project will be located underneath the Circular of Southern Entrance in Central City District of Ganzhou City and the adjacent land lot, which is underneath the Northern Section of Dongyang Road (300 meters long), Hongqi Avenue Circular (with a radius of 40 meters extending to the intersection of Jiankang Road in the east and the intersection of Huancheng Road in the west) and Wenqing Road (to the intersection of Qingnian Road in the north). The project has an approved GFA of approximately 170,000 sq.m.

Luoyang Project

Luoyang Project will be located underneath Longmen Avenue (between Kaiyuan Avenue and Guanlin Street) of Luoyang City. The project has an approved GFA of approximately 194,840 sq.m.

Wuhan Northwestern Lake (XibeiHu) Project

Wuhan Northwestern Lake (XibeiHu) Project will be located underneath Jianshe Avenue, Xinhua Road and the West Lake, North Lake and Spring Park of Jiangnan District. The project has an approved GFA of 450,000 sq.m. for an underground shopping center.

Kunming Project

Kunming Project will be located underneath the Yunfang shopping centre (the plaza and surrounding roads) in Kunming. The project has an approved GFA of approximately 200,000 sq.m.

Nanchang Bayi Tunnel Project

Nanchang Bayi Tunnel Project will be located underneath Bayi Avenue in Nanchang. The project has an approved GFA of approximately 162,000 sq.m.

Shenzhen Project

Shenzhen Project will be located underneath North Huaqiang Road and Huali Road in Shenzhen. The project has an approved GFA of approximately 160,000 sq.m.

Wuhu Project

Wuhu Project will be located underneath the west of Zheshan Park and the Beijing West Road in Wuhu City of Anhui Province. The project has an approved GFA of approximately 150,000 sq.m.

Qingdao Project

Qingdao Project will be located underneath Dunhua Road and Lianyungang Road (covering the Central Plaza at the junction of the two roads) in the Central Business District of Qingdao and will cover the underground area from Shandong Road to the east, Fuzhou Road to the west, Yanji Road to the north and Liaoyang West Road to the south. The project has an approved GFA of approximately 500,000 sq.m.

Phase II of Guangzhou Project

Phase II of Guangzhou Project will be an extension of Phase I of Guangzhou Project and located underneath Zhanqian Road and Zhannan Road and in the railway station commercial center of Guangzhou. The project has an approved GFA of approximately 48,000 sq.m.

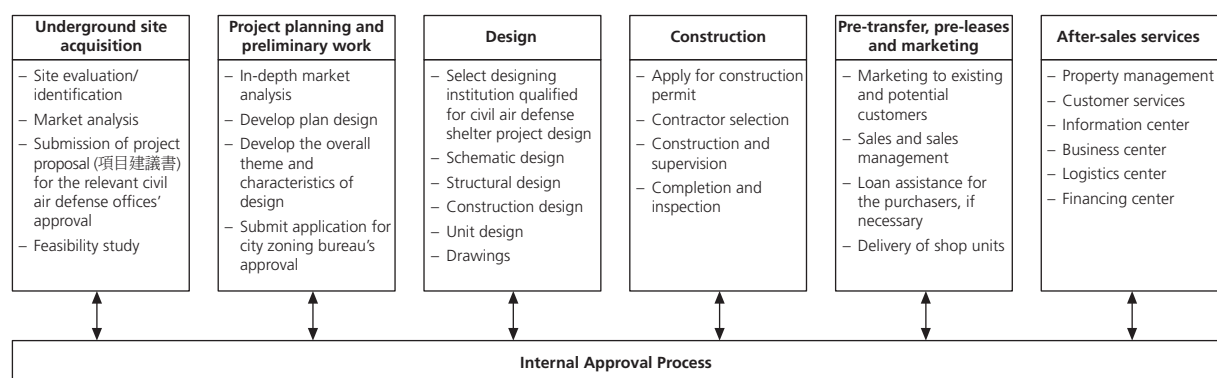
Phase II of Zhengzhou Project

Phase II of Zhengzhou Project will be located underneath East Jinshui Road and Hengshan Road in Zhengzhou. The project has an approved GFA of approximately 350,000 sq.m.

Our Principal Activities

Project Development and Operation

We are primarily engaged in operating and developing underground shopping centers for the wholesale and retail sale of apparel and accessories in China. We gain access to prime locations in the commercial centers of cities and near hubs of public transportation by building our underground shopping centers as underground civil air defense shelters and obtaining approval from the relevant government authorities to do so. Although each project development is customized for the specific conditions of the location and designed in accordance with the requirements of the relevant local authorities, the diagram below summarizes the major stages involved in developing and operating a project.



Strategy Development

Project development begins with the formulation of our overall development strategy and investment plan. Our board of directors and senior management undertake an in-depth assessment of certain key matters, including:

- the macro-economic policies and development plans of the PRC government and the likely impact on the economic growth and development of the city concerned;
- the economic growth and prospects and the supply and demand conditions in the underground shopping center market of the city concerned; and
- the level of proposed investment to complete the project.

Once our overall development and investment strategy is formed, the strategy is relayed to our various departments, our subsidiaries, and the teams in charge of various cities.

We have established various departments, including departments in Harbin and in each other city in which we operate or for which we are planning to develop projects, to oversee and control the major steps of all of our project developments. We have formed individual project companies to manage the day-to-day operations of individual projects, including construction, engineering, project management and the supervision of daily financial and administrative matters. Through our past experience in developing underground shopping centers in Harbin, Guangzhou, Zhengzhou and Shenyang, we have set up a standard model to implement our project development from site selection to marketing. Our management system helps us improve our operating efficiency, optimize the use of our capacities and resources, enhance our negotiating power with suppliers and contractors and facilitate the sharing of resources and expertise among various projects in areas such as design, construction and sales and marketing.

Site Selection and Market Analysis

We place a strong emphasis on site selection and consider it fundamental to the success of our project development. Therefore, we devote significant management resources to selecting appropriate location. In conjunction with our ongoing market research, we identify and evaluate possible cities and sites for new projects. We have a market research and analysis department comprised of approximately 420 employees as of December 31, 2009. Prior to our entering a new city, a market research team will conduct market research on the potential demand for a shopping center, determine how to position the markets that we develop, establish a blueprint of the project design and calculate a gross profit margin for the project. The market research team will then prepare a research report for the senior management to evaluate the potential investment opportunities in certain areas of the city.

To date, we have focused on the development of large-scale underground shopping centers located in the centers of certain provincial capitals and other major cities in China. Our major site selection criteria include:

- size and location of the underground civil air defense shelter facilities;
- general public's access to the site and public transportation availability;
- access to the manufacturing bases and consumer centers of the apparel industry;
- fit into the national commercial network we are seeking to establish;
- potential pool of tenants and conditions of logistics system;
- applicable zoning regulations;
- existing and potential competition from other above-ground or underground shopping centers in the area; and
- projected cost, investment level and financial return of the potential developments.

Project Approval

All of our projects that are categorized as underground civil air defense shelter facilities for commercial use are different in nature from ordinary civil construction projects. The development of underground civil air defense shelter facilities must meet the guidelines of the authorities so that the facilities can provide shelter for civilians in times of war, and therefore are subject to the review and approval of the national and local government authorities in charge of civil air defense shelter facilities.

Although, under *the Civil Air Defense Law of the PRC* and the relevant regulations thereunder, we were granted a right to commercially develop and operate the underground civil air defense shelters with the approval from local and national civil air defense offices, current PRC laws and regulations do not specify the scope, the length of the term or the commencement date of such rights and neither do the approvals we have received from civil air defense offices for our projects. With respect to our projects in Harbin, Guangzhou, Zhengzhou and Shenyang, we have obtained certificates from the local civil air defense offices of Harbin, Guangzhou, Zhengzhou and Shenyang to the effect that we will have the right to use, operate, manage, profit from such projects, and specifically, to transfer the operation rights of certain portion of the projects to third parties, for a period of no fewer than 40 years in the absence of war. Jingtian, our PRC legal advisor, has advised us that the local air defense offices in Harbin, Guangzhou and Zhengzhou and Shenyang are competent authorities to issue the certificates and on the basis of these certificates, that we would have exclusive rights to the commercial use of the underground civil air defense shelters developed by us for no fewer than 40 years in the absence of war, starting from the date of opening for business. It is not clear whether we will have to return the operation rights of the underground shopping centers after the exclusive use period and the approval documents do not include any extension clause to the exclusive-use period.

All approvals from the civil air defense offices confirm the use of the civil air defense shelters that we invested and developed for commercial purpose during peace time. These approvals normally also specify the proposed use of our projects during times of war. For instance, Phase II of Harbin Project was approved to be used as civilian's shelters and materials storage space during times of war. According to *the Civil Air Defense Law of the PRC* and the relevant regulations thereunder, we are entitled to the benefits from the operation of our underground shopping centers which, as advised by Jingtian, our PRC legal advisor, based on its interpretation of the relevant laws and regulations, include the proceeds from the lease and transfer of operation rights of our shop units, and are obligated to undertake the daily maintenance and management of our underground projects and to unconditionally turn the projects over to the government authorities during times of war. Any transfer of the operation rights of any entire underground shopping center, however, is subject to the approval of the relevant civil air defense offices.

Permits and Certificates

Once we have obtained approvals for the projects (項目建議書批覆) from the National Civil Air Defense Office which permits us to develop our projects, we must obtain a number of certificates, permits and licenses from the PRC government to commence the development process, including:

- the approvals from the National Civil Air Defense Office and its local offices for (i) the feasibility study report and (ii) the construction drawings, which are documents evidencing the right to develop underground civil air defense shelter facilities for commercial use;
- the Construction Works Planning Permit (建設工程規劃許可證) issued by the municipal planning bureau of the cities in which the projects are located, which is a certificate that indicates government approval for a developer's overall plan and design of the project and allows a developer to apply for a Work Commencement Permit; and
- the Work Commencement Permit (施工許可證) issued by construction bureau or Approval for Construction Commencement (經批准的開工報告) issued by the civil air defense authorities of the cities in which the projects are located, which is a permit required for commencement of construction.

As of the date of this offering memorandum, we have obtained all necessary approvals and licenses to conduct our business in China.

Financing of Project Developments

Our financing methods vary from project to project and are subject to limitations imposed by PRC regulations and monetary policies. Our sources of funding for our project developments include primarily cash flow from operations and, prior to our initial public offering and listing of shares in the Hong Kong Stock Exchange in October 2008, borrowings from banks. We may also obtain financing through equity or debt offerings.

Because we are not a real estate developer and our projects are not real estate property development projects, we are not subject to many of the PRC government restrictions on property developers such as the internal capital ratio requirement. The PRC banks we deal with, however, normally require that our internal funds be no less than 30% of the total capital required for the project before they would grant any project loans to us. We typically use internal funds and, prior to our initial public offering in October 2008, borrowings from PRC banks to finance the preparation work and the initial construction costs for our project developments. From a legal perspective, the fact that our projects are built as civil air defense shelters has not affected and is not expected to affect our ability to obtain bank loans and the terms of such loans because there are no special government regulations prohibiting or limiting access of bank loans for companies that construct and develop underground civil air defense shelters for commercial use. Additional cash is generated from the transfer of the operation rights of the shop units in our projects prior to the completion of the projects and one-time entry fees from our new tenants. Such proceeds from the transfer of operation rights, together with our internal funds, are the major sources of funds for the construction of our projects. We expect to explore more funding channels, such as project loans from PRC banks and borrowings from non-PRC financial institutions, to fund our future projects.

Design

All of our projects are civil air defense shelter facilities and are categorized as projects involving national security. Under PRC laws and regulations, such projects must be designed by institutions qualified in designing national security projects. We typically outsource our design work directly to qualified civil air defense shelter design institutes.

With a view to bringing fresh design perspectives to our projects and increasing our general profile, after we select a civil air defense shelter design institute, we conduct extensive discussions with the institute to establish architectural concepts that will enhance the commercial viability of our project without undermining its function as a civil air defense shelter. We determine design criteria in light of market demand and functional requirements, such as the size and layout of retail space, in order to maximize return. We always engage a third-party geology institute to conduct a geological exploratory survey and topographic mapping of the project site, which will provide information to facilitate the architectural design.

The civil air defense shelter design institutes that we select work closely with our in-house design team to translate the overall design concept into detailed design and engineering blueprints. At the construction stage, our outside architects and in-house design team assist our project engineers with, among other things, continuous on-site supervision and advice. By having the designers and architects closely involved in the construction process, we strive to ensure that the construction progresses according to the original design and that quality is maintained at a satisfactory level.

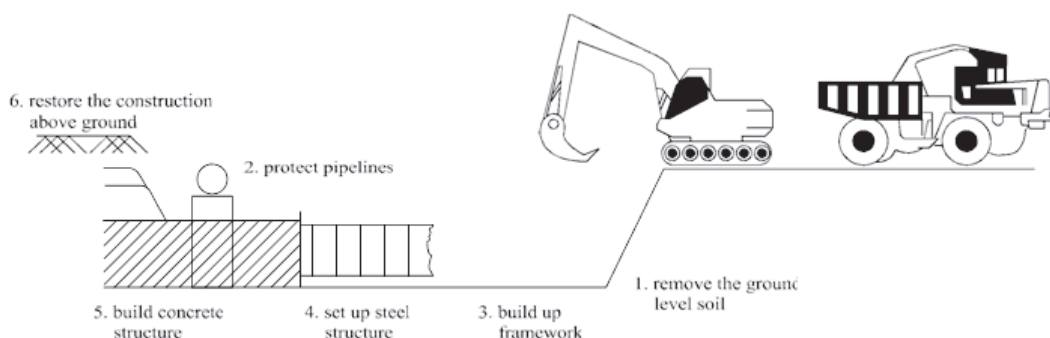
Pre-Construction Coordination

The construction of our underground project beneath the roads of prime commercial areas is complicated and requires the cooperation of various government authorities and utility suppliers. We initiate discussions with various local government authorities including, among others, the city planning bureaus and the transportation bureaus at an early stage of each of our projects, typically at the same time as we submit project proposals (項目建議書) to the relevant civil air defense offices. We provide these government authorities with our proposals on temporary public transportation adjustment plans during the construction period and work with them to finalize these plans. We also have discussions with all public utility suppliers such as electric, water, gas, telecommunication and cable companies regarding various pipelines under the areas where our project is located. We seek their assistance in locating the underground pipeline networks and also coordinate with them on the timing of our construction process to ensure that these utility suppliers will send their own teams to take care of their own pipelines. Given the number of parties that are involved, the scope of coordination and the capital available to us, these pre-construction coordination efforts are time-consuming and can last for several months or even more than one year. Nonetheless, we believe that pre-construction coordination is critical to our timely completion of the construction process.

Procurement and Construction

We engage third-party contractors for construction and interior decoration. We typically divide the construction process into several different tasks, such as structural construction, equipment installation, engineering and interior work, and hire separate contractors for each task. For the years ended December 31, 2007, 2008 and 2009, we have engaged more than 10 contractors, each of which has been working with us for a period ranging from a few months to more than two years. As permitted by PRC laws and regulations, we select contractors for our construction work through private negotiation and normally request potential construction contractors to provide a proposal with a fee quote. We consider the contractor's track record, past performance, reputation for reliability, quality and safety, references, proposed delivery schedule and cost in our selection process and seek to maintain our construction costs at a reasonable level without sacrificing quality. We also check and confirm the class of qualifications of each contractor as part of our due diligence work considering and selecting contractors to which our construction work will be awarded. Once we select a contractor by taking into account both the quality and price quoted by it, we will enter into a formal construction contract to confirm the terms and conditions that have been agreed upon.

Our current underground projects are typically constructed in the commercial centers of each city. These city center areas are generally locations with heavy traffic and high-rise buildings, and therefore we usually adopt the “reverse construction method.” The reverse construction method is widely used in the construction of underground civil air defense shelter projects and other underground projects. Contractors are required to complete the ground construction of the project within a short period of time. For example, the ground construction was completed within 30 days in our Phase I of Guangzhou Project and 22 days and 18 days in the different sections of our Phase I of Zhengzhou Project. These contractors first remove the ground level soil, coordinate with other contractors engaged by various public utility suppliers and build a strong ceiling for our underground civil air defense shelters first. Once the ceiling is built, the contractors refill the excavation to restore the transportation above-ground. Then, the contractors gradually dig underneath the ceiling from a limited number of entrances on the sides of the road to construct the structure of our underground civil air defense shelters. The method is designed to minimize disruption above-ground and requires adequate equipment as well as extensive experience to properly execute. In addition, civil air defense shelters must meet the requirement to function as protective shelters during times of war, so the construction must adhere to high standard in order to pass the inspections and tests of various authorities. Contractors that can meet these criteria are limited, and we will only select experienced construction companies, most of which have National Class A qualifications. All of our contractors engaged in 2007, 2008 and 2009 possessed requisite qualifications for general construction work, and there are no special qualification requirements under PRC laws and regulations for the civil air defense shelters’ constructions. We have established good working relationships with contractors such as Henan Provincial No. 5 Constructional Engineering Co., Ltd. and China Construction Second Engineering Bureau. Below is a chart demonstrating a typical application of the reverse construction method to the ground construction of a project.

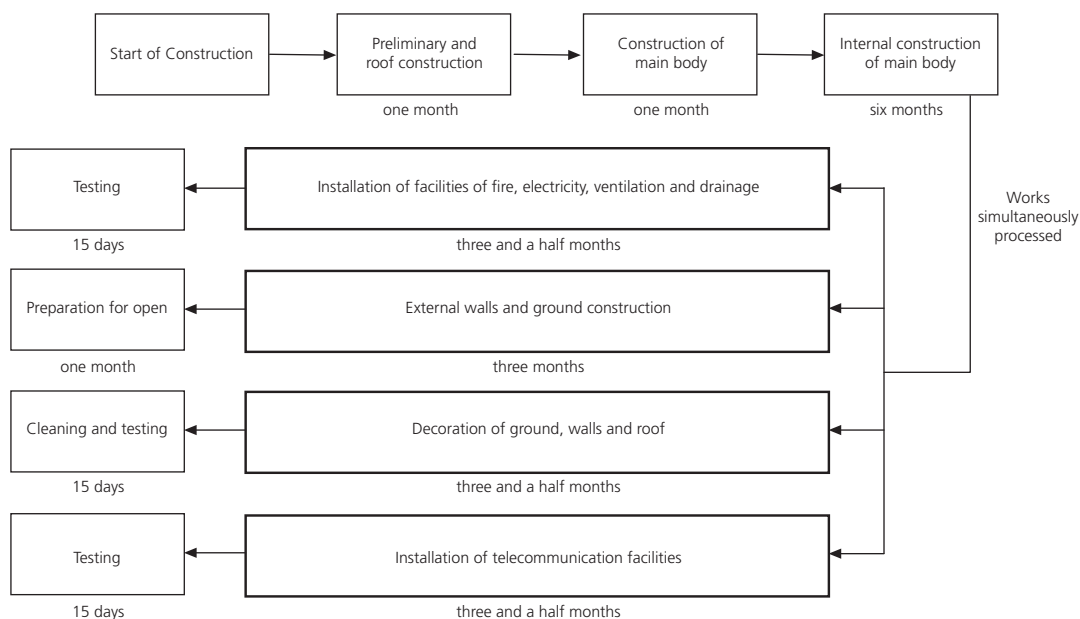


Upon selection, the contractor enters into a construction agreement with us. Construction payments are determined primarily based on estimated labor and material costs and fitting requirements, and are adjusted based on actual completed construction in order to reflect any necessary changes during the construction process. The construction contracts we enter into with construction companies typically contain warranties with respect to quality and timely completion of the construction projects. We require construction companies to comply with PRC laws and regulations in all aspects during their construction process, in particular, those relating to the quality of construction, as well as our own standards and specifications. Our engineer construction department monitors quality, cost and construction progress. In the event of a delay in construction or unsatisfactory quality of workmanship, we may require the construction companies to pay a penalty or provide other remedies. The contractors are also subject to our quality control procedures, including appointment of internal on-site quality control engineers, examination of materials and supplies, on-site inspection and periodic submission of progress reports. Our construction agreements typically provide for payments based on construction progress until a specified maximum percentage of the total contract price is paid. For the ground construction and equipment purchase and installment, we will make a prepayment typically ranging from 20% to 60% of the contract sum before the commencement of work and subsequent payments will be made when the progress reaches certain milestones. For the structure construction, consistent with market practice, we typically do not make prepayments but

instead, make payments according to the progress on a monthly basis. These monthly payments are 80% of the value of the work carried out in a given month (subject to minor adjustments). When the total amount paid, including the prepayment, reaches 70% to 80% of the contract price, further payments will be suspended until completion of the task. Except for approximately 5% of the contract price, which we generally withhold for one year after completion as retention money to cover any damages as a result of any construction defects, the remaining balance is payable upon the filing of a construction work completion report with the relevant civil air defense offices. The total amount of fees paid to our contractors for the years ended December 31, 2007, 2008 and 2009 was approximately RMB101.7 million, RMB1,197.0 million and RMB1,723.0 million, respectively.

For the years ended December 31, 2007, 2008 and 2009, we were not involved in any dispute with nor was there any case of material personal injury or death involving our contractors that could have a material and adverse effect on our business.

The following diagram illustrates the typical construction process for our projects:



For the years ended December 31, 2007, 2008 and 2009, purchases attributable to our single largest supplier, excluding purchases of land use rights, accounted for approximately 9.4%, 20.8% and 26.7%, respectively, of our total purchases in each period. For the same periods, purchases attributable to our five largest suppliers, excluding purchases of land use rights, accounted for approximately 36.2%, 63.2% and 53.4%, respectively, of our total purchases in each period.

Monitoring and Supervision

Time control. To monitor construction progress, we develop a master plan, which sets out the scope and timing of each construction task. In light of varying time pressure we experience during the ground construction period and thereafter, we adopt different time control and management methods during different periods of the construction process. During the ground construction period, we conduct daily meetings with each of the contractors, and our project team works closely with the contractors to ensure strict compliance with the time schedule in the master plan. We subscribe for long-term weather forecasts and make preparations in advance or adjustments to the construction progress accordingly. We also ask the contractors to guarantee the timely completion of ground construction and impose penalties for significant delays.

Once the ground construction is completed and the structure construction commences, we monitor our construction progress through weekly meetings. A weekly meeting is held following the ground construction period, in which all our main contractors and their subcontractors participate. The master plan is adjusted in light of any delay reported by the contractors with a view to completing the overall

project according to the original schedule. We have consistently completed our projects according to or ahead of our pre-set time schedules and the deadlines set out in the lease and transfer contracts which are entered into with tenants and purchasers prior to the completion of the projects while maintaining the quality of the developments and keeping our construction costs within our budget by strictly complying with our project development procedures.

Quality control. We place emphasis on quality control to ensure that our properties and services comply with relevant rules and regulations regarding quality and safety and are consistent with market practice. We have quality control procedures in place in our different functional departments as well as in each project company.

We conduct daily on-site inspections and supervision to ensure quality of materials and workmanship. Our contractors procure all equipment and construction materials necessary for each task in accordance with the specifications provided by us. We do not own construction equipment and do not maintain any inventory of building materials. However, under certain circumstances, we may instruct a contractor to purchase raw materials from specific suppliers to ensure that the materials meet the particular requirements of our projects. Our contractors are required by law to provide us with warranties for any losses we incur as a result of any delays in construction or any deficiencies in contractual or statutory quality standards.

To maintain quality control, we employ strict procedures for selection, inspection and testing of equipment and materials. Our project management teams inspect equipment and materials to ensure compliance with contractual specifications before accepting the materials on-site and approving payment. We reject materials that are below our standards or that do not comply with our specifications.

To ensure quality and monitor the progress and workmanship of construction, each of our projects has its own on-site project management team, which consists of qualified engineers led by a project manager. In addition, we have a quality control division, which consists of seven qualified engineers that inspect the quality of the construction work on a selective basis. As required by PRC laws and regulations, we also engage qualified independent quality supervisory companies to conduct quality and safety control checks on building materials and workmanship.

We request a warranty from the contractors for the structure and certain fittings of our project developments in accordance with the provisions of our agreement with them and the relevant rules and regulations.

Cost control. For each project we prepare a master budget which requires approval by our board of directors. We have two on-site reviewers for each project who review and verify the costs incurred in detail and compare such costs with the master budget. If the actual budget is likely to exceed the initially approved budget, prior approval from senior management must be obtained.

Our cost control mechanism for selecting our contractors is described above in the paragraph headed “– Our Principal Activities – Procurement and Construction.”

Marketing

Our sales and marketing activities for leasing and transferring operation rights of our shop units are conducted by each project company. As of December 31, 2009, our marketing team (including market research and analysis team) comprised approximately 420 employees.

Prior to marketing activities, we conduct extensive market survey and detailed analysis of market conditions, collect information of targeted potential tenants, formulate marketing strategies and determine pricing policies. Our sales and marketing staff propose advertising and sales strategies for new project development and plan and organize efficient and orderly on-site sales procedures. We sometimes make adjustments to our pricing policies based on market feedback. As part of our marketing plans, we typically price our underground shop units at a discount from prevailing market prices to quickly build up momentum in marketing and to maintain the attractiveness and competitiveness of our shop units.

We adopt a variety of measures to reach potential tenants, including advertisement through traditional media such as television and newspapers, sponsoring brand name fashion promotional events, organizing seminars for our tenants to discuss fashion trends and participating in fashion exhibitions. We also provide extensive after-sales services, such as security management, maintenance and interior consulting services to our tenants and purchasers of operation rights. We also recognize the importance of brand name promotion in delivering higher sales volume and profit margins. We believe the growing recognition of our brand name has helped us achieve a high occupancy rate for our projects. For example, we successfully leased out all of the shop units we allocated for leasing to the tenants prior to the opening of our Phase I of Guangzhou Project, Phase I of Zhengzhou Project and Shenyang Project.

We believe that marketing efforts enable us to become a preferred partner in apparel wholesale and retail in China for various medium- to small-sized apparel distributors. For example, some of the existing tenants of our projects in Harbin and Phase I of Guangzhou Project leased shop units in our Phase I of Zhengzhou Project when we opened the shopping center in Zhengzhou.

Leases

Tenant Profile

As of December 31, 2009, other than Gexin section of Phase II of Harbin Project, all of our existing leasable GFA is occupied by individually-owned businesses engaged in apparel wholesale and retail of a variety of clothing, including women's fashion, men's fashion, children's apparel, jeans, casual wear and underwear. The clothing sold by our tenants carries various local brands as well as certain national brands. As of December 31, 2009, our underground shop units were leased to 3,056 wholesale and retail tenants under 3,907 tenancies.

We do not have a concentrated tenant base as our tenants are individuals and none of them lease more than 2% of our gross leasable GFA or contribute more than 2% of our gross lease income. The five largest tenants of our underground shopping centers in terms of lease income accounted for approximately 3.37%, 4.27% and 6.43%, respectively, of total lease income for the years ended December 31, 2007, 2008 and 2009. None of the five largest tenants are connected persons to our directors, their associates or any shareholders holding more than 5% of our share capital.

Expiries, Renewals and Rent Reviews

Lease terms for the shop units in our underground shopping centers generally range from one to six years, depending on factors such as demand for the specific property and the operating history and reputation of a particular tenant. As of December 31, 2009, approximately 9.8% of the lease agreements in term of the number of contracts had terms of over three years.

Our tenants enter into fixed term lease agreements with us and none of our tenants are granted options to renew their tenancies upon expiration of the lease term. However, they are offered a right of first refusal to renew the lease on the same terms as we can obtain from a third party. The lease agreements do not generally give tenants the right to terminate their tenancies prior to their scheduled expiration dates, although certain leases permit tenants to terminate part or all of the leased units with prior notice, subject to the cancellation of any rent-free period and forfeiture of the security deposit.

Delinquency Rates

No write-offs or provisions for unpaid rents were made for the years ended December 31, 2007, 2008 and 2009. This is primarily due to our rent collection policy, which generally requires upfront rent payment for a certain period at the beginning of a lease period.

Lease Agreements and Tenancy Management

Upon entering into a lease, tenants are required to provide a security deposit in cash. Security deposits are unsecured and do not bear interest. The rent payment period is different for the shop units in different locations but we typically require tenants to pay rent for a certain period upfront. Consistent with market practice, rent-free periods, with varying terms depending on market conditions and the term of the lease agreements, are commonly granted on tenancies. All of our tenants pay the fixed rent as agreed in the lease agreement, and we do not charge any turnover rent (generally calculated as a percentage of the gross revenue of the tenant's business conducted at the leased space). Some leases provide for predetermined increases in rent over the term of the lease. We also collect a one-time entry fee for the leases of shop units in our Phase I of Guangzhou Project.

Under the leases, tenants are normally responsible for payment of utilities in the shop units and building management fees, while we are responsible for payments of utilities in the public area. Tenants are generally also responsible for repair costs, and the payment of all other expenses related to the interior of the leased units, while we are generally responsible for repairing the common area and the main structure. Tenants are generally not permitted to assign or sublet the leased units without our prior consent. Most of our leases specifically provided that we will not be liable for any losses to the tenants caused by force majeure, including war or government activities. However, we are required to refund to the tenants the upfront rental payment for any unused term (excluding one-time entry fee) if the leases are terminated due to such events and we request that the shop units be returned to us. For a small portion of leases which do not include such a provision, Jingtian, our PRC legal advisor, has advised us that under relevant PRC laws and regulations, we are partly or entirely exempt from liabilities for breach of contract to our tenants due to any force majeure events, including war and any seizure of properties by government due to force majeure.

The majority of leases do not give tenants the right to terminate their leases prior to the scheduled expiration dates. A limited number of tenants may terminate the leases with respect to part or all of the leased units by prior notice to us and subject to our consent, provided that any rent-free period will be cancelled and the security deposit will be forfeited. The lease agreements that we entered into with tenants provide that in the event a tenant terminates the lease without our consent, he or she will be responsible for his or her breach of contract and must indemnify us for any losses we incur from such early termination. As of December 31, 2009, none of our tenants had terminated their leases with us prior to the scheduled expiration dates. We have the right to terminate leases upon the occurrence of certain events, such as non-payment of rent or breach of covenants by the tenants. The tenants are required to use the leased units for the purposes specified in the tenancies and permitted under the government approvals.

Under the leases, tenants agree not to sell counterfeit or inferior merchandise in the shop units that they lease from us. If any such activities occur, the tenants agree to indemnify our losses.

Transfer of Operation Rights

As of the date of this offering memorandum, we have transferred operation rights of a portion of shop units in Phases I to III of Harbin Project, Phase I of Guangzhou Project, Phase I of Zhengzhou Project, Phase I of Shenyang Project, Heilongjiang Renhe Spring Project (Youyi Road Section), Phase VI of Harbin Project and Wuhan Hanzheng Street Project. For all of our projects other than Phase I to III of Harbin Project, we commenced the marketing and entered into transfer agreements prior to the completion of their construction progresses. According to Jingtian, our PRC legal advisor, our practice to conclude transfer agreements prior to the completion of construction of the relevant projects does not violate any PRC laws and regulations. The agreements that we entered into with transferees have terms covering the remaining time period of our exclusive-use period in the relevant projects. In connection with pre-completion transfers, our transfer agreements normally provided that 30% to 50% of the transfer price be paid upon the execution of such transfer agreements, while the remaining 50% to 70%, which the transferees may choose to finance through bank loans, be made within 180 days upon the delivery of the shop units to the transferees. Under the transfer agreement, a transferee may use the shop units itself for legal purposes or lease it to others or further transfer the operation rights to others during the term of the transfer. Our transfer agreements do not have binding effect on the sub-transferees, but any further transfer by the transferees is subject to our consent. Upon the

expiration of the term, the transferees must return the shop units to us. We provide transferees an overall introduction of our projects prior to the completion of any transfer so that our transferees have the opportunity to know that our underground shopping center are constructed as civil air defense shelters. All of our operation rights transfer agreements specifically provide that neither the transferees nor we will be liable for any losses to the transferees caused by earthquake, typhoon, flood, lightning strike and other natural disaster, turmoil, war, disease or other social phenomena, action of government or other uncontrollable, unpredictable circumstances that affect the performance of agreement or cause losses. We, however, are required to refund to the transferees the transfer price for the remaining term on a pro rata basis if the transfer agreements are terminated due to such events and we request that the shop units be returned to us.

For the years ended December 31, 2007, 2008 and 2009, the five largest transferees of our underground shop units in terms of income from the transfer of operation rights accounted for approximately 13.46%, 4.86% and 37.08%, respectively, of total revenue from the transfer of operation rights. None of the five largest transferees are connected persons to our directors, their associates or any shareholders holding more than 5% of our share capital. In 2009, we disposed our entire interest in our subsidiary holding Phase I of Zhengzhou Project to First Achieve Holdings Limited, an independent third party, for a total consideration of HK\$2,765.4 million and recorded a net gain on disposal of subsidiaries in the amount of RMB1,906.8 million (US\$279.3 million) in 2009, which contributed a significant portion of our profit for that year.

Rental of Indoor Advertising Boards, Advertising Light Boxes and Digital Television Screens

In addition to our underground shop units, we also lease indoor advertising boards and advertising light boxes and display advertisements and other public information on digital television screens in the corridors of our underground shopping centers. We had 170 indoor advertising boards, 599 advertising light boxes and 124 digital television screens as of December 31, 2009. The advertisers using our advertising boards, advertising light boxes or digital television screens include the tenants of our shop units. We also engage independent third party advertisement companies to help secure advertising clients.

The following table sets forth the income derived from leasing indoor advertising boards, advertising light boxes and digital television screens during the periods as indicated:

	For the years ended December 31,		
	2007	2008	2009
	(RMB in thousands)		
Indoor advertising boards.....	5,358	1,928	1,965
Advertising light boxes.....	11,554	17,292	22,424
Digital television screens.....	2,755	2,521	2,894

Property Management

We, through our project companies that run the operation of each project, manage the shopping centers that we have developed or acquired. Except for the management services provided to Phase I of Zhengzhou Project which we sold out our entire interest in it in December 2009, our management companies do not provide services to projects owned by third parties. Each of our project companies in the PRC is responsible for operating its project, collecting rents from tenants and effecting purchase and expense settlement for each project. Our project companies also provide a range of services for our shop units, including security services, maintenance, cleaning of public areas, operation of business centers and other services.

We typically do not enter into separate property management agreements with our tenants and purchasers of operation rights of our shop units, but instead, specify our management responsibility in the lease and transfer agreements. Our agreements for the lease or transfer of operation rights of our shop units contain a standard provision whereby, throughout the term of the lease or the transferred period, we provide comprehensive shopping-center management services at a pre-determined monthly fee. We also outsource some of the property management services, such as

cleaning services, to independent third parties. We are responsible for establishing property management procedures and preparing maintenance and renovation plans with respect to our shopping centers and public facilities. The lease agreements also set forth the payment arrangements of management fees, which are normally fixed for certain period and can be adjusted periodically thereafter.

Properties We Occupy for Our Own Use

Pursuant to a lease agreement dated September 10, 2008 among MTR Corporation Limited, as the landlord, Renhe Commercial Management Limited, as the tenant and IFC Development Limited, as the developer, we agreed to rent an office premises with an area of approximately 4,557 sq.ft. located on the six floor of One International Finance Center, No.1 Harbour View Street, Central, Hong Kong for a monthly rental of HK\$751,905. The term of the lease is three years commencing from September 1, 2008 to August 31, 2011 with an option to renew for a further term of three years at the then prevailing market rent in accordance with the lease agreement. As of the date of this offering memorandum, we have also leased office space in Xi'an, Chongqing, Harbin, Guangzhou, Wuhan, Handan, Weifang and several other cities in the PRC. One of the premises are leased from Harbin Jurong New Energy Co., Ltd. in which Mr. Dai Yongge and Mrs. Zhang Xingmei, our directors, effectively control over 50% of the equity interests. See "Related Party Transactions – Office Lease."


Competition

We believe that the competition among various types of shopping centers in China, whether underground or above the ground, is intense and our competitors include operators and developers of various types of shopping centers that are state-owned, privately-owned or owned by international developers, both underground and above the ground.

We face competition from other operators and developers of underground facilities for commercial use in the cities in which we have projects completed, such as Harbin. In Harbin, our principal competitors include companies owned or controlled by local air defense offices such as International Trade City, Golden Street Shopping Mall and Epoch Brand Street, and other companies such as Harbin HIT Group, which operates Hongbo Plaza. In addition, if we plan to develop future projects in other cities in China, such as Beijing, Changsha, Chengdu, Hangzhou, Hefei, Nanchang, Shenzhen, Taiyuan, Tianjin, Xi'an and Yiwu or if we want to expand our presence in the cities where we already have projects in operation or projects under development such as Guangzhou, Zhengzhou and Shenyang, we may face potential competition from the operators and developers of existing underground shopping centers in those cities. For example, in Guangzhou, our competitors may include Yuexiu City Construction Group, which operates Sky Metro City, an underground shopping center with a GFA of approximately 150,000 sq.m. In Beijing, the Beijing Central Business District Administrative Commission which operates CBD Underground Shopping Center, an underground shopping center right underneath the downtown area with a GFA of approximately 2,000,000 sq.m., may be our competitor.

As our underground shopping centers are presently focused on apparel wholesale and retail sales, our key competitors also include apparel wholesale markets above-ground in the cities which are the apparel distribution centers in China, such as Whitehorse shopping center and Xintiandi Apparel Shopping Mall in Guangzhou. Because we don't hold a qualification certificate of real estate developer, we cannot develop shopping centers above the ground. Some of our existing or potential competitors have better qualification, financial, marketing, location and other resources than we do, as well as greater economies of scale, and more established relationships in certain locations or markets. See "Risk Factors – Risks Relating to Our Business – Increasing competition in the PRC may adversely affect our business and financial condition" in relation to our competition with other large commercial shopping center operators and developers in China.

Intellectual Property Rights

Pursuant to a trademark license agreement, Renhe Group has transferred to us the “地壹大道” and  trademarks in the classes relevant to our business. To protect our trademarks overseas, we have also applied for the trademark registration of portfolio of trademarks in the PRC and Hong Kong. One of our trademark applications in the PRC has been approved, 23 have been publicized and 20 applications

are pending as of April 22, 2010. Our trademark application for “The First Tunnel” (“地一大道”) in Hong Kong has been accepted for registration and details of the application have been published in the Hong Kong Intellectual Property Journal on 5 March 2010. There is a period of three months from the date of publication in which third parties may oppose the application. This opposition period may be extended for two months. If no opposition is filed within the time limit, the application will proceed to final registration and the Registration Certificate will be issued.

Insurance

Project developers in the PRC are not required under national or local laws or regulations to maintain insurance coverage in respect of their project development operations. We do not maintain insurance coverage for our projects under operation or development other than fire insurance or insurance coverage required by any of our loan agreements. We also do not require the construction companies we engage to maintain insurance coverage for properties under construction. In addition, we generally do not carry insurance against personal injuries that may occur during the construction of our properties. The construction companies, however, are responsible for quality and safety control during the course of the construction and are required to maintain accident insurance for their construction workers pursuant to PRC laws and regulations. To help ensure construction quality and safety, we have a set of standards and specifications that our construction workers must follow during the construction process. We engage qualified supervision companies to oversee the construction process. Under PRC laws, the owner or manager of a project under construction bears civil liability for personal injuries arising out of construction work unless the owner or manager can prove that it is not at fault. Since we have taken the above steps to prevent construction accidents and personal injuries, we believe that we would generally be able to demonstrate that we were not at fault as the project owner if a personal injury claim is brought against us. In addition, under PRC laws and regulations, any liability that may arise from tortious acts committed on work sites will be borne by the construction companies.

As of the date of this offering memorandum, we had not experienced any significant loss or damage arising from our projects.

In addition, we also purchase various kinds of employee-related insurance, such as pension insurance, for our employees as required by PRC laws and regulations.

We believe that our policies with respect to insurance are in line with the practice of the project development industry in the PRC. However, there is a risk that we do not have sufficient insurance coverage for losses, damages and liabilities that may arise in our business operations. See “Risk Factors – Risks Relating to Our Business – We do not have any business interruption, disruption or litigation insurance, and any business disruption or litigation we experience might result in our incurring substantial costs and the diversion of our resources.”

Employees and Training

As of December 31, 2009, we had 2,113 full-time employees. The following table provides a breakdown of our employees by responsibilities as of December 31, 2009

	Number of employees	% of total
Management.....	28	1.3
Administration and Finance.....	565	26.7
Market Research and Analysis; Marketing.....	420	20.0
Planning and Development.....	453	21.4
Commercial Management and Operations.....	647	30.6
Total.....	2,113	100.0

The remuneration package of our employees includes salary, bonuses and other cash subsidies. In general, we determine employee salaries based on each employee's qualifications, position and seniority. We have designed an annual review system to assess the performance of our employees, which forms the basis of our determinations on salary raises, bonuses and promotion. We are subject to social insurance contribution plans organized by PRC local governments. In accordance with the relevant national and local labor and social welfare laws and regulations, we are required to pay, on behalf of our employees, monthly social insurance premiums covering pension insurance, medical insurance, unemployment insurance and housing reserve funds. We believe the salaries and benefits that our employees receive are competitive with market standards in each geographic location where we conduct business.

We believe we have maintained good relationships with our employees. Our employees do not negotiate their terms of employment through any labor union or by way of collective bargaining agreements. We have not experienced significant labor disputes which have adversely affected or are likely to have an adverse effect on our business operations.

We have established a training program that aims to support and encourage members of our management team to continue improving their management skills, including arranging for seminars and external training opportunities. We also provide comprehensive training for our employees to improve their skills and develop their careers. We provide orientation training for newly hired employees as well as continuing training for existing employees. We organize on-the-job training on a regular basis on various topics, such as internal regulations, computer and management skills, sales skills and career development, which are designed to improve the overall quality of our employees and promote the management skills of our mid-level and senior management personnel.

Environmental Matters

Although there are currently no laws or regulations specifically concerning the development and construction of civil air defense shelters, we are subject to standard environmental laws and regulations in China, including *the PRC Environmental Protection Law* (中華人民共和國環境保護法), *the PRC Prevention and Control of Noise Pollution Law* (中華人民共和國環境噪聲污染防治法) and *the PRC Environmental Impact Assessment Law* (中華人民共和國環境影響評價法).

Each of our underground civil air defense shelter projects is required under PRC law to undergo environmental assessment. We submit the relevant environmental impact study analysis in our feasibility study report for approval before our construction work commences. During the construction phase, a project team is organized for each development project. The project team is under the direction of our project director appointed to supervise the project, including the implementation of the environmental protection measures. The project team is supported by external supervisory consultants specialized in supervising construction quality to ensure that it meets the requirements of the PRC government, including environmental protection measures. As required by law and the approval for our environmental impact studies, we are normally required to take measures to prevent air pollution, noise emission and water and waste discharges.

Upon completion of each project development, the relevant government authorities inspect our project to ensure that the construction of the project is in compliance with the requirements under relevant environmental laws and the approval for environmental impact studies by issuing an environmental protection evaluation certificate. We have obtained certificates from environmental authorities to confirm the compliance of environmental laws and regulations for all of our projects in operation.

We encourage our contractors and subcontractors to use equipment and facilities and to adopt or develop new technologies which are more environmentally friendly. Contractors are required to be responsible for their compliance with applicable environmental laws and regulations during the construction stage.

Unless otherwise disclosed herein, we confirm, and Jingtian, our PRC legal advisor, is of the opinion, that our operations are in compliance with currently applicable national and local environmental and safety laws and regulations in all material respects. See “Risk Factors – Risks Relating to Our Business – Potential liability for environmental problems could result in substantial costs.”

Health and Safety Matters

Under PRC laws and regulations, we, as a project developer, may have liability for injuries or damages sustained by the workers on and visitors to our construction sites, most of which rest with our contractors.

Under *the Construction Law of the People’s Republic of China* (中華人民共和國建築法), construction contractors assume responsibility for the safety of construction sites. For our developments, the main contractor takes overall responsibility for the site, and the subcontractors are required to comply with the protective measures adopted by the main contractor. Under *the Environmental and Hygienic Standards of Construction Work Site* (建築施工現場環境與衛生標準), a contractor is required to adopt effective occupational injuries control measures, to provide workers with necessary protective devices, and to offer regular physical examinations and training to workers who are exposed to the risk of occupational injuries. To our knowledge, there has been no material non-compliance with the health and safety laws and regulations by our main contractors or subcontractors during the course of their business dealings with us.

As a project developer, we are subject to various PRC labor and safety laws and regulations, including those concerning working hours, work safety, minimum wages, social insurance and welfares for employees. To ensure the compliance with labor and safety laws and regulations, we appoint personnel to supervise the internal compliance of safety matters and to take safety records, and periodically provide trainings and seminars for them and other employees who are responsible for the matters. Other than the workers’ injury insurance of which we had not been aware to be a mandatory requirement until we were advised by KPMG, our auditors, in October 2007, we have purchased all other mandatory social insurances as required in China and are in compliance with the applicable labor and safety laws and regulations in all material aspects. Although historically, we did not strictly comply with the PRC labor and safety laws and regulations regarding workers’ injury insurance, we have never been notified to pay any administrative penalty for such non-compliance and have rectified it to make timely payment since October 2007. In any event, should any losses, damages, penalties, fees or costs arise as a result of this previous non-payment of workers’ injury insurance premiums, our Controlling Shareholders have agreed to indemnify us against all such liabilities that we may incur.

Regulatory Matters

As confirmed by Jingtian, our PRC legal advisor, we believe that we have fulfilled all the necessary procedures on investment, construction and/or operation of the civil air defense shelters that are being operated or under development by us in China, in accordance with the applicable PRC laws and regulations. For a discussion of the applicable laws and regulations, see the section headed “Regulations.”

Our subsidiaries in the PRC have obtained certificates from relevant tax authorities as to the full payment of any and all tax returns applicable to each of them. For any potential liabilities for any property tax that may be levied on us for the period prior to our initial public offering and listing of shares on the Hong Kong Stock Exchange pursuant to “the Ministry of Finance and the State Administration of Taxation, Notice on the Levy of Property Taxes relating to Underground Buildings with Housing Function,” our Controlling Shareholders have agreed to indemnify us for any losses or liabilities in connection therewith.

Corporate Governance Measures

We have established three committees under the board of directors: Audit Committee, Remuneration Committee and Nomination Committee. See “Management – Board Committee.”

Legal Proceedings

As of the date of this offering memorandum, none of us or any of our subsidiaries are involved in any litigation or arbitration of material importance and no litigation, arbitration or claim of material importance is known to the directors to be pending or threatened by or against us or any of our subsidiaries.

In March 2008, we received an administrative notice (the "Notice") from the Guangzhou City Planning Bureau (the "Bureau"). The Notice stated that we had altered the use and design of certain parts of Phase I of the Guangzhou Project in violation of the construction planning permit originally issued for this project. The Notice stated that we had improperly converted into leasable GFA 6,196 sq.m. of space originally approved as a parking lot. In addition, we constructed an additional floor with a GFA of 2,179 sq.m., altered the design of certain entrances and exits, and installed certain structures as well as outdoor advertisement and sign boards. We had leased out all of the 6,196 sq.m. space and a portion of the 2,179 sq.m. space. Following receipt of the Notice, we terminated all leases in the 2,179 sq.m. space as of the end of July 2008 and are currently using the space only to house equipment in compliance with the Notice. We also removed the non-complying external structures and exterior boards and signs. As for the 6,196 sq.m. space, we received oral confirmation from the local authorities in Guangzhou to continue using it for commercial purposes, provided that we shall reduce the leasable GFA in Phase II of our Guangzhou Project by 6,196 sq.m. and build on such space an additional parking lot. We have fully paid a fine of RMB1,782,000 as assessed in the Notice. We also requested its department in charge of construction inspections and supervision to strictly follow the approved design during the construction process and not to make any alteration without obtaining written consent from relevant government authorities. Our Controlling Shareholders have agreed to indemnify us against all damages we may suffer as a result of this incident.

Regulations

Summary of PRC Laws Relating to the Civil Air Defense Shelters Industry

Summary of the Civil Air Defense Shelters Industry

Civil air defense shelters include underground protective structures that are constructed particularly for sheltering people and goods and materials, civil air defense command and medical aid in time of war, and basements that are constructed in combination with the surface buildings and that can be used for air defense in time of war.

Existing laws and regulations in the PRC applicable to the civil air defense shelters industry include *the Law of the People's Republic of China on National Defense* (中華人民共和國國防法), *the Civil Air Defense Law of the People's Republic of China* (中華人民共和國人民防空法) (the "Civil Air Defense Law"), *the Regulations on Administration of the Development and Utilization of Urban Underground Space* (城市地下空間開發利用管理規定), *the Measures for Administration of the Utilization of Civil Air Defense Shelters during Peacetime* (人民防空工程平時開發利用管理辦法), *the Measure for Administration of the Maintenance of Civil Air Defense Shelters* (人民防空工程維護管理辦法) and *the Rules on Administration of the Construction of Civil Air Defense Shelters* (人民防空工程建設管理規定) among others. Under the current laws and regulations, the PRC government controls mainly (including but not limited to) the construction and utilization of civil air defense shelters, and does not impose any restrictions on the investors of the civil air defence shelters.

Based on its understanding of the PRC laws and policies and our practical experience on the investment of civil air defense shelters, Jingtian, our PRC legal advisor, believes that, because the construction of civil air defense shelters has been considered as an crucial aspect of national economic and social development, the government authorities in China are expected to support and encourage the participation of social organizations to speed up the construction of the civil air defense shelters, and to further clarify the laws and regulations on the investment of civil air defense shelters. Moreover, our PRC legal advisor does not believe that the government authorities will impose any restrictions on the investors of the civil air defence shelters in the near future.

The Construction of Civil Air Defense Shelters

1. The PRC Encourages Investments in the Construction of Civil Air Defense Shelters

Pursuant to the Civil Air Defense Law, the PRC government encourages and supports enterprises, institutions, public organizations and individuals to invest in various ways in the construction of civil air defense shelters. During peacetime, such works shall be used and managed by the investors and the income therefrom shall belong to them. In accordance with relevant regulations, the PRC adopts preferential policies with regard to the construction of civil air defense projects, including *the Circular of the State Administration of Taxation on Issues Concerning the Collection of Urban Real Estate Tax on Foreign-funded Enterprises* (國家稅務總局關於外商投資企業徵收城市房地產稅若干問題的通知).

Investment in the construction of civil air defense shelters is not listed in the catalogue of restricted or prohibited foreign investment industries of *the Catalogue for the Guidance of Foreign Investment Industries (Amended in 2007)* (外商投資產業指導目錄(2007年修訂)), which has been effective since December 1, 2007. In addition, pursuant to *the Provisions on Guiding the Orientation of Foreign Investment* (Order of the State Council (2002, No. 346)) (指導外商投資方向規定(國務院令(2002)第346號)), it belongs to the category of permitted (but not encouraged, restricted or prohibited) foreign-funded projects, and is not listed in the Catalogue for the Guidance of Foreign Investment Industries. Therefore, foreign-funded investment in the construction of civil air defense shelters is permitted.

2. Competent Authorities for the Construction of Civil Air Defense Shelters

Pursuant to the Civil Air Defense Law, local people's governments at or above the county level and the military organs at the corresponding level shall exercise leadership in the work of civil air defense within their respective administrative localities, whilst the competent departments for civil air defense

of the local governments at or above the county level shall administer the work of civil air defense within their respective administrative localities.

3. *Principal Procedures for the Construction of Civil Air Defense Shelters*

Pursuant to *the Rules on Administration of the Construction of Civil Air Defense Shelters* ([2003]Guo Renfangban Zi No. 18) (人民防空工程建設管理規定([2003]國人防辦字第18號)), the principal procedures for the construction of civil air defense shelters shall be as follows:

- to file a project proposal (項目建議書) which is in accordance with the long- to medium-terms planning for the construction of civil air defense shelters;
- to prepare a feasibility report in accordance with the approval of the project (項目建議書批覆);
- to conduct preliminary construction designs and prepare the budget in accordance with the approved feasibility report;
- to submit an annual construction plan and prepare the construction plans in accordance with the approved feasibility report and preliminary designs;
- to apply for the construction project planning permit in accordance with the relevant rules of the PRC;
- to organize project tendering and building preparations in accordance with the approved annual construction plan and the reviewed and approved construction plans, and apply for the building permit or an approved work commencement report in accordance with the relevant requirements. The construction entity of a civil air defense shelter must attend to the work quality supervision procedures with the supervisory office and submit relevant documents, such as surveying reports and designs. Construction shall not commence unless all the requirements are satisfied;
- to commence construction in accordance with relevant PRC regulations. The contracting of civil air defense shelters construction project shall be conducted by tendering and bidding. Contracting of the following items of a civil air defense shelters construction project must be subject to public tenders or invited tenders in accordance with the requirements of *the Law of the People's Republic of China on Tenders and Bids* (中華人民共和國招標投標法): design, construction, supervision and major equipment purchasing of the project. However, for key civil air defense shelters construction projects of the PRC, provinces, autonomous regions and municipalities that are not suitable for public tenders, they may be made the subject of invited invitational tenders with the approval of the department of the State Council for development planning or the people's government of the province, autonomous region or municipality concerned. For civil air defense shelters that are related to national defense and secrets and are not suitable for public tenders, in accordance with relevant PRC requirements they may also be exempted from the tender process in accordance with the relevant national requirement;
- upon the completion of the construction, to prepare construction work completion records, organize inspection at completion, and conduct completion settlement and deliver the project for usage. A registration system is implemented for the project inspection upon completion of civil air defense shelters construction projects. Construction entities of civil air defense shelters shall submit the report on project completion inspection and relevant acceptance documents prepared by the construction quality inspection entities engaged or the relevant government bodies to the competent department. A civil air defense shelter shall be delivered for usage only after passing the project completion inspection.

The Rules on Administration of the Construction of Civil Air Defense Shelters combines, clarifies and standardizes the rules and regulations regarding the construction procedures of the civil air defense shelters which had been provided in several different rules issued by agencies at different governmental levels. Before the "Rules on Administration of the Construction of Civil Air Defense Shelters" was in effect, we had to comply with the procedures as required by the local civil air defense offices and the State Civil Air Defense Office.

The Utilization of Civil Air Defense Shelters

Pursuant to *the Measures for Administration of the Utilization of Civil Air Defense Shelters during Peacetime* ([2001]Guo Renfangban Zi No. 211) (人民防空工程平時開發利用管理辦法([2001]國人防辦字第211號)), the principles of utilization with compensation and integration of usage and management shall be emphasized in relation to the utilization of civil air defense shelters during peacetime: the investor shall use and manage the civil air defense shelters and the income from such shelters shall belong to the investor during peacetime. The investors shall manage the development and utilization of its civil air defense shelter during peacetime, which shall be subject to the supervision and inspection of the competent department for civil air defense.

According to *the Rules on Administration of the Construction of Civil Air Defense Shelters* (人民防空工程建設管理規定), civil air defense shelters shall be maintained, managed and utilized by the investors or the users in accordance with the relevant regulations during peacetime, while their use will be coordinated by the administrative authorities of civil air defense during time of war. The existing valid and applicable PRC laws and regulations with respect to civil air defense shelters do not contain specific provisions regarding the commercial use of the civil air defense shelters.

Pursuant to *the Measure for Administration of the Maintenance of Civil Air Defense Shelters* (Guo Renfangban Zi No. 210) (人民防空工程維護管理辦法(國人防辦字[2001]第210號)), the administrative authorities of civil air defense or the investors shall be responsible for maintaining and managing air defense basements and shall conduct the planning, organisation, guidance and supervision of the repairs, maintenance and protection of civil air defense shelters in order to keep them in good repair so that they can provide protection from air raids in time of war as well as provide protection from disasters and facilitate economic development and the daily lives of the people in peacetime, thereby ensuring the wartime benefits, social benefits and economic benefits of the civil air defense shelters. The competent departments for civil air defense of the local governments at or above the county level shall oversee and inspect the maintenance and management of civil air defense shelters. However, such authorities have yet to establish a system for regular inspection.

At the same time, the PRC protects civil air defense shelters from damage. Organizations and individuals are prohibited from damaging or improperly occupying civil air defense facilities. In constructing any urban infrastructure that threatens the safety of civil air defense shelters, technical measures approved by the competent department for civil air defense to safeguard the civil air defense shelters shall be implemented. Land required for the maintenance and redevelopment of civil air defense shelters shall be treated as land used for public utilities.

Special Requirements Applicable to Real Estate Developers

According to *the Law of the People's Republic of China on Administration of Urban Real Estate* (the "Urban Real Estate Law") promulgated by the Standing Committee of the National People's Congress, effective in January 1995, as amended in August 2007 a real estate developer is defined as an enterprise which engages in the development and sale of real estate for the purpose of making profits. As the development of underground civil air defense shelters for commercial use is not categorized as real estate property development under current PRC laws and regulations, we are not subject to the following requirements applicable to real estate developers.

In May 2007, MOFCOM and SAFE issued the *Notice on Further Strengthening and Regulating the Approval and Administration of Foreign Direct Investments in the Real Estate Industry* (the "No. 50 Notice"). Under the Notice, local commercial authorities should reinforce the approval and supervision process over foreign investment in real estate enterprises, and strictly control foreign fund from investing in high quality real estate development projects. For foreign invested company intending to engage in real estate development businesses, land use rights, house or other construction ownership right should be obtained, or at least has entered into pre-contract purchase agreement with the relevant land administrative authorities, land developers, or the owners of the house or other constructions, otherwise the proposed foreign invested real estate company will not be approved by the authorities. For existing foreign invested company who intends to increase real estate development businesses in its business operation or company who intends to engage in the operation or development of the new real estate project, they should undertake relevant procedures with the approval authority. No. 50 Notice strictly controls the acquisition or merger of domestic real estate

enterprises by means of round trip investment (includes the same effective controller). It also prohibits Chinese or foreign investors in foreign invested real estate joint ventures to reach any fixed return related term for either party. The local SAFE administrative authority and designated foreign exchange bank will not conduct foreign exchange purchase and settlement process for foreign invested real estate company who fails to satisfy the MOFCOM for filing requirement or to pass the annual review.

SAFE issued No. 130 Notice on July 10, 2007, further regulating foreign investment in real estate sector in China. According to No. 130 Notice, registration shall be made with MOFCOM regarding the setup of real estate enterprises with foreign investment or their capital increase each approved by local PRC commerce authorities after June 1, 2007. However, such real estate enterprises with foreign investment as filed with MOFCOM will not be permitted to borrow money from overseas, including shareholder loans and foreign commercial loans. Further, for those which fail to file with MOFCOM after June 1, 2007, injected foreign currencies will not be settled.

Major Taxes Applicable to Us

Our subsidiaries through which we conduct our business operations in mainland China are subject to PRC tax laws and regulations.

Enterprise Income Tax

Under *the Interim Regulation of the People's Republic of China on Enterprise Income Tax* (中華人民共和國企業所得稅暫行條例) and *the Income Tax Law of the People's Republic of China for Enterprises with Foreign Investment and Foreign Enterprises* (中華人民共和國外商投資企業和外國企業所得稅法), PRC subsidiaries are generally subject to the 33% corporate income tax. But according to *the Enterprise Income Tax Law of the PRC* (中華人民共和國企業所得稅法) (No. 63 Order of the President of the PRC) enacted by the National People's Congress on March 16, 2007 and enforced from January 1, 2008 onwards, and *the Regulation on the Implementation of the Enterprise Income Tax Law of the PRC* (中華人民共和國企業所得稅法實施條例) (No. 512 Order of the State Council of the PRC) enacted on December 6, 2007 and enforced from January 1, 2008 onwards, a uniform income tax rate of 25% will be applied towards foreign investment and foreign enterprises which have set up institutions or facilities in the PRC as well as PRC enterprises. Enterprises are classified into resident and non-resident enterprises. The term "resident enterprise" refers to an enterprise which is established within the territory of China, or which is established under the law of a foreign country (region) but whose actual institution of management is within the territory of China. The term "non-resident enterprise" refers to an enterprise established under the law of a foreign country (region), whose actual institution of management is not within the territory of China but which has institutions or establishments within the territory of China; or which has not any institution or establishment within the territory of China but which has incomes sourced in China.

Withholding Tax

Under the PRC tax laws effective prior to January 1, 2008, dividends paid by our PRC subsidiaries or joint ventures to us were exempt from PRC income tax. However, pursuant to the Enterprise Income Tax Law of the PRC and its implementation rules that became effective on January 1, 2008, dividends generated after January 1, 2008 which are payable by foreign invested enterprises, such as subsidiaries and joint ventures in China, to their foreign investors are subject to a withholding tax at a rate of 10%. Pursuant to a special arrangement between Hong Kong and the PRC, such rate is lowered to 5.0% if a Hong Kong resident enterprise owns over 25% of a PRC company.

Under the new tax law and its implementation rules, enterprises established under the laws of foreign jurisdictions but whose "de facto management body" is located in China are treated as "resident enterprises" for PRC tax purposes, and will be subject to PRC income tax on their worldwide income. For such PRC tax purposes, dividends from PRC subsidiaries to a "resident enterprise" parent are excluded from such taxable worldwide income. Under the implementation rules of the new Enterprise Income Law, "de facto management bodies" is defined as the bodies that have material and overall management control over the business, personnel, accounts and properties of an enterprise. Because this tax law, and its implementation rules, are relatively new, there is uncertainty as to how this law and its implementation rules will be interpreted or implemented by relevant tax bureaus.

Business Tax

Under the *PRC Interim Regulation on Business Tax* (中華人民共和國營業稅暫行條例) of 1994, services in mainland China are subject to business tax. Business tax rate ranges from 3% to 20% and depending on the type of services provided. Our lease and transfer of the operation rights of the underground civil air defense attract a business tax at the rate of 5% of the turnover of the selling enterprise payable to the relevant local tax authorities.

According to the *Tentative Regulations on Business Tax of the People's Republic of China* (中華人民共和國營業稅暫行條例) (No.540 Order of the State Council) promulgated by the State Council on November 11,2008 and enforced on January 1, 2009, and the *Detailed Rules for the Implementation of the Tentative Regulations of the People's Republic of China on Business Tax* (中華人民共和國營業稅暫行條例實施細則), (No.52 Order of the Ministry of Finance) promulgated by the Ministry of Finance on December 12, 2008 and enforced on January 1, 2009, our lease and transfer of the operation rights of the underground civil air defense attract a business tax at the rate of 5% of the turnover of the selling enterprise payable to the relevant local tax authorities.

Urban Land Use Tax

Pursuant to the *Interim Regulations of the People's Republic of China on Land Use Tax in respect of Urban Land* (中華人民共和國城鎮土地使用稅暫訂條例) promulgated by the State Council in September 1988, the land use tax in respect of urban land is levied according to the area of relevant land. The annual tax on urban land is between RMB0.2 and RMB10 per sq.m. The Interim Regulations of the People's Republic of China on Land Use Tax were revised by the State Council on December 31,

2006. As of January 1, 2007, the Urban Land Use Tax is applicable to Foreign Invest Enterprises, and the annual tax on every square meter of urban land shall be between RMB0.6 and RMB30.0.

According to the *Circular of the Ministry of Finance and the State Administration of Taxation on Relevant Issues Concerning House Property Tax and Urban Land Use Tax* (關於房產稅城鎮土地使用稅有關問題的通知) enforced on November 22, 2009, for those have already obtained underground construction land access card, their tax payable shall be computed on the basis of the land area confirmed in the land access card; and for those have not yet obtained underground construction land access card or the land area of which is not specified in the underground construction land access card, their tax payable shall be computed on the basis of the vertical projection area of the underground building. The urban land use tax on the above-mentioned construction land shall be temporarily collected at the rate of 50% of the tax payable.

Urban Real Estate Tax

Under the *Circular of the State Administration of Taxation on Issues Concerning the Collection of Urban Real Estate Tax on Foreign-funded Enterprises* (國家稅務總局關於外商投資企業徵收城市房地產稅若干問題的通知) promulgated on March 8, 2000, enterprises with foreign investment managing the civil air defense shelters were exempted from urban real estate tax.

According to the *Circular of the Ministry of Finance and the State Administration of Taxation on Issues Concerning the Collection of Real Estate Tax on Foreign-funded Enterprises and Foreigners* (財政部、國家稅務總局關於對外資企業及外籍個人徵收房產稅有關問題的通知), as of January 1, 2009, the collection of real estate tax on foreign-funded enterprises and foreigners shall comply with the Provisional Regulations of the People's Republic of China on Real Estate Tax (Guo Fa [1986] No. 90) and the relevant regulations on the scope of taxation, tax base, tax rate, tax preferences and tax administration.

Under the *Tentative Regulations of the People's Republic of China on Real Estate Tax* (中華人民共和國房產稅暫行條例) promulgated by State Council on September 15, 1986 and enforced on October 1, 1986, where the property is leased, the Real Estate Tax shall be calculated based on the rental income from the property at a rate of 12%.

Foreign Exchange Controls

The lawful currency of the PRC is Renminbi, which is subject to foreign exchange controls and is not freely convertible into foreign exchange at this time. SAFE (外匯管理局), under the authority of the People's Bank of China (央行), is empowered with the functions of administering all matters relating to foreign exchange, including the enforcement of foreign exchange control regulations.

Prior to December 31, 1993, a quota system was used for the management of foreign currency. Any enterprise requiring foreign currency was required to obtain a quota from the local SAFE office before it could convert Renminbi into foreign currency through the PBOC or other designated banks. Such conversion had to be effected at the official rate prescribed by SAFE on a daily basis. Renminbi could also be converted into foreign currency at swap centers. The exchange rates used by swap centers were largely determined by the demand for, and supply of, the foreign currency and the Renminbi requirements of enterprises in the PRC. Any enterprise that wished to buy or sell foreign currency at a swap center had to obtain the prior approval of the SAFE.

On December 28, 1993, the PBOC, under the authority of the State Council, promulgated *the Notice of the PBOC Concerning Further Reform of the Foreign Currency Control System* (中國人民銀行關於進一步改革外匯管理體制的公告), effective from January 1, 1994. The notice announced the abolition of the foreign exchange quota system, the implementation of conditional convertibility of Renminbi in current account items, the establishment of the system of settlement and payment of foreign exchange by banks, and the unification of the official Renminbi exchange rate and the market rate for Renminbi established at swap centers. On March 26, 1994, the PBOC promulgated *the Provisional Regulations for the Administration of Settlement, Sale and Payment of Foreign Exchange* (結匯、售匯及付匯管理暫行規定) (the "Provisional Regulations"), which set out detailed provisions regulating the trading of foreign exchange by enterprises, economic organizations and social organizations in the PRC.

On January 1, 1994, the former dual exchange rate system for Renminbi was abolished and replaced by a controlled floating exchange rate system, which is determined by demand and supply of Renminbi. Pursuant to such systems, the PBOC sets and publishes the daily Renminbi-US dollar exchange rate. Such exchange rate is determined with reference to the transaction price for Renminbi-US dollar in the inter-bank foreign exchange market on the previous day. Also, the PBOC, with reference to exchange rates in the international foreign exchange market, announced the exchange rates of Renminbi against other major foreign currencies. In foreign exchange transactions, designated foreign exchange banks may, within a specified range, freely determine the applicable exchange rate in accordance with the rate announced by the PBOC.

On January 29, 1996, the State Council promulgated *the PRC Regulations for the Control of Foreign Exchange* (中華人民共和國外匯管理條例) ("Control of Foreign Exchange Regulations") which became effective from April 1, 1996. The Control of Foreign Exchange Regulations classifies all international payments and transfers into current account items and capital account items. Current account items are no longer subject to SAFE approval while capital account items are still subject to SAFE approval. The Control of Foreign Exchange Regulations were subsequently amended on January 14, 1997. Such amendment affirms that the State shall not restrict international current account payments and transfers.

On June 20, 1996, PBOC promulgated *the Regulations for Administration of Settlement, Sale and Payment of Foreign Exchange* (結匯、售匯及付匯管理規定) (the "Settlement Regulations") which became effective on July 1, 1996. The Settlement Regulations superseded the Provisional Regulations and abolished the remaining restrictions on convertibility of foreign exchange in respect of current account items while retaining the existing restrictions on foreign exchange transactions in respect of capital account items. On the basis of the Settlement Regulations, the PBOC published *the Announcement on the Implementation of Foreign Exchange Settlement and Sale Banks by Foreign-invested Enterprises* (外商投資企業實行銀行結售匯工作實施方案). The announcement permits foreign-invested enterprises to open, on the basis of their needs, foreign exchange settlement accounts for current account receipts and payments of foreign exchange, and specialized accounts for capital account receipts and payments at designated foreign exchange banks.

On October 25, 1998, PBOC and SAFE promulgated *the Notice Concerning the Discontinuance of Foreign Exchange Swapping Business* (關於停辦外匯調劑業務的通知) pursuant to which and with effect from December 1, 1998, all foreign exchange swapping business in the PRC for foreign-invested enterprises shall be discontinued, while the trading of foreign exchange by foreign-invested enterprises shall be regulated under the system for the settlement and sale of foreign exchange applicable to banks.

On July 21, 2005, the PBOC announced that, beginning from July 21, 2005, China will implement a regulated and managed floating exchange rate system based on market supply and demand and by reference to a basket of currencies. The Renminbi exchange rate is no longer pegged to the US dollar. The PBOC will announce the closing price of a foreign currency such as the US dollar traded against the Renminbi in the inter-bank foreign exchange market after the closing of the market on each business day, setting the central parity for trading of the Renminbi on the following business day. Save for foreign-invested enterprises or other enterprises which are specially exempted by relevant regulations, all entities in China (except for foreign trading companies and production enterprises having import and export rights, which are entitled to retain part of foreign exchange income generated from their current account transactions and to make payments using such retained foreign exchanges in their current account transactions or approved capital account transactions) must sell their foreign exchange income to designated foreign exchange banks. Foreign exchange income from loans issued by organizations outside the territory or from the issuance of bonds and shares is not required to be sold to designated banks, but may be deposited in foreign exchange accounts with designated banks.

Enterprises in China (including foreign-invested enterprises) which require foreign exchange for transactions relating to current account items, may, without the approval of SAFE, effect payment from their foreign exchange account or convert and pay at the designated foreign exchange banks, upon presentation of valid receipts and proof. Foreign-invested enterprises which need foreign currencies for the distribution of profits to their shareholders, and Chinese enterprises which, in accordance with the relevant regulations, are required to pay dividends to shareholders in foreign currencies, may with the approval of board resolutions on the distribution of profits, effect payment from their foreign exchange account or convert and pay at the designated foreign exchange banks. Convertibility of foreign exchange in respect of capital account items, like direct investment and capital contribution, is still subject to restriction, and prior approval from SAFE or its competent branch.

On October 21, 2005, SAFE issued *the Notice on Relevant Issues Concerning Foreign Exchange Administration for PRC Resident to Engage in Financing and Inbound Investment via Offshore Special Purpose Companies* (關於境內居民通過境外特殊目的公司境外融資及返程投資外匯管理有關問題的通知) which became effective as of November 1, 2005. According to the notice, "special purpose company" (特殊目的公司) refers to the offshore company established or indirectly controlled by the PRC residents for the special purpose of carrying out financing of their assets or equity interest in PRC domestic enterprise. Prior to the establishing or assuming control of such special purpose company, each PRC resident, whether a natural or legal person, must complete the overseas investment foreign exchange registration procedures with the relevant local SAFE branch. In addition, any PRC resident who is a direct or indirect shareholder of an offshore company is required to file or update the registration with the local branch of SAFE within 30 days after any material change happened, which is involving its round-trip investment, capital variation, such as an increase or decrease in capital, transfer or swap of shares, merger, division, long-term equity or debt investment or creation of any security interest, with respect to that offshore company. The notice applies retroactively. As a result, PRC residents who have established or acquired control of such offshore companies that have made onshore investments in the PRC in the past are required to complete the relevant overseas investment foreign exchange registration procedures by March 31, 2006.

On December 25, 2006, the PBOC announced *the Measures for the Administration of Individual Foreign Exchange* (個人外匯管理辦法), and on January 5, 2007, SAFE issued *the Notice of the State Administration of Foreign Exchange on Printing and Distributing the Detailed Rules for the Implementation of the Measures for the Administration of Individual Foreign Exchange* (國家外匯管理局關於印發《個人外匯管理辦法實施細則》的通知). According to these regulations, (i) the administration of total annual amount shall apply to individual settlement and domestic individual purchase of foreign exchange. The total annual amount shall be the value equivalent to US\$50,000 for each person every year; (ii) a domestic individual shall make foreign direct investment in accordance with the relevant provisions of the state. As for the required foreign exchange, he/she may purchase foreign exchange or remit the self-owned foreign exchange abroad upon the approval of the local foreign exchange department and shall handle the corresponding formalities for the registration of foreign exchange for overseas investment; (iii) a domestic individual may use foreign exchange or RMB to make financial investment involving overseas regular earnings or rights and interests, etc, through such qualified domestic institutional investors as banks and fund management companies; (iv) where a domestic individual participates in the employee stock ownership plan or stock option plan of an overseas listed company, the foreign exchange business involved shall be handled after the listed company or its domestic agency has filed a unified application and has obtained the approval from the foreign exchange department. The foreign exchange incomes obtained by a domestic individual from selling the stocks under the employee stock ownership plan or stock option plan of an overseas listed company and those from dividend may go through foreign exchange settlement formalities after being remitted to the domestic special foreign exchange account opened by the listed company or its domestic agency, or may be transferred to the employees' individual foreign exchange savings accounts; and (v) in light of the convertibility progress of RMB under the capital account, the administration of granting loans to overseas individuals, borrowing foreign debts, providing external guarantee and directly participating in transactions involving overseas commodity futures or financial derivative products by domestic individuals shall be gradually loosened, and the specific measures shall be formulated separately.

Management

The following table sets forth certain information with respect to our directors and senior management as of March 31, 2010.

Name	Age	Position
DAI Yongge (戴永革)	41	Executive Director, Chief Executive Officer and Chairman
ZHANG Dabin (張大濱)	52	Executive Director and Executive President (Project Construction)
WANG Hongfang (王宏放)	50	Executive Director and Executive President (Investments and Operations)
WANG Chunrong (王春蓉)	41	Executive Director and Vice President (Finance)
WANG Luding (王魯丁)	41	Executive Director and Vice President (Marketing)
LIN Zijing (林子敬)	41	Executive Director and Vice President
HAWKEN Xiu Li (秀麗•好肯)	47	Non-Executive Director
JIANG Mei (蔣梅)	38	Non-Executive Director
ZHANG Xingmei (張興梅)	41	Non-Executive Director
HO Gilbert Chi Hang (何智恒)	33	Non-Executive Director
CHI Miao (遲淼)	38	Non-Executive Director
FAN Ren-Da, Anthony (范仁達)	49	Independent Non-Executive Director
WANG Shengli (王勝利)	60	Independent Non-Executive Director
WANG Yifu (王一夫)	59	Independent Non-Executive Director
CHU Chengfa (楚成發)	42	Vice President
HUNG Fan Kwan (孔繁崑)	46	Chief Financial Officer
YUE Taoming (岳陶明)	47	Deputy General Manager of project construction department
SUN Qiwei (孫啟偉)	50	Deputy General Manager of project construction department
CHEN Bangju (陳幫聚)	56	General Manager of project construction department
GENG Xiaoguo (耿孝國)	45	Deputy General Manager of project construction department
LI Dongling (李冬玲)	38	Deputy General Manager of investments and operations department
ZHENG Yuchun (鄭育淳)	43	Deputy General Manager of investments and operations department
SONG Lei (宋磊)	37	Deputy General Manager of business management department
ZHANG Guiru (張桂茹)	38	Deputy General Manager of business management department
Qu Zhenping (曲振平)	38	Deputy General Manager of business management department
JIN Ling (金玲)	38	Assistant to the General Manager of business management department
YAO Zhiyun (姚志雲)	36	Deputy General Manager of finance department
YANG Yuhua (楊玉華)	46	Deputy General Manager of finance department

Directors

Our board of directors consists of 14 directors, six of whom are our executive directors, five are non-executive directors and three of whom are independent non-executive directors. Our directors are elected at meetings of our shareholders for a term of three years, renewable upon re-election and re-appointment. A description of the business experience and present employment of each of our directors is provided below.

Executive Directors

Mr. DAI Yongge (戴永革) was appointed as our Executive Director in December 2007 and as the Chief Executive Officer on February 26, 2008. He was also appointed as the Chairman of the Board on

August 25, 2008. With over 13 years of experience in the management of underground shopping centers, Mr. Dai is primarily responsible for our overall strategic planning and the management of our business. Mr. Dai has been a director of Harbin Renhe Century, the vice chairman of Guangzhou Renhe and the chairman of Zhengzhou Renhe since 2003, 2005 and 2007 respectively and is responsible for our strategic planning and management of the underground shopping centers in Harbin, Guangzhou and Zhengzhou. He was appointed as the chief executive officer of Renhe Group between 1999 and 2003 and was responsible for the strategic planning and management of Renhe Group. Mr. Dai was also involved in the management of a number of retail businesses in the PRC for over 10 years before becoming the chairman of Renhe Group in 1999. Mr. Dai is a brother of Mrs. Hawken and the spouse of Mrs. Zhang Xingmei.

Mr. ZHANG Dabin (張大濱) was appointed as our Executive Director in December 2007 and as our Executive President (Project Construction) on February 26, 2008. Mr. Zhang joined Renhe Group in 1999 and has more than 16 years of experience in real estate planning related businesses. From 1999 to 2003, Mr. Zhang was appointed as the chairman of Renhe Group. Since 2003, he has been the Chief Executive Officer and a director of Renhe Group. Mr. Zhang was appointed as a director of Harbin Baorong, Harbin Renhe Century, Guangzhou Renhe and Zhengzhou Renhe in 2000, 2002, 2005 and 2007 respectively, in which he was in charge of the overall strategic planning and construction of our projects. Prior to joining Renhe Group, he worked at Heilongjiang Province Urban Real Estate Development Company (黑龍江省城鎮房屋開發公司) as an assistant general manager from 1990 to 1992 and a deputy general manager from 1992 to 1999 and was responsible for overseeing the development of the real estate projects. Mr. Zhang was one of the members of the National Defense General Staff Corps of Engineers Construction Engineering Design (工程兵國防人防工程施工圖設計文件審查中心專家組) in 2007.

Mr. WANG Hongfang (王宏放) was appointed as our Executive Director in December 2007 and as our Executive President (Investments and Operations) on February 26, 2008. Mr. Wang joined Renhe Group in 2003 and has over 15 years of management experience. He is primarily responsible for the management of our operations. In 2003, he was appointed as the vice president of Renhe Group and became the executive president in 2006. Prior to joining Renhe group, he was assigned management positions in a number of companies in the PRC during the period of 1994 to 2000. From 2001 to 2003, Mr. Wang was the president of Harbin Jurong in which he was responsible for the overall planning and management of its business. Mr. Wang graduated from Harbin Institute of Technology (哈爾濱工業大學) with a bachelor's degree in automatic control mechanics (自動化控制) in 1982 and a master's degree in politics and economics in 1991.

Ms. WANG Chunrong (王春蓉) was appointed as our Executive Director in December 2007 and as our Vice President (Finance) on February 26, 2008. Ms. Wang joined our Renhe Group in 1996 and has over 19 years of experience in financial management. Ms. Wang is primarily responsible for overseeing the finance function of us and our subsidiaries. She worked as a manager at the finance department of Harbin Renhe Group from 1996 to 2000 and was later appointed as a director of Harbin Renhe since 2002. She is responsible for our financial management. Prior to joining Renhe Group, she worked at the accounting department of Heilongjiang Province Technology Information Research Office (黑龍江省科技情報研究所) from 1990 to 1996. She has also been appointed as the vice president of Renhe Group in 2003. Ms. Wang graduated from Harbin Radio and TV University (哈爾濱廣播電視大學) in 1990.

Mr. WANG Luding (王魯丁) was appointed as our Executive Director in December 2007 and as our Vice President (Marketing) on February 26, 2008. Mr. Wang joined Renhe Group in 2002 and has over 17 years of experience in the management and marketing of retail businesses. He was a director of Harbin Renhe Century from 2002 to 2006. Since 2006, he has been appointed as the general manager of Guangzhou Renhe and he is responsible for the marketing and promotion of our projects. Prior to joining Renhe Group, Mr. Wang worked at Guomao City Underground Shopping Center (國貿城地下商場) from 1992 to 1996 in which he progressed from being a retail staff to the head of retail department and deputy general manager of the underground shopping mall and was responsible for promotional events nationwide. In 1997, Mr. Wang joined China Heilongjiang Harbin Manhattan

Multi-Line Group Co., Ltd. (曼哈頓多元集團有限公司) in Heilongjiang, China and was responsible for the management and marketing of its commercial building projects. Mr. Wang has been a vice president of Renhe Group since 2003 and he was responsible for the sales and marketing. Mr. Wang graduated from Heilongjiang China Communist Committee School (中共黑龍江省委黨校) with a bachelor's degree in economic management in 2002.

Mr. LIN Zijing (林子敬) was appointed as our president in 2008 and as our Executive Director in April 2010. He is mainly responsible for our business management of us and our subsidiaries. Mr. Lin joined Renhe Group in 2002 and has over 17 years of experience in management and market planning of retail business. From 2002 to 2008, Mr. Lin was appointed as general manager of Renhe International Health Club in Harbin (人和國際健身俱樂部). Prior to joining Renhe Group, Mr. Lin worked at Harbin Guomao City Shopping Centre from 1994 to 1996, and was promoted from secretary to general manager to deputy general manager. In 1996, he joined Harbin Manhattan Multi-line Group Co., Ltd. (哈爾濱曼克頓多元集團有限公司) in Harbin, Heilongjiang, China, and worked as general manager of commercial buildings and hotels. Mr. Lin graduated from the department of history of Harbin Normal University in 1991 and graduated from advanced studies of China Entrepreneurs Association (中國企業家進修班), Peking University in 2001.

Non-Executive Directors

Mrs. HAWKEN Xiu Li (秀麗•好肯) was appointed as our Non-Executive Director in November 2007. Mrs. Hawken joined Renhe Group in 1996 and is responsible for assisting our Executive Directors to formulate our strategies. She was appointed as a director of Harbin Renhe since 1996 and was appointed as its chairperson in 2002 until present. She has also been a director of Harbin Baorong since 2000. Mrs. Hawken graduated from Heilongjiang University (黑龍江大學) with a bachelor's degree in Chinese Literature in 1986. Mrs. Hawken is a sister of Mr. Dai Yongge.

Ms. JIANG Mei (蔣梅) was appointed as our Non-Executive Director in December 2007. Ms. Jiang joined Renhe Group in 2002 and is responsible for assisting our Executive Directors to formulate our strategies. Since 2002 she has been a director of Harbin Renhe Century. She has also been a director of Guangzhou Renhe and a director of Zhengzhou Renhe since 2005 and 2007, respectively. Prior to joining Renhe Group, she was the deputy general manager of an advertising company in the PRC from 1993 to 2000. Ms. Jiang graduated from Beijing Dance Academy (北京舞蹈學院) in 1991.

Mrs. ZHANG Xingmei (張興梅) was appointed as our Non-Executive Director in December 2007. Ms. Zhang joined Renhe Group in 1996 and has over 13 years of management experience of the underground shopping centres in the PRC. Since 1996, Ms. Zhang has been appointed as a director of Harbin Renhe. Since 2000, she has been a director of Harbin Baorong. She has also been the chairperson of Harbin Renhe Century since 2002. She has been appointed as a director of Guangzhou Renhe and Zhengzhou Renhe since 2005 and 2007 respectively and is responsible for overseeing the operation of their underground shopping mall projects. Ms. Zhang graduated from Heilongjiang Institute of Economic Management (黑龍江省哈爾濱經濟管理幹部學院) with a college degree in business administration in 1992. Ms. Zhang is the spouse of Mr. Dai Yongge.

Mr. HO Gilbert Chi Hang (何智恒) was appointed as our Non-Executive Director in December 2007 and is only responsible for assisting our Executive Directors in formulating our strategies and does not have any executive function or active participation in the day-to-day management and operation of us and our subsidiaries. Mr. Ho is the senior investment director of New World Development Company Limited and an executive director of New World Strategic Investment Limited. In January 2010, Mr. Ho has been appointed as the non-executive director of a Hong Kong listed company, New Environmental Energy Holdings Limited. Mr. Ho has extensive experience in the area of corporate finance and merger and acquisition transactions and was a partner of an international law firm Fried, Frank, Harris, Shriver and Jacobson LLP prior to joining New World Development Company Limited. He is a Committee Member of the Chinese People's Political Consultative Conference of Shenyang and a Member of China Overseas Chinese Entrepreneurs Association. Mr. Ho holds a Bachelor of Commerce degree and a Bachelor of Laws degree from the University of Sydney, Australia and is a solicitor admitted in New South Wales, Australia and England and Wales.

Mr. CHI Miao (遲淼) was appointed as our Non-Executive Director in March 2009 and is only responsible for assisting our Executive Directors to formulate our strategies and does not have any executive function or active participation in our day-to-day management or that of our subsidiaries. He is currently a principal of Warburg Pincus. He joined Warburg Pincus in 2005 and he focuses on real estate investments in the residential, commercial and hospitality sectors. He is also a director of Tianjin Red Star Macalline Home Decoration Co., Ltd and 7 Days Group Holdings Limited. Prior to joining Warburg Pincus, Mr. Chi was an investment services manager with CB Richard Ellis (“CBRE”) in Shanghai. Prior to his employment at CBRE, he worked for a local real estate developer in Dalian, the People’s Republic of China. Mr. Chi received an MBA degree from the University of Chicago Graduate School of Business.

Independent Non-Executive Directors

Mr. FAN Ren-Da, Anthony (范仁達) joined in 2007 as our Independent Non-executive Director. He holds a Master’s Degree in Business Administration from the USA. He is the chairman and managing director of AsiaLink Capital Limited. Prior to that, he held senior positions with various international financial institutions and was the managing director of a company listed on the Stock Exchange. Mr. Fan is an independent non-executive director of Citic Resources Holdings Limited (Stock Code: 1205), Raymond Industrial Limited (Stock Code: 229), Chinney Alliance Group Limited (Stock Code: 385), Uni-President China Holdings Limited (Stock Code: 220) and Hong Kong Resources Holdings Company Limited (Stock Code: 2882), all listed on the Main Board of the Stock Exchange.

Mr. WANG Shengli (王勝利) is our independent Non-Executive Director. Mr. Wang is a retired military officer in the PRC with over 40 years of experience in the national defense force. Mr. Wang is currently the vice president of the China Commercial Real Estate Association (中國商業地產聯盟), a national association for the commercial real estate industry in the PRC which has a very close working relationship with the Ministry of Commerce of the PRC, Ministry of Construction of PRC and similar government agencies. Mr. Wang is also currently the vice chairman of the civil air defense subdivision of China Civil Engineering Society (中國土木工程協會防護工程分會副理事長), the consultant of Beijing Civil Defense Association (北京民防協會) and the consultant of Shandong Province Civil Defense Association (山東民防協會). From 1985 to 2005, he was an officer of the Civil Air Defense Department of the PRC (中國國家人民防空辦公室). Mr. Wang graduated from Liaoning University (遼寧大學) in 1985 with a bachelor’s degree in Chinese Literature and politics.

Mr. WANG Yifu (王一夫) is our independent Non-Executive Director. Mr. Wang has over 30 years’ experience in the banking and finance industry. Mr. Wang worked at several branches of the China People’s Construction Bank (中國人民建設銀行) in Harbin from 1975 to 1993, during which he had worked at the accounting and investment divisions of various branches. He was appointed as the director (行長) of the marketing division and the senior economist of Harbin main branch of the China People’s Construction Bank in 1991 and 1993, respectively. In 1996, Mr. Wang was appointed as the supervisor (監事長) of the internal auditing department of Harbin Commercial Bank (哈爾濱商業銀行) and was promoted to vice-governor (副行長) of the same department in 1999. Since 2004, Mr. Wang has been the inspector (調研員) of Harbin Commercial Bank (哈爾濱商業銀行). Mr. Wang graduated from Northeast Heavy Machinery College (東北重型機械學院) with a college degree in mechanical engineering in 1975.

Senior Management

Mr. CHU Chengfa (楚成發) is our vice president, and is responsible for the management of our administration and legal affairs. Mr. Chu joined Renhe Group in 1999 and has almost 18 years of experiences in the legal compliance field. Mr. Chu was appointed as the head of the legal affairs department of Renhe Group in 1999 and vice president of Renhe Group in 2003, advising the overall legal compliance of our projects. Prior to joining Renhe Group, Mr. Chu worked at Heilongjiang Province Hongsheng Trade Co. (黑龍江省宏盛經貿公司) as the head of the legal department and the deputy general manager of the company from 1991 to 1999. Mr. Chu graduated from Heilongjiang University (黑龍江大學) with a bachelor’s degree in law in 1991.

Mr. HUNG Fan Kwan (孔繁崑), FCPA, FCCA, is our chief financial officer, qualified accountant and company secretary, and is primarily responsible for overseeing our financial reporting procedures, internal controls and compliance with the requirements under the Hong Kong Listing Rules with regard to financial reporting and other accounting-related issues. Mr. Hung joined us in March 2008, is retained by us on a full-time basis and has over 20 years experience in accounting, finance and treasury functions. Prior to joining us, Mr. Hung was appointed to a number of senior accounting and financial positions with various listed and private companies in Hong Kong, including as executive director, chief financial officer and qualified accountant of Modern Beauty Salon Holdings Limited, a company listed on the Main Board of the Stock Exchange, and was previously a vice audit manager at Coopers & Lybrand (currently known as PricewaterhouseCoopers). Mr. Hung graduated with a Professional Diploma in Accountancy from the Hong Kong Polytechnic University and is a fellow member of the Chartered Association of Certified Accountants, a fellow member of the Hong Kong Society of Accountants and an associate of the Institute of Chartered Accountants in England and Wales.

Mr. YUE Taoming (岳陶明) is a deputy general manager of our project construction department. Mr. Yue joined Renhe Group in 1999 and has over 10 years of experience in managing underground construction projects. From 1999 to 2006, he was a vice president of Renhe Group and was responsible for overseeing our underground construction projects. Since 2006, he has been the general manager of Zhengzhou Renhe and is responsible for the overall management of underground shopping mall units. Mr. Yue graduated from Hebei Institute of Industrial (河北工業職業技術學院) (formerly known as Hebei School of Foreign Trade 河北外貿學校) with a college degree in trading in 1990.

Mr. SUN Qiwei (孫啟偉) is a deputy general manager of our project construction department. Mr. Sun joined Renhe Group in 1996 and has over 13 years of experience in business administration and management of underground construction projects. He was the office head of Harbin Renhe from 1996 to 1999. From 1999 to 2003, he was appointed as an assistant general manager and head of the office of Renhe Group. From 2006 to 2007, Mr. Sun was appointed as a general manager of Guangzhou Renhe. Since 2007, he has been appointed as the vice general commander of the construction command office of Zhengzhou Renhe. From 2003 to 2006, he was a deputy general manager of Harbin Hada Fruits and Vegetables Wholesale Market Co. Limited. (哈達果菜批發市場有限公司). Mr. Sun graduated from Harbin Radio and TV University (哈爾濱廣播電視大學) with a college degree in Chinese journalism in 1988.

Mr. CHEN Bangju (陳幫聚) is a general manager of our project construction department, primarily responsible for the engineering design of the construction projects. Mr. Chen has over 39 years of experience in the engineering of civil defense constructions. Mr. Chen joined us in 2007 and has been appointed as the vice general commander of the construction command office of Zhengzhou Renhe. Prior to joining us, Mr. Chen had worked at Heilongjiang Province Civil Defense Office (黑龍江省人防辦公室) since 1970 and had been the vice commissioner of the engineering design department and the commissioner of the same department. From 2006 to 2007, he was appointed as a senior counselor of Heilongjiang Province Civil Defense Office (黑龍江省人防辦公室). Mr. Chen graduated from Harbin Institute of Construction (哈爾濱建工學院) in 1984, specialized in industrial and residential construction engineering.

Mr. GENG Xiaoguo (耿孝國) is a deputy general manager of our project construction department. Mr. Geng joined us in 2001 and has over eight years of experience in project construction, mainly involved in the application process of the construction projects when they first commenced. Since 2006, Mr. Geng has been appointed as a director of Guangzhou Renhe. Mr. Geng graduated from Heilongjiang University (黑龍江大學) with a bachelor's degree in law in 1987.

Ms. LI Dongling (李冬玲) is a deputy general manager of our investments and operations department. Ms. Li joined Renhe Group in 2003 and has over eight years of experience in the field of marketing and sales. Since 2003, Ms. Li has been appointed as a deputy general manager of the sales and marketing department of Renhe Group. Prior to joining Renhe Group, she worked at the business management department as well as the sales and marketing department of Harbin Hong Bo Trade Group (哈爾濱紅博商貿集團) from 1999 to 2003 and she was promoted as the head of both departments in early 2003. Ms. Li graduated from Harbin Polytechnic University (哈爾濱理工大學) with a college degree in business administration in 1995.

Mr. ZHENG Yuchun (鄭育淳) is a deputy general manager of our investments and operations department. Mr. Zheng joined us in 2008 and has over 10 years of experience in investment. Prior to joining us, he was engaged in the functions of analysis, investment and management in several investment banks and investment companies in mainland China and Hong Kong, including senior vice president and chief financial officer of Sun Media Investment Group (陽光媒體投資集團). Mr. Zheng was an independent director of Shenzhen Tong (Group) Company Ltd (深圳市天健(集團)股份有限公司) (listed in the Shenzhen Stock Exchange) from August 2004 to November 2009. Mr. Zheng graduated from the department of physics of Peking University in 1989 with a bachelor's degree in science, and graduated from the school of management of Harbin Institute of Technology in 1999 with a master's degree in business administration. He also graduated from the school of economics and finance of University of Hong Kong in 2004 and obtained a doctor's degree in finance. Mr. Zheng is a member of the CFA Institute and a member of the Hong Kong Society of Financial Analysts.

Mr. SONG Lei (宋磊) is a deputy general manager of our business management department. Mr. Song joined Renhe Group in 2002 and has over 12 years of experience in business management. Since 2002, he has been appointed as a deputy general manager of business management department of Renhe Group and assumed an important role in the sales and marketing of the project at its inception. Prior to joining our group, Mr. Song was a deputy general manager of business management department of Harbin Manhattan Multi-Line Group (哈爾濱曼哈頓多元集團有限公司) from 1997 to 2002. Mr. Song graduated from Beijing University (correspondence course/函授課程) with a bachelor's degree in investment management in 1999.

Ms. ZHANG Guiru (張桂茹) is a deputy general manager of our business management department. Ms. Zhang joined Renhe Group in 2003 and has over 11 years of experience in business management. Ms. Zhang has been appointed as a general director of Harbin Century in 2003 and is primarily responsible in management of the business of Harbin Century. She had worked at Hong Bo Center (紅博廣場) since 1997 and was appointed as the head of business management department of Hong Bo Center (紅博廣場) in 2003. Ms. Zhang graduated from Heilongjiang University with a bachelor's degree in computer software (計算機軟件) in 1994.

Ms. QU Zhenping (曲振平), age 38, is a deputy general manager of our business management department. Ms. Qu joined Renhe Group in 1996 and has over 13 years of experience in building management and sales of shopping mall units. From 1999 to 2000, she was the head of business management department and sales department of Harbin Renhe. From 2000 to 2003, she was an assistant to the general manager of Harbin Renhe. From 2003 to 2004, she was appointed as a general manager of Harbin Baorong. Since 2004, she has been a general manager of both Harbin Renhe and Harbin Baorong. Prior to joining Renhe Group, she worked at the business administration and sales department of Manhattan Commercial Building (曼哈頓商廈) from 1996 to 1999. Ms. Qu graduated from Northwest Institute of Light Industry (西北輕工業學院) with a bachelor's degree in material engineering in 1994.

Ms. JIN Ling (金玲) is an assistant to the general manager of our business management department. Ms. Jin joined Renhe Group in 2005 and has over 10 years of experience in business management. In 2005, she was appointed as a deputy general manager of business administration and human resource department of Renhe Group. Prior to joining Renhe group, she was the head of the export department and trading department of a medical company in the PRC, from 1999 to 2002. From 2004 to 2005, she was a head of the office of Harbin Gong Da Group Co., Ltd. (哈爾濱工大集團股份有限公司). Ms. Jin graduated from Heilongjiang Chinese Medicines University (黑龍江中醫藥大學) with a bachelor's degree in Chinese medicines in 1993.

Ms. YAO Zhiyun (姚志雲) is a deputy general manager of our finance department. Ms. Yao joined Renhe Group in 2001 and has over eight years of experience in the field of accounting and finance. Since 2001, Ms. Yao has been appointed as the head of the finance department of Renhe Group and is equipped with skills in operation analysis, cost control, tax planning and other financial management related tasks. Ms. Yao was qualified as a senior accountant in 2002 by Heilongjiang Province Government (黑龍江省人事廳). Ms. Yao graduated from Shenyang Industrial University (瀋陽工業大學) with a bachelor's degree in accounting in 1998.

Ms. YANG Yuhua (楊玉華) is a deputy general manager of our finance department. Ms. Yang joined Renhe Group in 2006 and has over 15 years of experience in the field of investment. In 2006, she was appointed as a deputy head of the finance department of Renhe Group, overseeing our investments and operations. Prior to joining Renhe Group, Ms. Yang worked at the Inner Mongolia branch office of Industrial and Commercial Bank of China (中國工商銀行) from 1983 to 2001, being responsible for financial planning and credit loans services. From 2001 to 2006, she was appointed as a deputy manager and senior investment manager at the investment banking division of New China Life Insurance Holdings Company Limited (新華人壽保險股份有限公司). Ms. Yang graduated from Xi'an Jiaotong University (西安交通大學) in 1999 with a bachelor's degree in finance.

Company Secretary and Qualified Accountant

Mr. HUNG Fan Kwan (孔繁崑), FCPA, FCCA, age 46, is our chief financial officer, qualified accountant and company secretary. His biographical details are set out above under the paragraph headed "Senior Management."

Board Committees

Audit Committee

We established an audit committee pursuant to a resolution of the directors passed on August 25, 2008 with written terms of reference in compliance with the Code on Corporate Governance Practices as set out in Appendix 14 to the Hong Kong Listing Rules. The primary duty of the audit committee is to review and supervise the financial reporting process and our internal control systems and that of our subsidiaries. The audit committee consists of Mr. Fan Ren-Da Anthony, Mr. Wang Shengli and Mr. Wang Yifu (being independent non-executive directors). The audit committee is chaired by Mr. Fan Ren-Da Anthony, an independent non-executive director.

Remuneration Committee

We established a remuneration committee on August 25, 2008 with written terms of reference in compliance with the Code on Corporate Governance Practices as set out in Appendix 14 to the Hong Kong Listing Rules. The primary duties of the remuneration committee include making recommendations to the Board on our structure and policy for remuneration of directors and senior management, reviewing the terms of remuneration packages, determining the award of bonuses and considering the grant of options under the Share Option Scheme. The remuneration committee consists of Mr. Dai Yongge, Mr. Wang Shengli and Mr. Wang Yifu, of whom Mr. Wang Shengli and Mr. Wang Yifu are independent non-executive directors. The remuneration committee is chaired by Mr. Wang Shengli, our independent non-executive director.

Nomination Committee

We established a nomination committee on August 25, 2008 with written terms of reference in compliance with the Code on Corporate Governance Practices as set out in Appendix 14 to the Hong Kong Listing Rules. The primary duties of the nomination committee include, without limitation, reviewing the structure, size and composition of the board of directors, assessing the independence of independent non-executive directors and making recommendation to the board on matters relating to the appointment of directors. The nomination committee consists of Mr. Dai Yongge, Mr. Wang Shengli and Mr. Wang Yifu, of whom Mr. Wang Shengli and Mr. Wang Yifu are independent non-executive directors. The nomination committee is chaired by Mr. Wang Shengli, our independent non-executive director.

Share Option Scheme

We have conditionally adopted the Share Option Scheme on August 25, 2008, which took effect on October 22, 2008 upon the fulfillment of the prescribed conditions. The purpose of the Share Option Scheme is to provide an incentive for participants to work with commitment towards enhancing our value and the value of our shares for the benefit of our shareholders and to retain and attract calibres and working partners whose contribution are or may be beneficial to our growth and development and that of our subsidiaries. The principal terms of this scheme are set forth below.

Participants. (i) Any director (executive or non-executive, including independent non-executive directors) or employee (whether full time or part time), our subsidiaries or any entity in which we or any of its subsidiaries holds an equity interest; and (ii) any such other persons (including but not limited to supplier, customer, consultant, adviser, contractor, business partner or service provider of us, our subsidiaries or any entity in which we or any of our subsidiaries holds an equity interest) who in the absolute discretion of the Board has contributed or will contribute to the Company and its subsidiaries, are eligible to participate.

Life of the Scheme. 10 years from the effective date.

Size of the Scheme. Unless further approved by our shareholders in general meeting, the aggregate number of shares that may be issued or issuable under the Share Option Scheme and any other share option schemes of the Company shall not in aggregate exceed 2,000,000,000 shares.

Maximum Number of Shares Issued pursuant to Options. The maximum number of shares which we may issue upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other schemes must not exceed such number of shares as shall represent 30% of the shares in issue from time to time.

Subscription Price. The subscription price shall, subject to certain limitations, be determined by the Board in its sole and absolute discretion.

Amendment of the Scheme. Any amendment to the scheme must be approved by the majority of the Board or the scheme administrator, provided that certain amendments as specified under the scheme will require a resolution of the shareholders in general meeting or the super majority consent from the grantees.

Termination of the Scheme. We may at any time terminate the scheme by resolution of the Board or resolution of our shareholders in general meeting and in such event no further options will be offered. All options granted prior to the termination and yet to be exercised shall continue to be valid and exercisable in accordance with the terms of the scheme.

Acceptance of Options. The grant of options shall be accepted within five business days from the offer.

On February 8, 2010, we granted to certain directors and employees of us and our subsidiary options to subscribe, in aggregate, up to 1,100,000,000 ordinary shares of us.

Management Incentive Scheme

In order to reward and motivate our employees as part of our retention program, our Controlling Shareholders, through their wholly-owned subsidiary Wealthy Aim Holdings Limited, implemented a management incentive scheme as of April 15, 2008. The principal terms of this arrangement are set forth below.

Participants. 143 individuals comprising our employees and that of our subsidiaries and other selected individuals who have made contributions to the Company and its subsidiaries.

Rights Offered. A right to purchase from Wealthy Aim Holdings Limited in respect of 935,000,000 of our shares in aggregate, representing approximately 4.68% of our then issued share capital.

Vesting Schedule. The right is exercisable as to 50% for the first year, 30% for the second year and the remaining 20% for the third year over a period of three years commencing on April 22, 2009, the expiry date of the 6-month period following the listing of our shares on the Hong Kong Stock Exchange.

Exercise Price. HK\$1.34 per share.

As of the date of this offering memorandum, 119 right holders have exercised rights to purchase 399,965,300 shares.

Compensation of Directors and Senior Management

Our executive directors receive, in their capacity as our employees, compensation in the form of salaries, bonus, other allowances and benefits in kind, including our contribution to the pension scheme for our executive directors, according to the PRC law. We determine our directors' (including

independent non-executive directors) salaries based on each director's qualification, position and seniority. Having considered the additional responsibilities of a director for managing a listed company, the remuneration of our executive directors has been increased following our initial public offering. In addition to salaries, our directors may receive year-end bonuses or options under the Share Option Scheme.

The aggregate amount of remuneration (including fees, salaries, contributions to pension schemes, housing allowances and other allowances and benefits in kind and discretionary bonuses) which was paid to our directors for the years ended December 31, 2007, 2008 and 2009 was RMB962,000, RMB43,531,000 and RMB104,205,000, respectively.

The aggregate amount of remuneration (including fees, salaries, contributions to pension schemes, housing allowances and other allowances and benefits in kind and discretionary bonuses) which was paid to our five highest paid individuals for the years ended December 31, 2007, 2008 and 2009 was RMB974,000, RMB42,374,000 and RMB102,728,000, respectively.

Directors' Interest in Securities

As of December 31, 2009, the interests and short positions, if any, of each director and senior management of us or any of our associated corporations (including interests and short positions which the directors and senior management were taken or deemed to have) were as follows:

Name of director	Capacity	Number of issued shares/underlying shares/nature of interest ⁽¹⁾	Approximate percentage of interest in the Company
Mrs. Hawken Xiu Li ⁽²⁾	Interest in controlled corporations	12,417,125,217 (L)	56.44%
	Interest in controlled corporations	2,227,856,122 (S) ⁽³⁾	10.13%
Mr. Dai Yongge	Beneficial owner	51,000,000 (L) ⁽⁴⁾	0.23%
	Interest in controlled corporation	51,000,000 (L)	0.23%
Mr. Zhang Dabin	Beneficial owner	34,000,000 (L) ⁽⁴⁾	0.15%
	Interest in controlled corporation	34,000,000 (L)	0.15%
Mr. Wang Hongfang	Beneficial owner	42,500,000 (L) ⁽⁴⁾	0.19%
	Interest in controlled corporation	42,500,000 (L)	0.19%
Mr. Wang Chunrong	Beneficial owner	34,000,000 (L) ⁽⁴⁾	0.15%
	Interest in controlled corporation	34,000,000 (L)	0.15%
Mr. Wang Luding	Beneficial owner	34,000,000 (L) ⁽⁴⁾	0.15%
	Interest in controlled corporation	34,000,000 (L)	0.15%
Mrs. Zhang Xingmei	Interest of spouse	102,000,000 (L) ⁽⁵⁾	0.46%

Notes:

- (1) The letter "L" denotes the person's long position in such shares and the letter "S" denotes the person's short position in such shares.
- (2) Mrs. Hawken Xiu Li is deemed to be interested in such shares held through controlled corporations including Super Brilliant Investments Limited and Wealthy Aim Holdings Limited ("Wealthy Aim").
- (3) This represents the number of shares in respect of which Wealthy Aim, a controlled corporation of Mrs. Hawken Xiu Li, has granted purchase rights to certain of our employees and other selected individuals to acquire shares of us subject to certain terms and conditions.
- (4) These interests are interests under the purchase rights granted by Wealthy Aim as referred to in Note (3) above.
- (5) Mrs. Zhang Xingmei is deemed to be interested in rights to purchase these shares which are granted to her spouse, Mr. Dai Yongge.

Related Party Transactions

Office Lease

Pursuant to a lease agreement dated December 30, 2007 (as renewed subsequently on January 1, 2009 and January 1, 2010, respectively) entered into between Harbin Jurong New Energy Co., Ltd. (in which Mr. Dai Yongge and Mrs. Zhang Xingmei, our directors, effectively control in aggregate over 50% of the equity interests) and Harbin 1 Renhe, Harbin Jurong agreed to lease to us an office premises of approximately 1,931 sq.m. located at 哈爾濱市南崗區美順街29號 (29 Mei Shun Street, Nan Gang District, Harbin, Heilongjiang Province, the PRC) for a term commencing from January 1, 2010 to December 31, 2010 at a fixed annual rental of RMB800,000, which was determined with reference to an independent valuation.



Shop Unit Leases

We lease certain shop units to certain associates of Mr. Dai Yongge in respect of shop units occupying an aggregate area of approximately 87.46 sq.m. at an aggregate annual rental of approximately RMB384,600. The aggregate annual rental for shop lease(s) to associates of Mr. Dai for each of the three years ended December 31, 2007, 2008 and 2009 was approximately RMB267,000, RMB397,000 and RMB280,000 respectively.

We lease a corridor shop stall to Ms. Wang Chunrong, our executive director, at an annual rental of approximately RMB19,000. The aggregate annual rental for shop lease(s) to Ms. Wang Chunrong for each of the three years ended December 31, 2007, 2008 and 2009 was approximately RMB19,000, RMB19,000 and RMB17,000 respectively.

All these leases were entered into by us or our subsidiaries in the ordinary course of its business and at prices substantially the same as market rate.

Trademark License Agreement

Pursuant to a trademark license agreement dated August 25, 2008 entered into between Renhe Group and us, Renhe Group granted to us an exclusive, royalty-free licence to use the “地壹大道” and  trademarks, with an obligation to transfer the registration and ownership in those trademark classes relevant to our business to us for RMB1.00 upon the approval of the registration application of the trademarks. As of the date of this offering memorandum, the “地壹大道” and  trademarks have been successfully registered and the relevant classes. During the term of the licence, we have the right to sub-license the use of the trademarks to any of our subsidiaries.

Substantial Shareholders

Our substantial shareholders and their respective shareholdings in our company as of December 31, 2009 are set out below:

Shareholder	Capacity	Number of Shares/ Nature of Interest ^{(1) (2)}	Approximate percentage of interest in the Company
Super Brilliant Investments Limited ("Super Brilliant")	Beneficial owner	11,856,907,217 (L)	53.90%
	Beneficial owner	1,667,638,122 (S)	7.58%
	Interest in a controlled corporation	560,218,000 (L) ⁽³⁾	2.55%
	Interest in a controlled corporation	560,218,000 (S) ⁽³⁾	2.55%
Shining Hill Investments Limited ("Shining Hill") ⁽⁴⁾	Interest in a controlled corporation	12,417,125,217 (L)	56.44%
	Interest in a controlled corporation	2,227,856,122 (S)	10.13%
Mrs. Hawken Xiu Li ⁽⁵⁾	Interest in a controlled corporation	12,417,125,217 (L)	56.44%
	Interest in a controlled corporation	2,227,856,122 (S) ⁽³⁾	10.13%
Cheng Yu Tung Family (Holdings) Limited ("CYTFH") ⁽⁶⁾	Interest in a controlled corporation	1,571,606,964 (L)	7.14%
Centennial Success Limited ("Centennial") ^{(7) (8)}	Interest in a controlled corporation	1,571,606,964 (L)	7.14%

Notes:

- (1) The letter "L" denotes the person's long position in such shares.
- (2) The letter "S" denotes the person's short position in such shares.
- (3) This represents the number of shares in respect of which Wealthy Aim Holdings Limited ("Wealthy Aim"), a controlled corporation of Mrs. Hawken Xiu Li, has granted purchase rights to certain of our employees and other selected individuals to acquire shares of us subject to certain terms and conditions.
- (4) Ms. Hawken Xiu Li is interested in the entire issued share capital of Shining Hill, which in turn is interested in the entire issued share capital of Super Brilliant. Therefore, Mrs. Hawken and Shining Hill are deemed to be interested in the shares beneficially owned by Super Brilliant.
- (5) Ms. Hawken Xiu Li is deemed to be interested in such shares held through controlled corporations including Super Brilliant and Wealthy Aim.
- (6) CYTFH holds a 51% direct interest in Centennial and is accordingly deemed to have an interest in the shares deemed to be interested in by Centennial.
- (7) Centennial holds a 100% interest in each of Chow Tai Fook Enterprises Limited ("CTF") and Fast Flow Investments Limited, and is accordingly deemed to have an interest in the shares interested in or deemed to be interested in by CTF and Fast Flow Investments Limited.
- (8) CTF, together with its subsidiaries, is interested in more than one-third of the shares in New World Development Company Limited and is accordingly deemed to have an interest in the shares interested in by or deemed to be interested in by New World Development Company Limited. New World Development Company Limited is deemed to have an interest in the shares held by its indirect subsidiaries Elite Wealth Investment Limited, Vivid China Investment Limited and Skybird International Limited.

Pre-IPO Investment and Share Adjustment Arrangement

Eleven pre-IPO investors, including, among others, Elite Wealth Investment Limited and Capital International Private Equity Fund V, L.P., invested in the Company in December 2007 and January 2008 by purchasing from Super Brilliant an aggregate of 18.87% of then issued shares of the Company, which represented 16.04% of our aggregate number of shares immediately after the IPO in October

2008. In connection with these investments, Super Brilliant has agreed (and Mrs. Hawken Xiu Li and Mr. Dai Yongge have agreed to procure Super Brilliant) to transfer a number of our additional shares to each of the pre-IPO investors ("Share Adjustment") if:

- we fail to meet any or both of the performances targets for the years ending December 31, 2008 and December 31, 2009 of audited consolidated net profits (but excluding items such as gains, losses, income or expenses which are non-recurring or derived from disposed or discontinued operations; insurance or indemnification proceed, revaluation of properties ("Adjusted Profit," as defined) of RMB1.6 billion and RMB3.2 billion, respectively. The number of such additional shares shall represent the difference between (A) such number of shares as was acquired by a pre-IPO investor through the investment ("Investment Shares") still held by that pre-IPO investor as at December 31, 2008 or December 31, 2009, as the case may be, and (B) a figure calculated by multiplying (i) the performance target for the relevant year as a fraction of the Adjusted Profit for the relevant year; by (ii) the number of Investment Shares still held by that pre-IPO investor as at December 31, 2008 or December 31, 2009, as the case may be (the "Profit Adjustments"). Any such transfers shall be made for a consideration of US\$1.00 based on the relative shareholdings of each pre-IPO investor. The ratio upon which the precise number of Shares to be transferred (if any) is calculated, increases as the amount of shortfall (if any) of the final Adjusted Profits achieved for the relevant year compared to the performance target set for that year, increases;
- as at December 31, 2009, the aggregate sum of (a) the space of the properties leased at arm's length by us to de facto unaffiliated third parties, (b) the space of the properties (the operation rights of which) sold (or transferred) at arm's length by us to unaffiliated third parties following the investments, (c) the space of the properties available for lease by us, and (d) the space of the properties (the operation rights of which) available for sale (or transfer) (provided, however, that no portion of any floor space shall be counted more than once in the foregoing calculation (such sum, the "Completed Space")) is below 550,000 sq.m. The number of such additional shares shall be determined by reference to a prescribed formula based around the difference between the Completed Space achieved by us at the relevant date and the above-mentioned Completed Space target (the "Completed Space Adjustment"). Any such transfers shall be made for a consideration of US\$1.00 based on the relative shareholdings of each pre-IPO investor; and
- the RMB equivalent of the final offer price per shares under the investments is less than a price which would provide each pre-IPO investor with an annual internal rate of return ("IRR") of at least 20% and 1.35 times return of capital of the funding. The number of such additional shares shall be determined such that each pre-IPO investor will achieve an IRR of at least 20% and 1.35 times return of capital of the funding (calculated based on the offer price) and such a transfer shall be made for a total consideration of US\$1.00 (the "QIPO Threshold Adjustment" and, together with the Profit Adjustments and the Completed Space Adjustment, the "Share Adjustments").

In the event that some or all of the Share Adjustments are triggered, the maximum aggregate number of additional shares to be transferred from Super Brilliant to the relevant pre-IPO investors pursuant to such Share Adjustments (if any) is capped, such that (assuming all else remaining equal) the Share Adjustments will not cause Super Brilliant to cease holding more than 30% of our share while no single pre-IPO investor (or group of related pre-IPO investors in aggregate) shall hold 30% or more of our issued share capital following the maximum Share Adjustments (assuming all else remaining equal). The relevant investment agreements did not require any change to our key senior management or that of our subsidiaries solely as a result of the Share Adjustments. As of the date of this offering memorandum, Super Brilliant has transferred an aggregate of 1,486,136,081 of our shares to the pre-IPO investors in accordance with the Share Adjustments.

Description of the Notes

You can find the definitions of certain terms used in this description under the subheading “– Certain Definitions.” In this description, the word “Company” refers only to Renhe Commercial Holdings Company Limited and not to any of its Subsidiaries.

The Company will issue the Notes under an indenture among itself, the Guarantors and The Bank of New York Mellon, as trustee, in a private transaction that is not subject to the registration requirements of the Securities Act. Holders of Notes will not be entitled to any registration rights. See “Notice to Investors.” The terms of the Notes will include those stated in the indenture. The pledge agreements referred to below under the caption “– Security” define the terms of the share pledges that will secure the Notes.

The following description is a summary of the material provisions of the indenture, the pledge agreements and the intercreditor agreement referred to below under the caption “– Security.” It does not restate those agreements in their entirety. We urge you to read the indenture, the pledge agreements and the intercreditor agreement because they, and not this description, define your rights as holders of the Notes. Copies of the indenture, the pledge agreements and the intercreditor agreement are available as set forth below under “– Additional Information.” Certain defined terms used in this description but not defined below under “– Certain Definitions” have the meanings assigned to them in the indenture, the pledge agreements and the intercreditor agreement.

The registered holder of a Note will be treated as the owner of it for all purposes. Only registered holders will have rights under the indenture.

Brief Description of the Notes and the Note Guarantees

The Notes

The Notes:

- will be general obligations of the Company;
- will be secured, equally and ratably with all obligations of the Company and the Guarantors under any future Permitted Parity Lien Indebtedness, by a first priority pledge of the Capital Stock of all of the Guarantors (other than Subsidiaries of JV Guarantors) owned by the Company or its Subsidiaries;
- will rank at least equal in right of payment with all unsecured borrowings of the Company;
- will be senior in right of payment to any future subordinated Indebtedness of the Company, if any; and
- will be unconditionally guaranteed by the Guarantors, subject, in the case of the JV Guarantee by a JV Guarantor, to a limitation in amount that, together with all other JV Guarantees given by Subsidiaries or shareholders of that JV Guarantor, equal to the JV Entitlement Amount, which represents the Company's proportionate share of the fair market value of the applicable JV Guarantor's total assets.

The Note Guarantees

The Notes will be guaranteed by all of the Company's Non-PRC Subsidiaries, other than Non-Guarantor Offshore Subsidiaries. The Company may designate any Non-PRC Subsidiary as a Non-Guarantor Offshore Subsidiary subject to limitation that at any time, all Non-Guarantor Offshore Subsidiaries then existing must not represent more than 15.0% of the Company's Total Assets. The Non-Guarantor Offshore Subsidiaries that will be designated on the issue date of the Notes did not generate any revenue in the year ended December 31, 2009, and the aggregate amount of their total assets represented approximately 11% of our consolidated total assets as of December 31, 2009. A Non-Guarantor Offshore Subsidiary must guarantee the Notes when it ceases to be a Non-Guarantor Offshore Subsidiary. On the date of the issue of the Notes, the Guarantors will consist of all

intermediate holding companies that, directly or indirectly, own Capital Stock in the Company's PRC Subsidiaries (other than Proper Way Enterprises Limited, Jolly Ace Limited, Firm Power Limited, Willease Limited, Bright Delicate Limited, Total Nice Investments Limited, Vision Orient Limited, Gold Spirit Limited, Asian Leader Investments Limited and Aqua Global Limited, which do not yet have material operations), and all Note Guarantees will be Subsidiary Guarantees. See "Corporate Structure." The Company may designate in future a Guarantor or a Non-Guarantor Offshore Subsidiary to be a JV Guarantor whose guarantee will be a JV Guarantee in an amount that, together with all other JV Guarantees given by the Subsidiaries or shareholders of that JV Guarantor, will be limited to the JV Entitlement Amount.

Each guarantee of the Notes:

- will be a general obligation of that Guarantor;
- will be secured, equally and ratably with all obligations of the Company and the Guarantors under any future Permitted Parity Lien Indebtedness, by a first priority pledge of the Capital Stock of all of the Guarantors (other than Subsidiaries of JV Guarantors) owned by the Company or its Subsidiaries;
- will rank at least equal in right of payment with all unsecured borrowings of that Guarantor;
- will be senior in right of payment to any future subordinated Indebtedness of that Guarantor, if any; and
- in respect of a JV Guarantee by a JV Guarantor described below, will be limited in an amount that, together with all other JV Guarantees given by the Subsidiaries or shareholders of that JV Guarantor, equal to the JV Entitlement Amount.

Under the indenture, the Company and the Guarantors will be permitted to incur additional Indebtedness that shares the Collateral equally and ratably with holders of the Notes subject to, among other things, the covenants described below under "– Certain Covenants – Incurrence of Indebtedness and Issuance of Preferred Stock" and "– Certain Covenants – Liens."

Our PRC Subsidiaries, which constitute all of our operating Subsidiaries, will not guarantee the Notes. In the event of a bankruptcy, liquidation or reorganization of any of these non-guarantor Subsidiaries, the non-guarantor Subsidiaries will pay the holders of their debt and their trade creditors before they will be able to distribute any of their assets to us. The PRC Subsidiaries generated 100% of our consolidated revenues in the year ended December 31, 2009, and the aggregate amount of their total assets represented approximately 93% of our consolidated total assets as of December 31, 2009.

The operations of the Company are conducted through its PRC Subsidiaries and, therefore, the Company depends on the cash flow of its PRC Subsidiaries to meet its obligations, including its obligations under the Notes. The Notes will be effectively subordinated in right of payment to all Indebtedness and other liabilities and commitments (including trade payables and lease obligations) of the Company's PRC Subsidiaries. Any right of the Company to receive assets of any of its PRC Subsidiaries upon the PRC Subsidiary's liquidation or reorganization (and the consequent right of the holders of the Notes to participate in those assets) will be effectively subordinated to the claims of that PRC Subsidiary's creditors, except to the extent that the Company is itself recognized as a creditor of the PRC Subsidiary, in which case the claims of the Company would still be subordinate in right of payment to any security in the assets of the PRC Subsidiary and any Indebtedness of the PRC Subsidiary senior to that held by the Company. As of December 31, 2009, the Company's PRC Subsidiaries had no long-term loans but had capital commitments and contingent liabilities from guarantees of RMB2,345.1 million (US\$343.6 million) and RMB980.2 million. See "Risk Factors – Risks Relating to the Notes – We are a holding company and payments with respect to the Notes are structurally subordinated to liabilities, contingent liabilities and obligations of our subsidiaries that do not guarantee the Notes."

As of the date of the indenture, all of our Subsidiaries will be "Restricted Subsidiaries." However, under the circumstances described below under the caption "– Certain Covenants – Designation of Restricted and Unrestricted Subsidiaries," we will be permitted to designate certain of our Subsidiaries

as “Unrestricted Subsidiaries.” Our Unrestricted Subsidiaries will not be subject to many of the restrictive covenants in the indenture. Our Unrestricted Subsidiaries will not guarantee the Notes.

Principal, Maturity and Interest

The Company will issue US\$300 million in aggregate principal amount of Notes in this offering. The Company may issue additional Notes under the indenture from time to time after this offering. Any issuance of additional Notes is subject to all of the covenants in the indenture, including the covenant described below under the caption “– Certain Covenants – Incurrence of Indebtedness and Issuance of Preferred Stock.” Subject to any additional Notes being fungible with the Notes for U.S. federal income tax purposes, the Notes and such additional Notes subsequently issued under the indenture may be treated as a single class for all purposes under the indenture, including, without limitation, waivers, amendments, redemptions and offers to purchase. The Company will issue Notes in denominations of US\$100,000 or any higher integral multiples of US\$1,000. The Notes will mature on May 18, 2015.

Interest on the Notes will accrue at the rate of 11.75% per annum and will be payable semi-annually in arrears on May 18 and November 18, commencing on November 18, 2010. Interest on overdue principal and interest, if any, will accrue at a rate that is 1% higher than the then applicable interest rate on the Notes. The Company will make each interest payment to the holders of record on the immediately preceding May 3 and November 3.

Interest on the Notes will accrue from the date of original issuance or, if interest has already been paid, from the date it was most recently paid. Interest will be computed on the basis of a 360-day year comprised of twelve 30-day months.

The Company may acquire Notes by means other than a redemption, whether by tender offer, open market purchases, negotiated transactions or otherwise, so long as such acquisition does not otherwise violate the terms of the indenture.

Methods of Receiving Payments on the Notes

If a holder of Notes has given wire transfer instructions to the Company, the Company will pay all principal of, premium on, if any, and interest, if any, on, that holder’s Notes in accordance with those instructions. All other payments on the Notes will be made at the office or agency of the paying agent and registrar within the City and State of New York unless the Company elects to make interest payments by check mailed to the noteholders at their address set forth in the register of holders.

Paying Agent and Registrar for the Notes

The Bank of New York Mellon will initially act as paying agent and registrar. The Company may change the paying agent or registrar without prior notice to the holders of the Notes, and the Company or any of its Subsidiaries may act as paying agent or registrar.

If the Company maintains a paying agent in a member state of the European Union, such paying agent must be located in a member state of the European Union that is not obligated to withhold or deduct tax pursuant to the European Union Directive 2003/48/EC or any other directive implementing the conclusions of the ECOFIN Council meeting of 26 and 27 November 2000 on the taxation of savings income, or any law implementing, or complying with or introduced in order to conform to, such directive.

Transfer and Exchange

A holder may transfer or exchange Notes in accordance with the provisions of the indenture. The registrar and the trustee may require a holder, among other things, to furnish appropriate endorsements and transfer documents in connection with a transfer of Notes. Holders will be required to pay all taxes due on transfer. The Company and the transfer agent will not be required to transfer or exchange any Note selected for redemption. Also, the Company and the transfer agent will not be required to transfer or exchange any Note for a period of 15 days before a selection of Notes to be redeemed.

Note Guarantees

The Notes will be guaranteed by each of the Company's current and future Non-PRC Subsidiaries that are Restricted Subsidiaries, other than Non-Guarantor Offshore Subsidiaries. These Note Guarantees will be joint and several obligations of the Guarantors. The obligations of each Guarantor under its Note Guarantee will be limited as necessary to prevent that Note Guarantee from constituting a fraudulent conveyance under applicable law. See "Risk Factors – Risks Related to the Guarantees and the Collateral – The guarantees may be challenged under applicable insolvency or fraudulent transfer laws, which could impair the enforceability of the guarantees." In addition, the obligations of a JV Guarantor under its JV Guarantee, together with the obligations of its Subsidiaries and shareholders under other JV Guarantees, will be limited to the JV Entitlement.

If the Company or any of its Restricted Subsidiaries acquires or creates another Non-PRC Subsidiary after the date of the indenture, then, unless the Company designates that Non-PRC Subsidiary as a Non-Guarantor Offshore Subsidiary or an Unrestricted Subsidiary in accordance with the provisions of the indenture, that newly acquired or created Non-PRC Subsidiary will become a Subsidiary Guarantor or JV Guarantor and execute a supplemental indenture pursuant to which it will Guarantee the Notes within 30 business days of the date on which it was acquired or created. Simultaneously, the Company will cause all of the Capital Stock in such Non-PRC Subsidiary (unless it is a Subsidiary of a JV Guarantor) owned by the Company and its Restricted Subsidiaries to be pledged to secure the Notes, the Note Guarantees and other Permitted Parity Lien Indebtedness.

JV Guarantees

In the case of a Restricted Subsidiary:

- (1) that is acquired, established or commences investment for the purposes of commencing business activities after the date of the indenture;
- (2) that is a Non-PRC Subsidiary; and
- (3) in respect of which the Company or any of its Restricted Subsidiaries is proposing to divest, whether through the sale of existing Capital Stock or the issuance of new Capital Stock, no less than 20% and no more than 49% of the Capital Stock of such Restricted Subsidiary,

the Company may, concurrently with the consummation of such sale or issuance, provide a JV Guarantee instead of a Subsidiary Guarantee for (a) such Restricted Subsidiary and (b) at the Company's option, the Non-PRC Subsidiaries of such Restricted Subsidiary, if the following conditions are satisfied or complied with:

- (a) concurrently with providing the JV Guarantee, the Company and such JV Guarantor have delivered to the trustee:
 - (1) a duly executed supplemental indenture pursuant to which such JV Guarantor, and if applicable, each Non-PRC Subsidiary of such JV Guarantor, Guarantees the Notes subject to the limitation that the aggregate claims of the holders of the Notes under such JV Guarantee and all JV Guarantees provided by the Subsidiaries and shareholders of such JV Guarantor, will be limited to the JV Entitlement Amount;
 - (2) a duly executed pledge agreement that pledges in favor of the collateral agent the Capital Stock of such JV Guarantor held by the Company or any of its Subsidiaries, but not the Capital Stock of the direct or indirect Subsidiaries of such JV Guarantor;
 - (3) an officers' certificate certifying a copy of a board resolution to the effect that such JV Guarantee has been approved by a majority of the disinterested members of the Board of Directors of such JV Guarantor; and
 - (4) a legal opinion by a law firm of recognized international standing confirming that under New York law such JV Guarantee is valid, binding and enforceable against the JV Guarantor providing the JV Guarantee (subject to customary qualifications and assumptions);

- (b) as of the date of execution of the JV Guarantee, no document exists that is binding on the Company or any of the Restricted Subsidiaries that would have the effect of (1) prohibiting the Company or any of the Restricted Subsidiaries from providing such JV Guarantee, or (2) requiring the Company or any of the Restricted Subsidiaries to deliver or keep in place a guarantee on terms that are more favorable to the recipients of such guarantee than the JV Guarantee; and
- (c) no Default would be caused by such Restricted Subsidiary issuing a JV Guarantee rather than a Subsidiary Guarantee, or the non-issuance of any Note Guarantee by Subsidiaries of such Restricted Subsidiary.

Replacement of Subsidiary Guarantees with JV Guarantees

A Subsidiary Guarantee given by a Subsidiary Guarantor may be released following the sale or issuance by the Company or any of its Restricted Subsidiaries of Capital Stock in (a) such Subsidiary Guarantor or (b) any other Subsidiary Guarantor that, directly or indirectly, owns a majority of the Capital Stock of such Subsidiary Guarantor, in each case where such sale or issuance is for no less than 20% and no more than 49% of the issued Capital Stock of the relevant Subsidiary Guarantor, *provided* that the following conditions are satisfied or complied with:

- (1) concurrently with the release of such Subsidiary Guarantee, the Company and such JV Guarantor have delivered to the trustee:
 - (a) a duly executed supplemental indenture pursuant to which such JV Guarantor Guarantees the Notes subject to limitation that the aggregate claims of the holders of Notes under such JV Guarantee and the JV Guarantees of the Subsidiaries and shareholders of such JV Guarantor, will be limited to the JV Entitlement Amount;
 - (b) a duly executed pledge agreement that pledges in favor of the collateral agent the Capital Stock of such JV Guarantor held by the Company or any Subsidiary, but not the Capital Stock of the direct or indirect Subsidiaries of such JV Guarantor;
 - (c) an officers' certificate certifying a copy of a board resolution to the effect that such JV Guarantee has been approved by a majority of the disinterested members of the Board of Directors of such JV Guarantor; and
 - (d) a legal opinion by a law firm of recognized international standing confirming that under New York law such JV Guarantee is valid, binding and enforceable against the JV Guarantors providing the JV Guarantees (subject to customary qualifications and assumptions);
- (2) as of the date of such proposed release, no document exists that is binding on the Company or any of the Restricted Subsidiaries that would have the effect of (a) prohibiting the Company or any of the Restricted Subsidiaries from releasing such Subsidiary Guarantee, (b) prohibiting the Company or any of the Restricted Subsidiaries from providing such JV Guarantee or (c) requiring the Company or any of the Restricted Subsidiaries to deliver or keep in force a replacement guarantee on terms that are more favorable to the recipients of such guarantee than the JV Guarantee; and
- (3) no Default will be caused by the release of such Subsidiary Guarantees.

Notwithstanding the foregoing paragraph, any such sale or issuance of the Capital Stock of the relevant Subsidiary Guarantor (including where such sale results in the relevant Subsidiary Guarantor ceasing to be a Restricted Subsidiary) will need to comply with the other covenants set forth in the indenture, including, without limitation, the "Repurchase at the Option of Holders – Asset Sales" and "Certain Covenants – Restricted Payments."

Non-Guarantor Offshore Subsidiaries

A Non-PRC Subsidiary that is Restricted Subsidiary need not provide a Subsidiary Guarantee or JV Guarantee if it is designated by the Company as a Non-Guarantor Offshore Subsidiary. The Board of Directors of the Company may designate any Non-PRC Subsidiary to be a Non-Guarantor Offshore Subsidiary if:

- (1) at any time of determination, the Total Assets of that Non-PRC Subsidiary, together with the Total Assets of all other Non-Guarantor Offshore Subsidiaries (including Subsidiaries of JV Guarantors that have not provided JV Guarantees), would not exceed 15.0% of the Company's Total Assets; and
- (2) such designation would not cause a Default.

The Board of Directors of the Company may at any time remove the designation of any Non-Guarantor Offshore Subsidiary as such, and unless this Non-PRC Subsidiary is designated an Unrestricted Subsidiary, it will become a Subsidiary Guarantor or JV Guarantor and execute a supplemental indenture pursuant to which it will Guarantee the Notes under a Subsidiary Guarantee or a JV Guarantee in accordance with the provisions of the indenture, within 30 business days of the date on which its designation as a Non-Guarantor Offshore Subsidiary was removed. Simultaneously, the Company will cause all of the Capital Stock in such Non-PRC Subsidiary (unless it is the Subsidiary of a JV Guarantor) owned by the Company and its Restricted Subsidiaries to be pledged to secure the Notes, the Note Guarantees and other Permitted Parity Lien Indebtedness.

Any designation of a Non-PRC Subsidiary as a Non-Guarantor Offshore Subsidiary will be evidenced to the trustee by filing with the trustee a certified copy of a resolution of the Board of Directors giving effect to such designation and an officers' certificate certifying that such designation complied with the preceding conditions.

If, at any time, the Total Assets of all Non-Guarantor Offshore Subsidiaries then existing exceed 15.0% of the Company's Total Assets, the Company must remove the designation of one or more Non-Guarantor Offshore Subsidiaries such that the 15.0% limitation is complied with. This removal of designation must be made within 30 business days from the date consolidated financial statements of the Company for the most recent fiscal quarter (which the Company must use its best efforts to compile on a timely basis) become available (which may be internal consolidated financial statements).

The Board of Directors of the Company may at any time designate a Non-Guarantor Offshore Subsidiary as a JV Guarantor if:

- (1) either (a) it is a direct or indirect Non-PRC Subsidiary of a JV Guarantor or (b) no less than 20% of its issued Capital Stock is owned by a Person other than the Company or any Restricted Subsidiary at the time of such designation;
- (2) each of the requirements set forth in paragraph (a) (other than paragraph (a)(2) in the case of clause 1(a) above) and paragraph (b) under the caption "– JV Guarantees" is satisfied; and
- (3) such designation would not cause a Default.

Release of Note Guarantees

The Note Guarantee of a Guarantor will be released:

- (1) upon the full and final payment and performance of all Obligations of the Company under the indenture and the Notes;
- (2) in connection with any sale or other disposition of all or substantially all of the assets of that Guarantor, by way of merger, consolidation or otherwise, to a Person that is not (either before or after giving effect to such transaction) the Company or a Restricted Subsidiary of the Company, if the sale or other disposition does not violate the "Asset Sale" provisions of the indenture;
- (3) in connection with any sale or other disposition of Capital Stock of that Guarantor to a Person that is not (either before or after giving effect to such transaction) the Company or a Restricted Subsidiary of the Company, if the sale or other disposition does not violate the "Asset Sale" provisions of the indenture and the Guarantor ceases to be a Restricted Subsidiary of the Company as a result of the sale or other disposition;

- (4) if the Company designates that Guarantor to be an Unrestricted Subsidiary in accordance with the applicable provisions of the indenture;
- (5) if the Company designates that Guarantor, if it is a Subsidiary Guarantor, to be a JV Guarantor, or vice versa, in accordance with the provisions of the indenture;
- (6) if the Company designates that Guarantor to be a Non-Guarantor Offshore Subsidiary in accordance with the applicable provisions of the indenture; or
- (7) upon legal defeasance, covenant defeasance or satisfaction and discharge of the indenture as provided below under the captions “– Legal Defeasance and Covenant Defeasance” and “– Satisfaction and Discharge.”

Security

General

The Notes and the Note Guarantees will be secured by a pledge of the Capital Stock of all current and future Guarantors (other than Subsidiaries of JV Guarantors) owned by the Company or its Subsidiaries.

Each of the Pledgors and the collateral agent, initially being The Bank of New York Mellon (or its affiliates) and shall include any of its successors or its replacement, will enter into a pledge agreement, substantially in the form attached to the indenture, defining the terms of the pledges that secure the Notes, the Note Guarantees and any future Permitted Parity Lien Indebtedness referred to below. There will be no Permitted Parity Lien Indebtedness on the date of the indenture. These pledges will secure the payment and performance when due of all of the Obligations of the Company and the Guarantors under the indenture, the Notes, the Note Guarantees and any future Permitted Parity Lien Indebtedness as provided in the pledge agreements.

So long as no Event of Default has occurred and is continuing, and subject to certain terms and conditions, the Company and its Subsidiaries will be entitled to receive all cash dividends, interest and other payments made upon or with respect to the Collateral pledged by them and to exercise any voting and other consensual rights pertaining to the Collateral pledged by them.

Upon the occurrence and so long as an Event of Default is continuing:

- (1) all rights of the Pledgors to exercise such voting or other consensual rights will cease, and all such rights will become vested in the collateral agent, which, to the extent permitted by law, will have the sole right to exercise such voting and other consensual rights;
- (2) all rights of the Pledgors to receive all cash dividends, interest and other payments made upon or with respect to the Collateral will cease and such cash dividends, interest and other payments will be paid to the collateral agent; and
- (3) the collateral agent may sell the Collateral or any part of the Collateral in accordance with the terms of the pledge agreements and the intercreditor agreement. The collateral agent in accordance with the provisions of the intercreditor agreement will distribute all funds distributed under the pledge agreements and received by the collateral agent for the benefit of the holders of the Notes and holders of any Permitted Parity Lien Indebtedness (or their representatives).

The collateral agent will, in accordance with the intercreditor agreement and the pledge agreement, determine the circumstances and manner in which the Collateral will be disposed of, including, but not limited to, the determination of whether to release all or any portion of the Collateral from the Liens created by the pledge agreements and whether to foreclose on the Collateral following an Event of Default. The collateral agent will follow any instructions given to it by the trustee and the representatives of the holders of Permitted Parity Lien Indebtedness in accordance with the intercreditor agreement and the pledge agreements.

The pledges will be released as a security interest for the Notes and the Note Guarantees:

- (1) upon the full and final payment and performance of all Obligations of the Company under the indenture and the Notes;

- (2) if the Capital Stock of any Subsidiary pledged to secure the Notes is sold in accordance with the terms of the covenant entitled "Asset Sales";
- (3) in the case of a Guarantor that is released from its Note Guarantee (including a JV Guarantee) pursuant to the terms of the indenture, the release of the Capital Stock in such Guarantor; and
- (4) upon legal defeasance, covenant defeasance or satisfaction and discharge of the Notes as provided below under the captions "– Legal Defeasance and Covenant Defeasance" and "– Satisfaction and Discharge."

The proceeds from the sale of the Collateral may not be sufficient to satisfy the obligations owed to the holders of the Notes. No appraisals of the Collateral have been made in connection with this offering of the Notes. By its nature, all of the Collateral will be illiquid and may have no readily ascertainable market value. Accordingly, the Collateral may not be able to be sold in a short period of time, or at all. See "Risk Factors – Risks Relating to the Guarantees and the Collateral – The value of the collateral is unlikely to be sufficient to satisfy our obligations under the Notes and other parity secured indebtedness."

Permitted Parity Lien Indebtedness

Under the indenture, the Company and any Guarantor may incur certain additional Indebtedness in the future that may share in the Collateral on an equal and ratable basis with the Notes and other Permitted Parity Lien Indebtedness, if:

- (1) the Company or such Guarantor is permitted to Incur such Indebtedness under the covenant under the caption "– Certain Covenants – Incurrence of Indebtedness and Issuance of Preferred Stock";
- (2) other than in the case of additional Notes, the holders of such Indebtedness (or their representative) become party to the Intercreditor Agreement referred to below; and
- (3) the Company and such Guarantor deliver to the trustee and the collateral agent an opinion of counsel with respect to corporate and collateral matters in connection with the pledge agreements, in form and substance as set forth in the pledge agreements or otherwise satisfactory to the trustee.

The trustee and, if applicable, the collateral agent will be permitted and authorized, without the consent of any holder of Notes, to enter into any amendments or supplements to the pledge agreements or the indenture and take any other action necessary to permit the creation and registration of Liens on the Collateral to secure Permitted Parity Lien Obligations in accordance with the terms of the pledge agreements, the intercreditor agreement and the indenture (including, without limitation, the appointment of any collateral agent under the Intercreditor Agreement referred to below to hold the Collateral on behalf of the holders of the Notes and the holders of Permitted Parity Lien Indebtedness).

Except for certain Permitted Collateral Liens and the Permitted Parity Lien Indebtedness, the Company and its Restricted Subsidiaries will not be permitted to issue or Incur any other Indebtedness secured by all or any portion of the Collateral without the consent of each holder of the Notes then outstanding.

Intercreditor Agreement

Prior to the first incurrence of Permitted Parity Lien Indebtedness, the trustee on behalf of the holders of the Notes and the collateral agent will enter into an intercreditor agreement, in each case without requiring any instruction or consent from the holders, with the Company, and the holders of such Permitted Parity Lien Indebtedness (or their representative) pursuant to which the collateral agent will agree to act as agent for the trustee and future representatives of Permitted Parity Lien Indebtedness with respect to the Collateral. The intercreditor agreement will provide, among other things, that:

- (1) the secured parties sharing in Collateral will have equal priority and pro rata entitlement in and to the Collateral;

- (2) the conditions under which the parties thereto will consent to the release of or granting of any Lien on any such Collateral; and
- (3) the conditions under which the parties thereto will enforce their rights with respect to such Collateral and the Indebtedness secured thereby.

By accepting the Notes, each holder shall be deemed to have consented to the execution of the intercreditor agreement, any amendments or modifications thereto, and any future intercreditor agreement required under the Indenture.

Enforcement of Security

The security interest over the Collateral will be granted to the collateral agent, who has agreed to act as secured party on behalf of the trustee and holders of Permitted Parity Lien Indebtedness (or their representative) under the applicable pledge agreements, to follow the instructions provided to it by any of the trustee and holders of Permitted Parity Lien Indebtedness (or their representative) under the pledge agreements and to carry out certain other duties, all subject to the intercreditor agreement (if any). The trustee will give instructions to the collateral agent in accordance with instructions it receives under the indenture.

The indenture and/or the pledge agreements generally provide that, at any time while the Notes are outstanding, the collateral agent has the exclusive right to perform and enforce the terms of the pledge agreements relating to the Collateral and to exercise and enforce all privileges, rights and remedies thereunder, including to take or retake control or possession of such Collateral and to hold, prepare for sale, process, lease, dispose of or liquidate such Collateral, including, without limitation, following the occurrence of:

- (1) an Event of Default under the indenture as directed by the trustee acting upon direction of a majority of the holders of Notes under the indenture; or
- (2) an event of default under any relevant Permitted Parity Lien Indebtedness upon direction pursuant to such Indebtedness.

All payments received and all amounts held by the collateral agent in respect of the Collateral under the pledge agreements will, subject to the intercreditor agreement (if any), be applied as follows:

- (1) *first*, to the collateral agent and its agents and attorneys to the extent necessary to reimburse them for any fees and expenses incurred in connection with the collection or distribution of such amounts held or realized or in connection with expenses incurred in enforcing its remedies under the pledge agreements and preserving the Collateral and all amounts for which the collateral agent is entitled to indemnification under the pledge agreements;
- (2) *second*, to the trustee for the benefit of the holders of the Notes and, to the extent applicable, to the holders of the Permitted Parity Lien Indebtedness (or their representative); and
- (3) *third*, any surplus remaining after such payments will be paid to the Company or any Pledgors or to whomever may be lawfully entitled thereto.

The collateral agent may decline to foreclose on the Collateral or exercise remedies available if it does not receive security and/or indemnification to its satisfaction. In addition, the collateral agent's ability to foreclose on the Collateral may be subject to lack of perfection, the consent of third parties, prior Liens and practical problems associated with the realization of the collateral agent's Liens on the Collateral. Neither the collateral agent, the trustee nor any of their respective officers, directors, employees, attorneys or agents will be responsible or liable for the existence, genuineness, value or protection of any Collateral securing the Notes, for the legality, enforceability, effectiveness or sufficiency of the pledge agreements, for the creation, perfection, priority, sufficiency or protection of any of the Liens, or for any defect or deficiency as to any such matters, or for any failure to demand, collect, foreclose or realize upon or otherwise enforce any of the Liens or pledge agreements or any delay in doing so.

The pledge agreements provide that the Company and any Pledgor will indemnify the collateral agent and its employees for all liabilities, obligations, losses, damages, penalties, actions, judgments, suits,

costs, expenses or disbursements of any kind imposed against the collateral agent and its employees arising out of the pledge agreements except to the extent that any of the foregoing are finally judicially determined to have resulted from the gross negligence or willful misconduct of the collateral agent.

This section, “– Enforcement of Security,” shall be subject to any amendments to the Security Documents or the Indenture to permit the creation of Liens on the Collateral to secure Permitted Parity Lien Indebtedness in accordance with “– Permitted Parity Lien Indebtedness” above and the terms of the intercreditor agreement (if any).

Additional Amounts

All payments made under or with respect to the Notes (whether or not in the form of definitive Notes in registered certificated form (“*Certificated Notes*”)) or with respect to any Note Guarantee will be made free and clear of and without withholding or deduction for, or on account of, any present or future Taxes unless the withholding or deduction of such Taxes is then required by law. If any deduction or withholding for, or on account of, any Taxes imposed or levied by or on behalf of any jurisdiction in which the Company or any Guarantor (for purposes of this section, including any successor entity of the Company or any Guarantor), is then incorporated, engaged in business or resident for tax purposes or any political subdivision thereof or therein (each, a “*Relevant Jurisdiction*”) or any jurisdiction from or through which payment is made by or on behalf of the Company or any Guarantor (including, without limitation, the jurisdiction of any paying agent) (together with the Relevant Jurisdictions, each, a “*Relevant Tax Jurisdiction*”), will at any time be required to be made from any payments made under or with respect to the Notes or with respect to any Note Guarantee, including, without limitation, payments of principal, redemption price, purchase price, interest or premium, the Company or the relevant Guarantor, as applicable, will pay such additional amounts (the “*Additional Amounts*”) as may be necessary in order that the net amounts received in respect of such payments by each holder after such withholding or deduction will equal the respective amounts that would have been received in respect of such payments in the absence of such withholding or deduction; *provided, however*, that no Additional Amounts will be payable with respect to:

- (1) any Taxes that would not have been imposed but for the holder or the beneficial owner of the Notes being a citizen, resident or national of, incorporated in, or carrying on a business in, the Relevant Tax Jurisdiction or having any other present or former connection with the Relevant Tax Jurisdiction other than the mere acquisition, holding, enforcement of, or receipt of payment in respect of the Notes or any Note Guarantee;
- (2) any Taxes that are imposed or withheld as a result of the failure of the holder of the Note or beneficial owner of the Note to comply with any written request made to the holder, with reasonable time to comply, to provide information concerning the nationality, residence or identity of such holder or beneficial owner or to make any declaration or similar claim or satisfy any certification information or other reporting requirement, which is required or imposed by a statute, treaty, regulation or administrative practice of the Relevant Tax Jurisdiction as a precondition to any exemption from or reduction in all or part of such Taxes to which such holder or beneficial owner is entitled;
- (3) any Taxes that would not have been imposed or withheld but for the presentation of the Note for payment (where presentation is required) more than 30 days after the relevant payment is first made available for payment to the holder (except to the extent that the holder would have been entitled to Additional Amounts had the Note been presented during such 30 day period);
- (4) any estate, inheritance, gift, sale, transfer, personal property or similar Taxes;
- (5) any Taxes withheld, deducted or imposed on a payment to an individual pursuant to European Council Directive 2003/48/EC or any other directive implementing the conclusions of the ECOFIN Council meeting of 26 and 27 November 2000 on the taxation of savings income or any law implementing or complying with or introduced in order to conform to, such Directive;
- (6) any Taxes that would not have been imposed or withheld but for the presentation of the Note for payment (where presentation is required) in the Relevant Tax Jurisdiction by or on behalf of a holder of Notes who would have been able to avoid such withholding or deduction by presenting the relevant Note to another paying agent;

- (7) any Taxes payable other than by deduction or withholding from payments under, or with respect to, the Notes or with respect to any Note Guarantee; or
- (8) any combination of items (1) through (7) above.

In addition, no Additional Amount will be paid with respect to any payment where the holder of the Notes is a fiduciary, partnership or a person other than the sole beneficial owner of such payment where the payment would be required by the laws of the Relevant Tax Jurisdiction to be included in income of a beneficiary or settler with respect to the fiduciary, a member of that partnership or a beneficial owner who would not have been entitled to the Additional Amounts had that beneficiary, settler, partner or beneficial owner been the holder.

In addition to the foregoing, the Company and the Guarantors will also pay and indemnify the holder for any present or future stamp, issue, registration, court or documentary Taxes, or any other excise or property Taxes, charges or similar levies or Taxes which are levied by any Relevant Tax Jurisdiction on the execution, delivery, registration or enforcement of any of the Notes, the indenture, any Note Guarantee, or any other document or instrument referred to therein.

If the Company or any Guarantor, as the case may be, becomes aware that it will be obligated to pay Additional Amounts with respect to any payment under or with respect to the Notes or any Note Guarantee, the Company or the relevant Guarantor, as the case may be, will deliver to the trustee on a date that is at least 30 days prior to the date of that payment (unless the obligation to pay Additional Amounts arises after the 30th day prior to that payment date, in which case the Company or the relevant Guarantor shall notify the trustee promptly thereafter) an officers' certificate stating the fact that Additional Amounts will be payable and the amount estimated to be so payable. The officers' certificate must also set forth any other information reasonably necessary to enable the Paying Agents to pay Additional Amounts to holders on the relevant payment date. The trustee shall be entitled to rely solely on such officers' certificate as conclusive proof that such payments are necessary. The Issuer or the relevant Guarantor will provide the trustee with documentation reasonably satisfactory to the trustee evidencing the payment of Additional Amounts.

The Company or the relevant Guarantor will make all withholdings and deductions required by law and will remit the full amount deducted or withheld to the relevant Tax authority in accordance with applicable law. Upon request, the Company or the relevant Guarantor will provide to the trustee an official receipt or, if official receipts are not obtainable, other documentation reasonably satisfactory to the trustee evidencing the payment of any Taxes so deducted or withheld. The Company or the relevant Guarantor will attach to each certified copy or other document a certificate stating the amount of such Taxes paid per US\$100,000 principal amount of the Notes then outstanding. Upon request, copies of those receipts or other documentation, as the case may be, will be made available by the trustee to the holders of the Notes. The trustee will not be responsible for ensuring that the withholding and deduction of any amount has been properly made.

Whenever in the indenture or in this Description of the Notes there is mentioned, in any context, the payment of amounts based upon the principal amount of the Notes or of principal, interest or of any other amount payable under, or with respect to, any of the Notes or Note Guarantee, such mention shall be deemed to include mention of the payment of Additional Amounts to the extent that, in such context, Additional Amounts are, were or would be payable in respect thereof.

Optional Redemption

At any time prior to May 18, 2013, the Company may on any one or more occasions redeem up to 35% of the aggregate principal amount of Notes issued under the indenture, upon not less than 30 nor more than 60 days' notice, at a redemption price equal to 111.75% of the principal amount of the Notes redeemed, plus accrued and unpaid interest, if any, to the date of redemption (subject to the rights of holders of Notes on the relevant record date to receive interest on the relevant interest payment date), with the net cash proceeds of an Equity Offering by the Company; *provided that*:

- (1) at least 65% of the aggregate principal amount of Notes originally issued under the indenture (excluding Notes held by the Company and its Subsidiaries) remains outstanding immediately after the occurrence of such redemption; and

- (2) the redemption occurs within 45 days of the date of the closing of such Equity Offering.

At any time prior to May 18, 2013, the Company may on any one or more occasions redeem all or a part of the Notes, upon not less than 30 nor more than 60 days' notice, at a redemption price equal to 100% of the principal amount of the Notes redeemed, plus the Applicable Premium as of, and accrued and unpaid interest, if any, to the date of redemption, subject to the rights of holders of Notes on the relevant record date to receive interest due on the relevant interest payment date.

Except pursuant to the preceding paragraphs and "– Redemption for Changes in Taxes" described below, the Notes will not be redeemable at the Company's option prior to May 18, 2013.

On or after May 18, 2013, the Company may on any one or more occasions redeem all or a part of the Notes, upon not less than 30 nor more than 60 days' notice, at the redemption prices (expressed as percentages of principal amount) set forth below, plus accrued and unpaid interest, if any, on the Notes redeemed, to the applicable date of redemption, if redeemed during the twelve-month period beginning on May 18 of the years indicated below, subject to the rights of holders of Notes on the relevant record date to receive interest on the relevant interest payment date:

Year	Percentage
2013	105.8750%
2014 and thereafter	102.9375%

Unless the Company defaults in the payment of the redemption price, interest will cease to accrue on the Notes or portions thereof called for redemption on the applicable redemption date.

Redemption for Changes in Taxes

The Company may redeem the Notes, in whole but not in part, at its discretion at any time upon giving not less than 30 nor more than 60 days' prior notice to the holders of the Notes (which notice will be irrevocable and given in accordance with the procedures described in "– Selection and Notice"), at a redemption price equal to the principal amount thereof, together with accrued and unpaid interest, if any, to the date fixed by the Company for redemption (a "Tax Redemption Date") and all Additional Amounts (if any) then due and which will become due on the Tax Redemption Date as a result of the redemption or otherwise, if on the next date on which any amount would be payable in respect of the Notes, the Company or a Guarantor is or would be required to pay Additional Amounts and (i) in the case of Additional Amounts payable by a Guarantor, the Guarantor would be unable for reasons outside its control to procure payment by the Company and in making payment itself the relevant Guarantor would be required to pay Additional Amounts, and (ii) the Company or the relevant Guarantor, as applicable, cannot avoid any such payment obligation by taking reasonable measures available to it, and the requirement arises as a result of:

- (1) any change in, or amendment to, the laws (or any regulations, or rulings promulgated thereunder) of the Relevant Jurisdiction (as defined above) affecting taxation which change or amendment has not been enacted or adopted before and which becomes effective on or after the date of the indenture (or, if the Relevant Jurisdiction has changed since the date of the indenture, the date on which the then current Relevant Jurisdiction became the applicable Relevant Jurisdiction under the indenture); or
- (2) any change in, or amendment to, the existing official position or the introduction of an official position regarding the application, administration or interpretation of such laws, regulations or rulings (including a holding, judgment or order by a court of competent jurisdiction or a change in published practice), which change, amendment, application or interpretation has not been officially announced before and which becomes effective on or after the date of the indenture (or, if the Relevant Jurisdiction has changed since the date of the indenture, the date on which the then current Relevant Jurisdiction became the applicable Relevant Jurisdiction under the indenture).

The Company may not give any such notice of redemption earlier than 60 days prior to the earliest date on which the Company or the relevant Guarantor would be obligated to make such payment or

withholding if a payment in respect of the Notes were then due, and at the time such notice is given, the obligation to pay Additional Amounts must remain in effect. Prior to the publication or, where relevant, mailing of any notice of redemption of the Notes pursuant to the foregoing, the Company will deliver to the trustee an opinion of independent tax counsel of recognized standing with respect to such matters to the effect that there has been such change or amendment which would entitle the Company to redeem the Notes as described above. In addition, before the Company publishes or mails notice of redemption of the Notes as described above, it will deliver to the trustee an officers' certificate to the effect that it or the relevant Guarantor, as the case may be, cannot avoid its obligation to pay Additional Amounts by the Company taking reasonable measures.

The trustee will accept such officers' certificate and opinion of counsel as sufficient evidence of the existence and satisfaction of the conditions precedent as described above, in which event it will be conclusive and binding on the holders.

Mandatory Redemption

The Company is not required to make mandatory redemption or sinking fund payments with respect to the Notes.

Repurchase at the Option of Holders

Change of Control

Upon the occurrence of both a Change of Control and a Rating Decline, each holder of Notes will have the right to require the Company to repurchase all or any part (equal to US\$100,000 or a higher integral multiple of US\$1,000) of that holder's Notes pursuant to a Change of Control Offer on the terms set forth in the indenture. In the Change of Control Offer, the Company will offer a Change of Control Payment in cash equal to 101% of the aggregate principal amount of Notes repurchased, plus accrued and unpaid interest, if any, on the Notes repurchased to the date of purchase, subject to the rights of holders of Notes on the relevant record date to receive interest due on the relevant interest payment date. Within ten days following the occurrence of both a Change of Control and a Rating Decline, the Company will mail a notice to each holder describing the transaction or transactions that constitute the Change of Control and offering to repurchase Notes on the Change of Control Payment Date specified in the notice, which date will be no earlier than 30 days and no later than 60 days from the date such notice is mailed, pursuant to the procedures required by the indenture and described in such notice. The Company will comply with the requirements of Rule 14e-1 under the Exchange Act and any other securities laws and regulations thereunder to the extent those laws and regulations are applicable in connection with the repurchase of the Notes as a result of a Change of Control. To the extent that the provisions of any securities laws or regulations conflict with the Change of Control provisions of the indenture, the Company will comply with the applicable securities laws and regulations and will not be deemed to have breached its obligations under the Change of Control provisions of the indenture by virtue of such compliance.

On the Change of Control Payment Date, the Company will, to the extent lawful:

- (1) accept for payment all Notes or portions of Notes properly tendered pursuant to the Change of Control Offer;
- (2) deposit with the paying agent an amount equal to the Change of Control Payment in respect of all Notes or portions of Notes properly tendered; and
- (3) deliver or cause to be delivered to the trustee the Notes properly accepted together with an officers' certificate stating the aggregate principal amount of Notes or portions of Notes being purchased by the Company.

The paying agent will promptly mail to each holder of Notes properly tendered the Change of Control Payment for such Notes, and the trustee will promptly authenticate and mail (or cause to be transferred by book entry) to each holder a new Note equal in principal amount to any unpurchased portion of the Notes surrendered, if any. The Company will publicly announce the results of the Change of Control Offer on or as soon as practicable after the Change of Control Payment Date.

The provisions described above that require the Company to make a Change of Control Offer following a Change of Control and a Rating Decline will be applicable whether or not any other provisions of the indenture are applicable. Except as described above with respect to a Change of Control, the indenture does not contain provisions that permit the holders of the Notes to require that the Company repurchase or redeem the Notes in the event of a takeover, recapitalization or similar transaction.

The Company will not be required to make a Change of Control Offer upon a Change of Control and Rating Decline if (1) a third party makes the Change of Control Offer in the manner, at the times and otherwise in compliance with the requirements set forth in the indenture applicable to a Change of Control Offer made by the Company and purchases all Notes properly tendered and not withdrawn under the Change of Control Offer, or (2) notice of redemption has been given pursuant to the indenture as described above under the caption “– Optional Redemption,” unless and until there is a default in payment of the applicable redemption price. Notwithstanding anything to the contrary contained herein, a Change of Control Offer may be made in advance of a Change of Control, conditioned upon the consummation of such Change of Control, if a definitive agreement is in place for the Change of Control at the time the Change of Control Offer is made.

The definition of Change of Control includes a phrase relating to the direct or indirect sale, lease, transfer, conveyance or other disposition of “all or substantially all” of the properties or assets of the Company and its Subsidiaries taken as a whole. Although there is a limited body of case law interpreting the phrase “substantially all,” there is no precise established definition of the phrase under applicable law. Accordingly, the ability of a holder of Notes to require the Company to repurchase its Notes as a result of a sale, lease, transfer, conveyance or other disposition of less than all of the assets of the Company and its Subsidiaries taken as a whole to another Person or group may be uncertain.

Asset Sales

The Company will not, and will not permit any of its Restricted Subsidiaries to, consummate an Asset Sale unless:

- (1) the Company (or the Restricted Subsidiary, as the case may be) receives consideration at the time of the Asset Sale at least equal to the Fair Market Value (measured as of the date of the definitive agreement with respect to such Asset Sale) of the assets or Equity Interests issued or sold or otherwise disposed of; and
- (2) at least 75% of the consideration received in the Asset Sale by the Company or such Restricted Subsidiary is in the form of cash or Cash Equivalents. For purposes of this provision, each of the following will be deemed to be cash:
 - (a) any liabilities, as shown on the Company’s most recent consolidated balance sheet, of the Company or any Restricted Subsidiary (other than contingent liabilities and liabilities that are by their terms subordinated to the Notes or any Note Guarantee) that are assumed by the transferee of any such assets pursuant to a customary novation or indemnity agreement that releases the Company or such Restricted Subsidiary from or indemnifies against further liability;
 - (b) any securities, notes or other obligations received by the Company or any such Restricted Subsidiary from such transferee that are contemporaneously, subject to ordinary settlement periods, converted by the Company or such Restricted Subsidiary into cash, to the extent of the cash received in that conversion; and
 - (c) any stock or assets of the kind referred to in clauses (2) or (4) of the next paragraph of this covenant.

Within 360 days after the receipt of any Net Proceeds from an Asset Sale, the Company (or the applicable Restricted Subsidiary, as the case may be) may apply such Net Proceeds:

- (1) to repay Indebtedness of the Company or any Restricted Subsidiary and, if the Indebtedness repaid is revolving credit Indebtedness, to correspondingly reduce commitments with respect thereto;

- (2) to acquire all or substantially all of the assets of, or any Capital Stock of, another Permitted Business, if, after giving effect to any such acquisition of Capital Stock, the Permitted Business is or becomes a Restricted Subsidiary of the Company;
- (3) to make a capital expenditure; or
- (4) to acquire other assets that are not classified as current assets under IFRS and that are used or useful in a Permitted Business.

Pending the final application of any Net Proceeds, the Company (or the applicable Restricted Subsidiary) may temporarily reduce revolving credit borrowings or otherwise invest the Net Proceeds in any manner that is not prohibited by the indenture.

Any Net Proceeds from Asset Sales that are not applied or invested as provided in the second paragraph of this covenant will constitute "*Excess Proceeds*." When the aggregate amount of Excess Proceeds exceeds US\$10.0 million, within 10 days thereof, the Company will make an offer (an "*Asset Sale Offer*") to all holders of Notes and all holders of other Indebtedness that is *pari passu* with the Notes containing provisions similar to those set forth in the indenture with respect to offers to purchase, prepay or redeem with the proceeds of sales of assets to purchase, prepay or redeem the maximum principal amount of Notes and such other *pari passu* Indebtedness (plus all accrued interest on the Indebtedness and the amount of all fees and expenses, including premiums, incurred in connection therewith) that may be purchased, prepaid or redeemed out of the Excess Proceeds. The offer price in any Asset Sale Offer will be equal to 100% of the principal amount, plus accrued and unpaid interest, if any, to the date of purchase, prepayment or redemption, subject to the rights of holders of Notes on the relevant record date to receive interest due on the relevant interest payment date, and will be payable in cash. If any Excess Proceeds remain after consummation of an Asset Sale Offer, the Company may use those Excess Proceeds for any purpose not otherwise prohibited by the indenture. If the aggregate principal amount of Notes and other *pari passu* Indebtedness tendered in (or required to be prepaid or redeemed in connection with) such Asset Sale Offer exceeds the amount of Excess Proceeds, the trustee will select the Notes and such other *pari passu* Indebtedness to be purchased on a *pro rata* basis, based on the amounts tendered or required to be prepaid or redeemed (with such adjustments as may be deemed appropriate by the Company so that only Notes in denominations of US\$100,000, or a higher integral multiple of US\$1,000, will be purchased). Upon completion of each Asset Sale Offer, the amount of Excess Proceeds will be reset at zero.

The Company will comply with the requirements of Rule 14e-1 under the Exchange Act and any other securities laws and regulations thereunder to the extent those laws and regulations are applicable in connection with each repurchase of Notes pursuant to a Change of Control Offer or an Asset Sale Offer. To the extent that the provisions of any securities laws or regulations conflict with the Change of Control or Asset Sale provisions of the indenture, the Company will comply with the applicable securities laws and regulations and will not be deemed to have breached its obligations under the Change of Control or Asset Sale provisions of the indenture by virtue of such compliance.

Any future agreements governing the Company's other Indebtedness may contain, prohibitions of certain events, including events that would constitute a Change of Control or an Asset Sale and including repurchases of or other prepayments in respect of the Notes. The exercise by the holders of Notes of their right to require the Company to repurchase the Notes upon a Change of Control or an Asset Sale could cause a default under these other agreements, even if the Change of Control or Asset Sale itself does not, due to the financial effect of such repurchases on the Company. In the event a Change of Control or Asset Sale occurs at a time when the Company is prohibited from purchasing Notes, the Company could seek the consent of its senior lenders to the purchase of Notes or could attempt to refinance the borrowings that contain such prohibition. If the Company does not obtain a consent or repay those borrowings, the Company will remain prohibited from purchasing Notes. In that case, the Company's failure to purchase tendered Notes would constitute an Event of Default under the indenture which could, in turn, constitute a default under the other indebtedness. Finally, the Company's ability to pay cash to the holders of Notes upon a repurchase may be limited by the Company's then existing financial resources. See "Risk Factors – Risks Relating to the Notes – We may not be able to repurchase the Notes upon a change of control."

Selection and Notice

If less than all of the Notes are to be redeemed at any time, the trustee will select Notes for redemption on a pro rata basis (or, in the case of Notes issued in global form as discussed under “– Book-entry, Delivery and Form,” based on a method that most nearly approximates a *pro rata* selection as the trustee deems fair and appropriate) unless otherwise required by law or applicable stock exchange or depository requirements.

No Notes of US\$100,000 or less can be redeemed in part. Notices of redemption will be mailed by first class mail at least 30 but not more than 60 days before the redemption date to each holder of Notes to be redeemed at its registered address, except that redemption notices may be mailed more than 60 days prior to a redemption date if the notice is issued in connection with a defeasance of the Notes or a satisfaction and discharge of the indenture. Notices of redemption may not be conditional.

If any Note is to be redeemed in part only, the notice of redemption that relates to that Note will state the portion of the principal amount of that Note that is to be redeemed. A new Note in principal amount equal to the unredeemed portion of the original Note will be issued in the name of the holder of Notes upon cancellation of the original Note. Notes called for redemption become due on the date fixed for redemption. On and after the redemption date, interest ceases to accrue on Notes or portions of Notes called for redemption.

For Notes which are represented by Global Notes, notices may be given by delivery of the relevant notices to the relevant clearing systems for communication to entitled account holders in substitution for the aforesaid mailing.

Certain Covenants

Changes in Covenants When Notes Rated Investment Grade

If on any date following the date of the indenture:

- (1) the Notes are rated Investment Grade by both of the Rating Agencies; and
- (2) no Default or Event of Default shall have occurred and be continuing,

then, beginning on that day and subject to the provisions of the following paragraph, the covenants specifically listed under the following captions in this offering memorandum will be suspended:

- (1) “– Repurchase at the Option of Holders – Assets Sales”;
- (2) “– Restricted Payments”;
- (3) “– Incurrence of Indebtedness and Issuance of Preferred Stock”;
- (4) “– Dividend and Other Payment Restrictions Affecting Restricted Subsidiaries”;
- (5) “– Designation of Restricted and Unrestricted Subsidiaries”;
- (6) the conditions in the covenant described below under the caption “– Merger, Consolidation or Sale of Assets” requiring the ability of the Company to incur US\$1.00 of Indebtedness under the first paragraph of the covenant described under the caption – Incurrence of Indebtedness and Issuance of Preferred Stock”;
- (7) “– Limitation on Sale and Leaseback Transactions”;
- (8) “– Limitation on Issuances and Sales of Equity Interests in Restricted Subsidiaries”;
- (9) “– Business Activities”; and
- (10) “– Limitation on Issuances of Guarantees of Indebtedness.”

During any period that the foregoing covenants have been suspended, the Company’s Board of Directors may not designate any of its Subsidiaries as Unrestricted Subsidiaries pursuant to the covenant described below under the caption “– Designation of Restricted and Unrestricted Subsidiaries” or the second paragraph of the definition of “Unrestricted Subsidiary.”

Notwithstanding the foregoing, if the rating assigned by either such Rating Agency should subsequently decline to below Investment Grade, the foregoing covenants will be reinstated as of and from the date of such rating decline. Calculations under the reinstated "Restricted Payments" covenant will be made as if the "Restricted Payments" covenant had been in effect since the date of the indenture except that no default will be deemed to have occurred solely by reason of a Restricted Payment made while that covenant was suspended.

There can be no assurance that the Notes will ever achieve an Investment Grade rating or that any such rating will be maintained.

Restricted Payments

The Company will not, and will not permit any of its Restricted Subsidiaries to, directly or indirectly:

- (1) declare or pay any dividend or make any other payment or distribution on account of the Company's or any of its Restricted Subsidiaries' Equity Interests (including, without limitation, any payment in connection with any merger or consolidation involving the Company or any of its Restricted Subsidiaries) or to the direct or indirect holders of the Company's or any of its Restricted Subsidiaries' Equity Interests in their capacity as such (other than dividends or distributions payable in Equity Interests (other than Disqualified Stock) of the Company and other than dividends or distributions payable to the Company or a Restricted Subsidiary of the Company);
- (2) purchase, redeem or otherwise acquire or retire for value (including, without limitation, in connection with any merger or consolidation involving the Company) any Equity Interests of the Company, any direct or indirect parent of the Company;
- (3) make any payment on or with respect to, or purchase, redeem, defease or otherwise acquire or retire for value any Indebtedness of the Company or any Guarantor that is contractually subordinated to the Notes or to any Note Guarantee (excluding any intercompany Indebtedness between or among the Company and any of its Restricted Subsidiaries), except a payment of interest or principal at the Stated Maturity thereof; or
- (4) make any Restricted Investment

(all such payments and other actions set forth in these clauses (1) through (4) above being collectively referred to as "*Restricted Payments*"),

unless, at the time of and after giving effect to such Restricted Payment:

- (a) no Default or Event of Default has occurred and is continuing or would occur as a consequence of such Restricted Payment;
- (b) the Company would, at the time of such Restricted Payment and after giving pro forma effect thereto as if such Restricted Payment had been made at the beginning of the applicable four-quarter period, have been permitted to incur at least US\$1.00 of additional Indebtedness pursuant to the Fixed Charge Coverage Ratio test set forth in the first paragraph of the covenant described below under the caption "*– Incurrence of Indebtedness and Issuance of Preferred Stock*"; and
- (c) such Restricted Payment, together with the aggregate amount of all other Restricted Payments made by the Company and its Restricted Subsidiaries since the date of the indenture (excluding Restricted Payments permitted by clauses (2), (3), (4), (5), (6), (7), (8) and (9) of the next succeeding paragraph), is less than the sum, without duplication, of:
 - (1) 50% of the Consolidated Net Income of the Company for the period (taken as one accounting period) from the beginning of the semi-annual period in which the date of the indenture falls to the end of the Company's most recently ended fiscal quarter for which internal financial statements are available at the time of such Restricted Payment (or, if such Consolidated Net Income for such period is a deficit, less 100% of such deficit); *plus*

- (2) 100% of the aggregate net cash proceeds received by the Company since the date of the indenture as a contribution to its common equity capital or from the issue or sale of Equity Interests (other than Disqualified Stock) of the Company or from the issue or sale of convertible or exchangeable Disqualified Stock of the Company or convertible or exchangeable debt securities of the Company, in each case that have been converted into or exchanged for Equity Interests (other than Disqualified Stock) of the Company (other than Equity Interests and convertible or exchangeable Disqualified Stock or debt securities sold to a Subsidiary of the Company); *plus*
- (3) an amount equal to the net reduction in Investments (other than reductions in Permitted Investments) that were made after the date of the indenture in any Person resulting from payments of interest on Indebtedness, dividends or repayments of loans or advances by such Person, in each case to the Company or any Restricted Subsidiary or from the net cash proceeds from the sale of any such Investment (except, in each case, to the extent any such payment or proceeds are included in the calculation of Consolidated Net Income); *plus*
- (4) to the extent that any Unrestricted Subsidiary of the Company designated as such after the date of the indenture is redesignated as a Restricted Subsidiary after the date of the indenture, the lesser of (i) the Fair Market Value of the Company's Restricted Investment in such Subsidiary as of the date of such redesignation or (ii) such Fair Market Value as of the date on which such Subsidiary was originally designated as an Unrestricted Subsidiary after the date of the indenture; *plus*
- (5) 50% of any dividends received in cash by the Company or a Restricted Subsidiary of the Company that is a Guarantor after the date of the indenture from an Unrestricted Subsidiary of the Company, to the extent that such dividends were not otherwise included in the Consolidated Net Income of the Company for such period.

The preceding provisions will not prohibit:

- (1) the payment of any dividend or the consummation of any irrevocable redemption within 60 days after the date of declaration of the dividend or giving of the redemption notice, as the case may be, if at the date of declaration or notice, the dividend or redemption payment would have complied with the provisions of the indenture;
- (2) the making of any Restricted Payment in exchange for, or out of or with the net cash proceeds of the substantially concurrent sale (other than to a Subsidiary of the Company) of, Equity Interests of the Company (other than Disqualified Stock) or from the substantially concurrent contribution of common equity capital to the Company; *provided* that the amount of any such net cash proceeds that are utilized for any such Restricted Payment will not be considered to be net proceeds of Equity Interests for purposes of clause (c)(2) of the preceding paragraph and will not be considered to be net cash proceeds from an Equity Offering for purposes of the "Optional Redemption" provisions of the indenture;
- (3) the payment of any dividend (or, in the case of any partnership or limited liability company, any similar distribution) by a Restricted Subsidiary, or the redemption, repurchase, defeasance or other acquisition by a Restricted Subsidiary of its Capital Stock, in each case to the holders of its Equity Interests on a *pro rata* basis or a basis more favorable to the Company;
- (4) the repurchase, redemption, defeasance or other acquisition or retirement for value of Indebtedness of the Company or any Guarantor that is contractually subordinated to the Notes or to any Note Guarantee with the net cash proceeds from a substantially concurrent incurrence of Permitted Refinancing Indebtedness;
- (5) so long as no Default or Event of Default has occurred and is continuing, the repurchase, redemption or other acquisition or retirement for value of any Equity Interests of the Company or any Restricted Subsidiary of the Company held by any current or former officer, director or employee of the Company or any of its Restricted Subsidiaries pursuant to any equity subscription agreement, stock option agreement, shareholders' agreement or similar agreement; *provided* that the aggregate price paid for all such repurchased, redeemed, acquired or retired Equity Interests may not exceed US\$500,000 in any 12-month period;

- (6) the repurchase of Equity Interests deemed to occur upon the exercise of stock options to the extent such Equity Interests represent a portion of the exercise price of those stock options;
- (7) so long as no Default or Event of Default has occurred and is continuing, the declaration and payment of regularly scheduled or accrued dividends to holders of any class or series of Disqualified Stock of the Company or any preferred stock of any Restricted Subsidiary of the Company issued on or after the date of the indenture in accordance with the Fixed Charge Coverage Ratio test described below under the caption “– Incurrence of Indebtedness and Issuance of Preferred Stock”;
- (8) payments of cash, dividends, distributions, advances or other Restricted Payments by the Company or any of its Restricted Subsidiaries to allow the payment of cash in lieu of the issuance of fractional shares upon (i) the exercise of options or warrants or (ii) the conversion or exchange of Capital Stock of any such Person; and
- (9) the payment by the Company of a dividend in respect of its Capital Stock in an amount not to exceed RMB2,019,600,000 for the financial year ended December 31, 2009.
- (10) so long as no Default or Event of Default has occurred and is continuing, other Restricted Payments in an aggregate amount not to exceed US\$30.0 million since the date of the indenture.

The amount of all Restricted Payments (other than cash) will be the Fair Market Value on the date of the Restricted Payment of the asset(s) or securities proposed to be transferred or issued by the Company or such Restricted Subsidiary, as the case may be, pursuant to the Restricted Payment. The Fair Market Value of any assets or securities that are required to be valued by this covenant will be determined by the Board of Directors of the Company whose resolution with respect thereto will be delivered to the trustee. The Board of Directors' determination must be based upon an opinion or appraisal issued by an accounting, appraisal or investment banking firm of national standing if the Fair Market Value exceeds US\$10.0 million.

Incurrence of Indebtedness and Issuance of Preferred Stock

The Company will not, and will not permit any of its Restricted Subsidiaries to, directly or indirectly, create, incur, issue, assume, guarantee or otherwise become directly or indirectly liable, contingently or otherwise, with respect to (collectively, “*incur*”) any Indebtedness (including Acquired Debt), and the Company will not issue any Disqualified Stock and will not permit any of its Restricted Subsidiaries to issue any shares of preferred stock; *provided, however*, that the Company may incur Indebtedness (including Acquired Debt) or issue Disqualified Stock, and the Company's Subsidiaries may incur Permitted Subsidiary Indebtedness, if the Fixed Charge Coverage Ratio for the Company's most recently ended four full fiscal quarters for which internal financial statements are available immediately preceding the date on which such additional Indebtedness is incurred or such Disqualified Stock is issued, as the case may be, would have been at least 3.5 to 1.0, determined on a pro forma basis (including a pro forma application of the net proceeds therefrom), as if the additional Indebtedness had been incurred or the Disqualified Stock had been issued, as the case may be, at the beginning of such four-quarter period.

The first paragraph of this covenant will not prohibit the incurrence of any of the following items of Indebtedness (collectively, “*Permitted Debt*”):

- (1) the incurrence by the Company and any Restricted Subsidiaries of additional Indebtedness and letters of credit under Credit Facilities in an aggregate principal amount at any one time outstanding under this clause (1) (with letters of credit being deemed to have a principal amount equal to the maximum potential liability of the Company and its Restricted Subsidiaries thereunder) not to exceed US\$50.0 million;
- (2) the incurrence by the Company and its Restricted Subsidiaries of the Existing Indebtedness;
- (3) the incurrence by the Company and the Guarantors of Indebtedness represented by the Notes and the related Note Guarantees to be issued on the date of the indenture;

- (4) the incurrence by the Company or any Restricted Subsidiary of Indebtedness for the purpose of financing (x) all or any part of the purchase price of assets, real or personal property (including the lease purchase price of land use rights) or equipment to be used in the ordinary course of business by the Company or a Restricted Subsidiary in the Permitted Business, including any such purchase through the acquisition of Capital Stock of any Person that owns such real or personal property or equipment which will, upon acquisition, become a Restricted Subsidiary, or (y) all or any part of the purchase price or the cost of development, construction or improvement of real or personal property (including the lease purchase price of land use rights) or equipment to be used in the ordinary course of business by the Company or such Restricted Subsidiary in the Permitted Business; *provided* that in the case of clauses (x) and (y), (A) the aggregate principal amount of such Indebtedness shall not exceed such purchase price or cost, (B) such Indebtedness shall be incurred no later than 180 days after the acquisition of such property or completion of such development, construction or improvement and (C) on the date of the incurrence of such Indebtedness and after giving effect thereto, the aggregate principal amount outstanding of all such Indebtedness permitted by this clause (4) (including all Permitted Refinancing Indebtedness incurred to renew, refund, refinance, replace, defease or discharge any Indebtedness incurred pursuant to this clause (4) but excluding any Contractor Guarantee incurred pursuant to this clause (4) to the extent the amount of such Contractor Guarantee is otherwise reflected in such aggregate principal amount), together with any Indebtedness incurred to clause (5) of this paragraph, does not exceed an amount equal to 20.0% of the Company's Total Assets;
- (5) the incurrence by the Company or any of its Restricted Subsidiaries of Bank Deposit Secured Indebtedness; *provided* that on the date of incurrence of such Indebtedness, the aggregate principal amount outstanding of such Indebtedness permitted by this clause (5) (including all Permitted Refinancing Indebtedness incurred to renew, refund, refinance, replace, defease or discharge any Indebtedness incurred pursuant to this clause (5)), together with any Indebtedness incurred pursuant to clause (4) of this paragraph, does not exceed an amount equal to 20.0% of the Company's Total Assets;
- (6) the incurrence by the Company or any of its Restricted Subsidiaries of Purchase Guarantees and related Permitted Liens;
- (7) the incurrence by the Company or any of its Restricted Subsidiaries of Permitted Refinancing Indebtedness in exchange for, or the net proceeds of which are used to renew, refund, refinance, replace, defease or discharge any Indebtedness (other than intercompany Indebtedness) that was permitted by the indenture to be incurred under the first paragraph of this covenant or clause (2), (3), (4), (5), (7) or (18) of this paragraph;
- (8) the incurrence by the Company or any of its Restricted Subsidiaries of intercompany Indebtedness between or among the Company and any of its Restricted Subsidiaries; *provided, however*, that:
- (a) if the Company or any Guarantor is the obligor on such Indebtedness and the payee is not the Company or a Guarantor, such Indebtedness must be unsecured and expressly subordinated to the prior payment in full in cash of all Obligations then due with respect to the Notes, in the case of the Company, or the Note Guarantee, in the case of a Guarantor;
 - (b) if the Indebtedness is owed to the Company or any Guarantor, such Indebtedness must be evidenced by an unsubordinated promissory note or a similar instrument under applicable law; and
 - (c) (i) any subsequent issuance or transfer of Equity Interests that results in any such Indebtedness being held by a Person other than the Company or a Restricted Subsidiary of the Company and (ii) any sale or other transfer of any such Indebtedness to a Person that is not either the Company or a Restricted Subsidiary of the Company,

will be deemed, in each case, to constitute an incurrence of such Indebtedness by the Company or such Restricted Subsidiary, as the case may be, that was not permitted by this clause (8);

- (9) the issuance by any of the Company's Restricted Subsidiaries to the Company or to any of its Restricted Subsidiaries of shares of preferred stock; *provided, however*, that:
- (a) any subsequent issuance or transfer of Equity Interests that results in any such preferred stock being held by a Person other than the Company or a Restricted Subsidiary of the Company; and
 - (b) any sale or other transfer of any such preferred stock to a Person that is not either the Company or a Restricted Subsidiary of the Company,
- will be deemed, in each case, to constitute an issuance of such preferred stock by such Restricted Subsidiary that was not permitted by this clause (9);
- (10) the incurrence by the Company or any of its Restricted Subsidiaries of Hedging Obligations in the ordinary course of business;
- (11) (a) the guarantee by the Company or any of the Guarantors of Indebtedness of the Company or a Restricted Subsidiary of the Company to the extent that the guaranteed Indebtedness was permitted to be incurred by another provision of this covenant and (b) the guarantee by any Restricted Subsidiary of Indebtedness of another Restricted Subsidiary that was permitted to be incurred by another provision of this covenant; *provided that*, in each case, if the Indebtedness being guaranteed is subordinated to or *pari passu* with the Notes, then the Guarantee must be subordinated or *pari passu*, as applicable, to the same extent as the Indebtedness guaranteed;
- (12) the incurrence by the Company or any of its Restricted Subsidiaries of Indebtedness in respect of workers' compensation claims, self-insurance obligations, bankers' acceptances, or bid, performance, surety or similar bonds in the ordinary course of business;
- (13) the incurrence by a Finance Subsidiary of Indebtedness guaranteed by the Company to the extent the Company is permitted to incur such Indebtedness under this covenant;
- (14) the incurrence by the Company or any of its Restricted Subsidiaries of Indebtedness arising from the honoring by a bank or other financial institution of a check, draft or similar instrument inadvertently drawn against insufficient funds, so long as such Indebtedness is covered within 30 business days;
- (15) the incurrence of Indebtedness arising from agreements providing for indemnification, adjustment of purchase price or similar obligations, or from Guarantees or letters of credit, surety bonds or performance bonds securing any obligation of the Company or any Restricted Subsidiary pursuant to such agreements, in any case, incurred in connection with the disposition of any business, assets or Restricted Subsidiary, other than Guarantees of Indebtedness incurred by any Person acquiring all or any portion of such business, assets or Restricted Subsidiary for the purpose of financing such acquisition; *provided that* the maximum aggregate liability in respect of all such Indebtedness in the nature of such Guarantee shall at no time exceed the gross proceeds actually received from the sale of such business, assets or Restricted Subsidiary;
- (16) the incurrence by the Company or any Restricted Subsidiary of Indebtedness constituting reimbursement obligations with respect to letters of credit or trade guarantees issued in the ordinary course of business to the extent such letters of credit or trade guarantees are not drawn upon or, if drawn upon, to the extent such drawing is reimbursed no later than 30 days following receipt by the Company or such Restricted Subsidiary of a demand for reimbursement;
- (17) the incurrence of the Company of unsecured Indebtedness from its shareholders that is expressly subordinated to the Notes and the Note Guarantees on terms that are no less favorable than similar Indebtedness that could be borrowed from an Independent Third Party; or
- (18) the incurrence by the Company or any of its Restricted Subsidiaries of additional Indebtedness in an aggregate principal amount (or accreted value, as applicable) at any time outstanding, including all Permitted Refinancing Indebtedness incurred to renew, refund, refinance, replace, defease or discharge any Indebtedness incurred pursuant to this clause (18), not to exceed US\$15.0 million.

The Company will not incur, and will not permit any Guarantor to incur, any Indebtedness (including Permitted Debt) that is contractually subordinated in right of payment to any other Indebtedness of the Company or such Guarantor unless such Indebtedness is also contractually subordinated in right of payment to the Notes and the applicable Note Guarantee on substantially identical terms; *provided, however*, that no Indebtedness will be deemed to be contractually subordinated in right of payment to any other Indebtedness of the Company solely by virtue of being unsecured or by virtue of being secured on a junior priority basis.

For purposes of determining compliance with this "Incurrence of Indebtedness and Issuance of Preferred Stock" covenant, in the event that an item of Indebtedness meets the criteria of more than one of the categories of Permitted Debt described in clauses (1) through (18) above, or is entitled to be incurred pursuant to the first paragraph of this covenant, the Company will be permitted to classify all or any portion of such item of Indebtedness on the date of its incurrence, or later reclassify all or a portion of such item of Indebtedness, in any manner that complies with this covenant. The accrual of interest or preferred stock dividends, the accretion or amortization of original issue discount, the payment of interest on any Indebtedness in the form of additional Indebtedness with the same terms, the reclassification of preferred stock as Indebtedness due to a change in accounting principles, and the payment of dividends on preferred stock or Disqualified Stock in the form of additional shares of the same class of preferred stock or Disqualified Stock will not be deemed to be an incurrence of Indebtedness or an issuance of preferred stock or Disqualified Stock for purposes of this covenant; *provided*, in each such case, that the amount thereof is included in Fixed Charges of the Company as accrued. For purposes of determining compliance with any U.S. dollar-denominated restriction on the incurrence of Indebtedness, the U.S. dollar-equivalent principal amount of Indebtedness denominated in a foreign currency shall be utilized, calculated based on the relevant currency exchange rate in effect on the date such Indebtedness was incurred. Notwithstanding any other provision of this covenant, the maximum amount of Indebtedness that the Company or any Restricted Subsidiary may incur pursuant to this covenant shall not be deemed to be exceeded solely as a result of fluctuations in exchange rates or currency values.

The amount of any Indebtedness outstanding as of any date will be:

- (1) the accreted value of the Indebtedness, in the case of any Indebtedness issued with original issue discount;
- (2) the principal amount of the Indebtedness, in the case of any other Indebtedness;
- (3) in respect of Indebtedness of another Person secured by a Lien on the assets of the specified Person, the lesser of:
 - (a) the Fair Market Value of such assets at the date of determination; and
 - (b) the amount of the Indebtedness of the other Person; and
- (4) in respect of Hedging Obligations:
 - (a) zero, when incurred pursuant to clause (10) of the second paragraph of this covenant; or
 - (b) the net amount payable if the Hedging Obligations terminated at that time due to the default of the Company or the Restricted Subsidiary if not incurred to such clause (10).

Liens

The Company will not and will not permit any of its Restricted Subsidiaries to, create, incur, assume or otherwise cause or suffer to exist or become effective any Lien of any kind on the Collateral, except Permitted Collateral Liens.

The Company will not and will not permit any of its Restricted Subsidiaries to, create, incur, assume or otherwise cause or suffer to exist or become effective any Lien of any kind (other than Permitted Liens) securing Indebtedness, Attributable Debt or trade payables upon any of their property or assets, now owned or hereafter acquired, unless all payments due under the indenture and the Notes are secured at least on an equal and ratable basis with the obligations so secured until such time as such obligations are no longer secured by a Lien.

Limitation on Sale and Leaseback Transactions

The Company will not, and will not permit any of its Restricted Subsidiaries to, enter into any sale and leaseback transaction; *provided* that the Company may enter into a sale and leaseback transaction if:

- (1) the Company could have (a) incurred Indebtedness in an amount equal to the Attributable Debt relating to such sale and leaseback transaction under the Fixed Charge Coverage Ratio test in the first paragraph of the covenant described above under the caption “– Incurrence of Indebtedness and Issuance of Preferred Stock” and (b) incurred a Lien to secure such Indebtedness pursuant to the covenant described above under the caption “– Liens”;
- (2) the gross cash proceeds of that sale and leaseback transaction are at least equal to the Fair Market Value, as determined in good faith by the Board of Directors of the Company and set forth in an officers’ certificate delivered to the trustee, of the property that is the subject of that sale and leaseback transaction; and
- (3) the transfer of assets in that sale and leaseback transaction is permitted by, and the Company applies the proceeds of such transaction in compliance with, the covenant described above under the caption “– Repurchase at the Option of Holders – Asset Sales.”

Limitation on Issuances and Sales of Equity Interests in Restricted Subsidiaries

The Company will not sell, and will not permit any Restricted Subsidiary, directly or indirectly, to issue or sell any Equity Interests in a Restricted Subsidiary except:

- (1) to the Company or a Wholly Owned Restricted Subsidiary;
- (2) to the extent such Equity Interests represents director’s qualifying shares or is required by applicable law to be held by a Person other than the Company or a Wholly Owned Restricted Subsidiary;
- (3) the issuance or sale of Capital Stock of a Restricted Subsidiary if, immediately after giving effect to such issuance or sale, such Restricted Subsidiary would no longer constitute a Restricted Subsidiary and any remaining Investment in such Person would have been permitted to be made under the covenant described under the caption “– Restricted Payments” if made on the date of such issuance or sale and *provided* that the Company complies with the covenant described above under the caption “– Repurchase at the Option of Holders – Asset Sales”; and
- (4) the issuance or sale of Capital Stock of a Restricted Subsidiary (which remains a Restricted Subsidiary after any such issuance or sale); *provided* that the Company or such Restricted Subsidiary applies the net proceeds from such issuance or sale in accordance with the covenant described above under the caption “– Repurchase at the Option of Holders – Asset Sales.”

Dividend and Other Payment Restrictions Affecting Restricted Subsidiaries

The Company will not, and will not permit any of its Restricted Subsidiaries to, directly or indirectly, create or permit to exist or become effective any consensual encumbrance or restriction on the ability of any Restricted Subsidiary to:

- (1) pay dividends or make any other distributions on its Capital Stock to the Company or any of its Restricted Subsidiaries, or pay any indebtedness owed to the Company or any of its Restricted Subsidiaries;
- (2) make loans or advances to the Company or any of its Restricted Subsidiaries; or
- (3) sell, lease or transfer any of its properties or assets to the Company or any of its Restricted Subsidiaries.

However, the preceding restrictions will not apply to encumbrances or restrictions existing under or by reason of:

- (1) agreements governing Existing Indebtedness as in effect on the date of the indenture and any amendments, restatements, modifications, renewals, supplements, refundings, replacements or refinancings of those agreements, *provided* that the amendments, restatements, modifications,

renewals, supplements, refundings, replacements or refinancings are not materially more restrictive, taken as a whole, with respect to such dividend and other payment restrictions than those contained in those agreements on the date of the indenture;

- (2) the indenture, the Notes, the Note Guarantees and the Security Documents;
- (3) agreements governing other Indebtedness permitted to be incurred under the provisions of the covenant described above under the caption “– Incurrence of Indebtedness and Issuance of Preferred Stock” and any amendments, restatements, modifications, renewals, supplements, refundings, replacements or refinancings of those agreements; *provided* that the restrictions therein are determined by the Company’s Board of Directors to be customary for such types of agreements and would not, the time agreed to, be expected to materially and adversely affect the ability of the Company to make required payments on the Notes;
- (4) applicable law, rule, regulation or order;
- (5) any instrument governing Indebtedness or Capital Stock of a Person acquired by the Company or any of its Restricted Subsidiaries as in effect at the time of such acquisition (except to the extent such Indebtedness or Capital Stock was incurred in connection with or in contemplation of such acquisition), which encumbrance or restriction is not applicable to any Person, or the properties or assets of any Person, other than the Person, or the property or assets of the Person, so acquired; *provided* that, in the case of Indebtedness, such Indebtedness was permitted by the terms of the indenture to be incurred;
- (6) customary non-assignment provisions in contracts and licenses entered into in the ordinary course of business;
- (7) purchase money obligations for property acquired in the ordinary course of business and Capital Lease Obligations that impose restrictions on the property purchased or leased of the nature described in clause (3) of the preceding paragraph;
- (8) any agreement for the sale or other disposition of Capital Stock or assets or property of a Restricted Subsidiary that restricts distributions by that Restricted Subsidiary pending such sale or other disposition;
- (9) Permitted Refinancing Indebtedness; *provided* that the restrictions contained in the agreements governing such Permitted Refinancing Indebtedness are not materially more restrictive, taken as a whole, than those contained in the agreements governing the Indebtedness being refinanced;
- (10) Liens permitted to be incurred under the provisions of the covenant described above under the caption “– Liens” that limit the right of the debtor to dispose of the assets subject to such Liens;
- (11) provisions limiting the disposition or distribution of assets or property in joint venture agreements, asset sale agreements, sale-leaseback agreements, stock sale agreements and other similar agreements (including agreements entered into in connection with a Restricted Investment) entered into with the approval of the Company’s Board of Directors, which limitation is applicable only to the assets that are the subject of such agreements; and
- (12) restrictions on cash or other deposits or net worth imposed by customers under contracts entered into in the ordinary course of business.

Merger, Consolidation or Sale of Assets

The Company will not, directly or indirectly: (1) consolidate or merge with or into another Person (whether or not the Company is the surviving corporation), or (2) sell, assign, transfer, convey or otherwise dispose of all or substantially all of the properties or assets of the Company and its Restricted Subsidiaries taken as a whole, in one or more related transactions, to another Person, unless:

- (1) either: (a) the Company is the surviving corporation; or (b) the Person formed by or surviving any such consolidation or merger (if other than the Company) or to which such sale, assignment, transfer, conveyance or other disposition has been made is an entity organized or existing under the laws of the Cayman Islands, Hong Kong, Bermuda or the British Virgin Islands; and, if such entity is not a corporation, a co-obligor of the Notes is a corporation organized or existing under any such laws;

- (2) the Person formed by or surviving any such consolidation or merger (if other than the Company) or the Person to which such sale, assignment, transfer, conveyance or other disposition has been made assumes all the obligations of the Company under the Notes, the indenture, the intercreditor agreement and the Security Documents;
- (3) immediately after such transaction, no Default or Event of Default exists; and
- (4) the Company or the Person formed by or surviving any such consolidation or merger (if other than the Company), or to which such sale, assignment, transfer, conveyance or other disposition has been made:
 - (a) would have Consolidated Net Worth immediately after the transaction equal to or greater than the Consolidated Net Worth of the Company immediately preceding the transaction; and
 - (b) would, on the date of such transaction after giving pro forma effect thereto and any related financing transactions as if the same had occurred at the beginning of the applicable four-quarter period (i) be permitted to incur at least US\$1.00 of additional Indebtedness pursuant to the Fixed Charge Coverage Ratio test set forth in the first paragraph of the covenant described above under the caption “– Incurrence of Indebtedness and Issuance of Preferred Stock” or (ii) have had a Fixed Charge Coverage Ratio greater than the actual Fixed Charge Coverage Ratio for the Company for such four-quarter period; and
- (5) no Rating Decline has occurred.

A Guarantor may not sell or otherwise dispose of all or substantially all of its assets to, or consolidate with or merge with or into (whether or not such Guarantor is the surviving Person) another Person, other than the Company or another Guarantor, unless:

- (1) immediately after giving effect to such transaction, no Default or Event of Default exists;
- (2) the Company:
 - (a) would have Consolidated Net Worth immediately after the transaction equal to or greater than the Consolidated Net Worth of the Company immediately preceding the transaction; and
 - (b) would, on the date of such transaction after giving pro forma effect thereto and any related financing transactions as if the same had occurred at the beginning of the applicable four-quarter period (i) be permitted to incur at least US\$1.00 of additional Indebtedness pursuant to the Fixed Charge Coverage Ratio test set forth in the first paragraph of the covenant described above under the caption “– Incurrence of Indebtedness and Issuance of Preferred Stock” or (ii) have had a Fixed Charge Coverage Ratio greater than the actual Fixed Charge Coverage Ratio for the Company for such four-quarter period;
- (3) either:
 - (a) the Person acquiring the property in any such sale or disposition or the Person formed by or surviving any such consolidation or merger unconditionally assumes all the obligations of that Guarantor under its Note Guarantee, the indenture, the intercreditor agreement and the Security Documents pursuant to agreements reasonably satisfactory to the trustee; or
 - (b) the Net Proceeds of such sale or other disposition are applied in accordance with the applicable provisions of the indenture; and
- (4) no Rating Decline has occurred,

provided that this paragraph will not apply to any sale or other disposition that complies with the covenant described in “Repurchase at the Option of Holders – Assets Sales” or any Guarantor whose Note Guarantee is unconditionally released in accordance with the provisions described under “Note Guarantees – Release of Note Guarantees.”

This “Merger, Consolidation or Sale of Assets” covenant will not apply to any sale, assignment, transfer, conveyance, lease or other disposition of assets between or among the Company and its Restricted Subsidiaries. Clauses (3) and (4) of the first paragraph of this covenant will not apply to (1) any merger or consolidation of the Company with or into one of its Restricted Subsidiaries for any purpose or (2) with or into an Affiliate solely for the purpose of reincorporating the Company in another jurisdiction.

Transactions with Affiliates

The Company will not, and will not permit any of its Restricted Subsidiaries to, make any payment to or sell, lease, transfer or otherwise dispose of any of its properties or assets to, or purchase any property or assets from, or enter into or make or amend any transaction, contract, agreement, understanding, loan, advance or guarantee with, or for the benefit of, any Affiliate of the Company (each, an “*Affiliate Transaction*”) involving aggregate payments or consideration in excess of US\$1.0 million, unless:

- (1) the Affiliate Transaction is on terms that are no less favorable to the Company or the relevant Restricted Subsidiary than those that would have been obtained in a comparable transaction by the Company or such Restricted Subsidiary with an unrelated Person; and
- (2) the Company delivers to the trustee:
 - (a) with respect to any Affiliate Transaction or series of related Affiliate Transactions involving aggregate consideration in excess of US\$5.0 million, a resolution of the Board of Directors of the Company set forth in an officers’ certificate certifying that such Affiliate Transaction complies with this covenant and that such Affiliate Transaction has been approved by a majority of the disinterested members of the Board of Directors of the Company; and
 - (b) with respect to any Affiliate Transaction or series of related Affiliate Transactions involving aggregate consideration in excess of US\$10.0 million, an opinion as to the fairness to the Company or such Subsidiary of such Affiliate Transaction from a financial point of view issued by an accounting, appraisal or investment banking firm of international standing.

The following items will not be deemed to be Affiliate Transactions and, therefore, will not be subject to the provisions of the prior paragraph:

- (1) any employment agreement, employee benefit plan, officer or director indemnification agreement or any similar arrangement entered into by the Company or any of its Restricted Subsidiaries in the ordinary course of business and payments pursuant thereto;
- (2) transactions between or among the Company and/or its Restricted Subsidiaries;
- (3) transactions with a Person (other than an Unrestricted Subsidiary of the Company) that is an Affiliate of the Company solely because the Company owns, directly or through a Restricted Subsidiary, an Equity Interest in, or controls, such Person;
- (4) payment of reasonable and customary fees and reimbursements of expenses (pursuant to indemnity arrangements or otherwise) of officers, directors, employees or consultants of the Company or any of its Restricted Subsidiaries;
- (5) any issuance of Equity Interests (other than Disqualified Stock) of the Company to Affiliates of the Company;
- (6) Restricted Payments that do not violate the provisions of the indenture described above under the caption “– Restricted Payments”;
- (7) loans or advances to employees in the ordinary course of business not to exceed US\$5.0 million in the aggregate at any one time outstanding;
- (8) transactions with Persons pursuant to agreements in existence on the date of the indenture, as these agreements may be amended, supplemented or replaced from time to time, *provided* that any future amendment, supplement or replacement entered into after the date hereof are no less

favorable to the Company or any applicable Restricted Subsidiary than the terms of the agreements in effect on the date of the indenture; and

- (9) loans from the Principal or her Related Parties that (a) are on terms no less favorable to the Company or the relevant Restricted Subsidiary than those that would have been obtained in a comparable transaction by the Company or such Restricted Subsidiary with an unrelated Person, and (b) have been approved by a majority of the disinterested members of the Board of Directors of the Company.

Business Activities

The Company will not, and will not permit any of its Restricted Subsidiaries to, engage in any business other than Permitted Businesses, except to such extent as would not be material to the Company and its Restricted Subsidiaries taken as a whole, *provided*, however, that the Company or any Restricted Subsidiary may own Capital Stock of an Unrestricted Subsidiary or joint venture or other entity that is engaged in a business other than Permitted Businesses as long as any Investment therein was not prohibited when made by the covenant described under the caption “– Restricted Payments.”

Designation of Restricted and Unrestricted Subsidiaries

The Board of Directors of the Company may designate any Restricted Subsidiary to be an Unrestricted Subsidiary if that designation would not cause a Default. If a Restricted Subsidiary is designated as an Unrestricted Subsidiary, the aggregate Fair Market Value of all outstanding Investments owned by the Company and its Restricted Subsidiaries in the Subsidiary designated as an Unrestricted Subsidiary will be deemed to be an Investment made as of the time of the designation and will reduce the amount available for Restricted Payments under the covenant described above under the caption “– Restricted Payments” or under one or more clauses of the definition of Permitted Investments, as determined by the Company. That designation will only be permitted if the Investment would be permitted at that time and if the Restricted Subsidiary otherwise meets the definition of an Unrestricted Subsidiary. The Board of Directors of the Company may redesignate any Unrestricted Subsidiary to be a Restricted Subsidiary if that redesignation would not cause a Default.

Any designation of a Subsidiary of the Company as an Unrestricted Subsidiary will be evidenced to the trustee by filing with the trustee a certified copy of a resolution of the Board of Directors giving effect to such designation and an officers’ certificate certifying that such designation complied with the preceding conditions and was permitted by the covenant described above under the caption “– Restricted Payments.” If, at any time, any Unrestricted Subsidiary would fail to meet the preceding requirements as an Unrestricted Subsidiary, it will thereafter cease to be an Unrestricted Subsidiary for purposes of the indenture and any Indebtedness of such Subsidiary will be deemed to be incurred by a Restricted Subsidiary of the Company as of such date and, if such Indebtedness is not permitted to be incurred as of such date under the covenant described under the caption “– Incurrence of Indebtedness and Issuance of Preferred Stock,” the Company will be in default of such covenant. The Board of Directors of the Company may at any time designate any Unrestricted Subsidiary to be a Restricted Subsidiary of the Company; provided that such designation will be deemed to be an incurrence of Indebtedness by a Restricted Subsidiary of the Company of any outstanding Indebtedness of such Unrestricted Subsidiary, and such designation will only be permitted if (1) such Indebtedness is permitted under the covenant described under the caption “– Incurrence of Indebtedness and Issuance of Preferred Stock,” calculated on a pro forma basis as if such designation had occurred at the beginning of the applicable reference period; and (2) no Default or Event of Default would be in existence following such designation.

Limitation on Issuances of Guarantees of Indebtedness

The Company will not permit any of its Restricted Subsidiaries that are not Guarantors, directly or indirectly, to Guarantee any other Indebtedness of the Company or a Guarantor unless such Restricted Subsidiary simultaneously executes and delivers a supplemental indenture providing for the Guarantee of the payment of the Notes by such Restricted Subsidiary, which Guarantee will be senior to or *pari passu* with such Restricted Subsidiary’s Guarantee of or pledge to secure such other Indebtedness. The Company will cause all of the Capital Stock in such Restricted Subsidiary owned by the Company and its Restricted Subsidiaries to be pledged to secure the Notes, the Note Guarantees and other Permitted Parity Lien Indebtedness.

The conditions for the release of Note Guarantee of such Restricted Subsidiary will be the same as those for all other Note Guarantees. In addition, the Note Guarantee of such Restricted Subsidiary will be released upon the full discharge of its Guarantee of the other Indebtedness of the Company or other Guarantor.

Further Assurances

The Company will, and will cause each Pledgor to, at its own expense, execute and do all such acts and things and provide such assurances as the collateral agent may reasonably require (i) for registering any Security Documents in any required register and for perfecting or protecting the security intended to be afforded by such Security Documents; and (ii) if such Security Documents have become enforceable, for facilitating the realization of all or any part of the assets which are subject to such Security Documents and for facilitating the exercise of all powers, authorities and discretions vested in the Security Agent or in any receiver of all or any part of those assets. The Company will, and will cause each Pledgor to, execute all transfers, conveyances, assignments and releases of that property whether to the collateral agent or to its nominees and give all notices, orders and directions that the collateral agent may reasonably request.

Payments for Consent

The Company will not, and will not permit any of its Restricted Subsidiaries to, directly or indirectly, pay or cause to be paid any consideration to or for the benefit of any holder of Notes for or as an inducement to any consent, waiver or amendment of any of the terms or provisions of the indenture or the Notes unless such consideration is offered to be paid and is paid to all holders of the Notes that consent, waive or agree to amend in the time frame set forth in the solicitation documents relating to such consent, waiver or agreement.

Maintenance of Listing

The Company will use its reasonable best efforts to maintain the listing of the Notes on the SGX-ST for so long as the Notes are outstanding. If at any time the Company determines that it can no longer reasonably comply with the requirements for listing the Notes on the SGX-ST or if maintenance of such listing becomes unduly onerous, it will obtain prior to the delisting of the Notes from the SGX-ST, and thereafter use its reasonable best efforts to maintain, a listing of the Notes on such other internationally recognized stock exchange.

Government Approvals and Licenses; Compliance with Law

The Company will, and will cause each Restricted Subsidiary to, (1) obtain and maintain in full force and effect all governmental approvals, authorizations, consents, permits, concessions and licenses as are necessary to engage in the Permitted Businesses; (2) preserve and maintain good and valid title to its properties and assets (including land use rights) free and clear of any Liens other than Permitted Liens; and (3) comply with all laws, regulations, orders, judgments and decrees of any governmental body, except to the extent that failure so to obtain, maintain, preserve and comply would not reasonably be expected to have a material adverse effect on (a) the business, results of operations or prospects of the Company and its Restricted Subsidiaries, taken as a whole, or (b) the ability of the Company or any Guarantor to perform its obligations under the Notes, the relevant Note Guarantee or the indenture.

Reports

So long as any of the Notes remains outstanding, the Company will file with the trustee and furnish to the holders upon request, as soon as they are available but in any event not more than 10 calendar days after they are filed with the Hong Kong Stock Exchange or any other recognized exchange on which the Company's ordinary shares are at any time listed for trading, true and correct copies of any financial or other report in the English language filed with such exchange; *provided that* if at any time the ordinary shares of the Company ceases to be listed for trading on a recognized stock exchange, the Company will file with the trustee and furnish to the holders:

- (1) as soon as they are available, but in any event within 90 calendar days after the end of the fiscal year of the Company, copies of its financial statements (on a consolidated basis) in respect of such financial year (including a statement of income, balance sheet and cash flow statement) audited by a member firm of an internationally-recognized firm of independent accountants;

- (2) as soon as they are available, but in any event within 45 calendar days after the end of the second financial quarter of the Company, copies of its financial statements (on a consolidated basis) in respect of such half-year period (including a statement of income, balance sheet and cash flow statement) reviewed by a member firm of an internationally-recognized firm of independent accountants; and
- (3) as soon as they are available, but in any event within 45 calendar days after the end of each of the first and third financial quarter of the Company, copies of its unaudited financial statements (on a consolidated basis), including a statement of income, balance sheet and cash flow statement, prepared on a basis consistent with the audited financial statements of the Company together with a certificate signed by the person then authorized to sign financial statements on behalf of the Company to the effect that such financial statements are true in all material respects and present fairly the financial position of the Company as at the end of, and the results of its operations for, the relevant quarterly period.

In addition, the Company and the Guarantors agree that, for so long as any Notes remain outstanding, they will furnish to the holders of Notes and to securities analysts and prospective investors, upon their request, the information required to be delivered pursuant to Rule 144A(d)(4) under the Securities Act.

Events of Default and Remedies

Each of the following is an "*Event of Default*":

- (1) default for 30 days in the payment when due of interest, if any, on the Notes;
- (2) default in the payment when due (at maturity, upon redemption or otherwise) of the principal of, or premium, if any, on, the Notes;
- (3) failure by the Company or any of its Restricted Subsidiaries to comply with the provisions described under the captions "*– Repurchase at the Option of Holders – Change of Control,*" "*– Repurchase at the Option of Holders – Asset Sales*" or "*– Certain Covenants – Merger, Consolidation or Sale of Assets*";
- (4) failure by the Company or any of its Restricted Subsidiaries for 30 consecutive days after notice to the Company by the trustee or the holders of at least 25% in aggregate principal amount of the Notes then outstanding voting as a single class to comply with any of the other agreements in the indenture;
- (5) default under any mortgage, indenture or instrument under which there may be issued or by which there may be secured or evidenced any Indebtedness for money borrowed by the Company or any of its Restricted Subsidiaries (or the payment of which is guaranteed by the Company or any of its Restricted Subsidiaries), whether such Indebtedness or Guarantee now exists, or is created after the date of the indenture, if that default:
 - (a) is caused by a failure to pay principal of, premium on, if any, such Indebtedness prior to the expiration of the grace period provided in such Indebtedness on the date of such default (a "*Payment Default*"); or
 - (b) results in the acceleration of such Indebtedness prior to its express maturity,
 and, in each case, the principal amount of any such Indebtedness, together with the principal amount of any other such Indebtedness under which there has been a Payment Default or the maturity of which has been so accelerated, aggregates US\$10.0 million or more;
- (6) failure by the Company or any of its Restricted Subsidiaries to pay final judgments entered by a court or courts of competent jurisdiction aggregating in excess of US\$10.0 million, which judgments are not paid, discharged or stayed, for a period of 60 consecutive days;
- (7) (i) breach by the Company or any Pledgor of any material representation, warranty or agreement in any Security Document; (ii) any security interest created by any Security Document ceases to be in full force and effect (except as permitted by the terms of the indenture, the intercreditor

agreement or the Security Documents), or an assertion in writing by the Company or any Pledgor that any Collateral is not subject to a valid, perfected security interest (except as permitted by the terms of the indenture, the intercreditor agreement or the Security Documents); or (ii) the repudiation in writing by the Company or any Pledgor of any of its material obligations under any Security Document;

- (8) except as permitted by the indenture, any Note Guarantee is held in any judicial proceeding to be unenforceable or invalid or ceases for any reason to be in full force and effect, or any Guarantor, or any Person acting on behalf of any Guarantor, denies or disaffirms in writing its obligations under its Note Guarantee; and
- (9) certain events of bankruptcy or insolvency described in the indenture with respect to the Company or any of its Restricted Subsidiaries that is a Significant Subsidiary or any group of its Restricted Subsidiaries that, taken together, would constitute a Significant Subsidiary.

In the case of an Event of Default arising from certain events of bankruptcy or insolvency, with respect to the Company, any Restricted Subsidiary of the Company that is a Significant Subsidiary or any group of Restricted Subsidiaries of the Company that, taken together, would constitute a Significant Subsidiary, all outstanding Notes will become due and payable immediately without further action or notice. If any other Event of Default occurs and is continuing, the trustee or the holders of at least 25% in aggregate principal amount of the then outstanding Notes may declare all the Notes to be due and payable immediately.

In the event of a declaration of acceleration of the Notes because an Event of Default described in clause (5) has occurred and is continuing, the declaration of acceleration of the Notes will be automatically annulled if the event of default or payment default triggering such Event of Default pursuant to clause (5) is remedied or cured by the Company or a Restricted Subsidiary of the Company or waived by the holders of the relevant Indebtedness within 20 days after the declaration of acceleration with respect thereto, and if (1) the annulment of the acceleration of the Notes would not conflict with any judgment or decree of a court of competent jurisdiction and (2) all existing Events of Default, except nonpayment of principal, premium or interest on the Notes that became due solely because of the acceleration of the Notes, have been cured or waived.

Subject to certain limitations, holders of a majority in aggregate principal amount of the then outstanding Notes may direct the trustee in its exercise of any trust or power.

Subject to the provisions of the indenture relating to the duties of the trustee, in case an Event of Default occurs and is continuing, the trustee will be under no obligation to exercise any of the rights or powers under the indenture at the request or direction of any holders of Notes unless such holders have offered to the trustee reasonable indemnity or security against any loss, liability or expense. Except to enforce the right to receive payment of principal, premium, if any, or interest, if any, when due, no holder of a Note may pursue any remedy with respect to the indenture or the Notes unless:

- (1) such holder has previously given the trustee written notice that an Event of Default is continuing;
- (2) holders of at least 25% in aggregate principal amount of the then outstanding Notes make a written request to the trustee to pursue the remedy;
- (3) such holder or holders offer and, if requested, provide to the trustee security or indemnity reasonably satisfactory to the trustee against any loss, liability or expense;
- (4) the trustee does not comply with such request within 60 days after receipt of the request and the offer of security or indemnity; and
- (5) during such 60-day period, holders of a majority in aggregate principal amount of the then outstanding Notes do not give the trustee a direction inconsistent with such request.

The holders of a majority in aggregate principal amount of the then outstanding Notes by written notice to the trustee may, on behalf of the holders of all of the Notes, rescind an acceleration or waive any existing Default or Event of Default and its consequences under the indenture, if the rescission would not conflict with any judgment or decree, except a continuing Default or Event of Default in the payment of principal of, premium on, if any, or interest, if any, on, the Notes.

The Company is required to deliver to the trustee annually a statement regarding compliance with the indenture. Upon becoming aware of any Default or Event of Default, the Company is required to deliver to the trustee a statement specifying such Default or Event of Default.

No Personal Liability of Directors, Officers, Employees and Stockholders

No director, officer, employee, incorporator or stockholder of the Company or any Guarantor, as such, will have any liability for any obligations of the Company or the Guarantors under the Notes, the indenture, the Note Guarantees or for any claim based on, in respect of, or by reason of, such obligations or their creation. Each holder of Notes by accepting a Note waives and releases all such liability. The waiver and release are part of the consideration for issuance of the Notes. The waiver may not be effective to waive liabilities under U.S. federal securities laws.

Legal Defeasance and Covenant Defeasance

The Company may at any time, at the option of its Board of Directors evidenced by a resolution set forth in an officers' certificate, elect to have all of its obligations discharged with respect to the outstanding Notes and all obligations of the Guarantors discharged with respect to their Note Guarantees ("*Legal Defeasance*") except for:

- (1) the rights of holders of outstanding Notes to receive payments in respect of the principal of, premium on, if any, or interest, if any, on, such Notes when such payments are due from the trust referred to below;
- (2) the Company's obligations with respect to the Notes concerning issuing temporary Notes, registration of Notes, mutilated, destroyed, lost or stolen Notes and the maintenance of an office or agency for payment and money for security payments held in trust;
- (3) the rights, powers, trusts, duties and immunities of the trustee under the indenture, and the Company's and the Guarantors' obligations in connection therewith; and
- (4) the Legal Defeasance and Covenant Defeasance provisions of the indenture.

In addition, the Company may, at its option and at any time, elect to have the obligations of the Company and the Guarantors released with respect to certain covenants (including its obligation to make Change of Control Offers and Asset Sale Offers) that are described in the indenture ("*Covenant Defeasance*") and thereafter any omission to comply with those covenants will not constitute a Default or Event of Default with respect to the Notes. In the event Covenant Defeasance occurs, all Events of Default described under "– Events of Default and Remedies" (except those relating to payments on the Notes or bankruptcy, receivership, rehabilitation or insolvency events) will no longer constitute an Event of Default with respect to the Notes.

In order to exercise either Legal Defeasance or Covenant Defeasance:

- (1) the Company must irrevocably deposit with the trustee, in trust, for the benefit of the holders of the Notes, cash in U.S. dollars, non-callable U.S. Government Securities, or a combination thereof, in amounts as will be sufficient, in the opinion of an internationally recognized investment bank, appraisal firm or firm of independent public accountants, to pay the principal of, premium on, if any, and interest, if any, on, the outstanding Notes on the stated date for payment thereof or on the applicable redemption date, as the case may be, and the Company must specify whether the Notes are being defeased to such stated date for payment or to a particular redemption date;
- (2) in the case of Legal Defeasance, the Company must deliver to the trustee an opinion of counsel reasonably acceptable to the trustee confirming that (a) the Company has received from, or there has been published by, the Internal Revenue Service a ruling or (b) since the date of the indenture, there has been a change in the applicable federal income tax law, in either case to the effect that, and based thereon such opinion of counsel will confirm that, the holders of the outstanding Notes will not recognize income, gain or loss for U.S. federal income tax purposes as a result of such Legal Defeasance and will be subject to U.S. federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such Legal Defeasance had not occurred;

- (3) in the case of Covenant Defeasance, the Company must deliver to the trustee an opinion of counsel reasonably acceptable to the trustee confirming that the holders of the outstanding Notes will not recognize income, gain or loss for U.S. federal income tax purposes as a result of such Covenant Defeasance and will be subject to U.S. federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such Covenant Defeasance had not occurred;
- (4) no Default or Event of Default has occurred and is continuing on the date of such deposit (other than a Default or Event of Default resulting from the borrowing of funds to be applied to such deposit (and any similar concurrent deposit relating to other Indebtedness), and the granting of Liens to secure such borrowings);
- (5) such Legal Defeasance or Covenant Defeasance will not result in a breach or violation of, or constitute a default under, any material agreement or instrument (other than the indenture and the agreements governing any other Indebtedness being defeased, discharged or replaced) to which the Company or any of the Guarantors is a party or by which the Company or any of the Guarantors is bound;
- (6) the Company must deliver to the trustee an officers' certificate stating that the deposit was not made by the Company with the intent of preferring the holders of Notes over the other creditors of the Company with the intent of defeating, hindering, delaying or defrauding any creditors of the Company or others; and
- (7) the Company must deliver to the trustee an officers' certificate and an opinion of counsel, each stating that all conditions precedent relating to the Legal Defeasance or the Covenant Defeasance have been complied with.

The trustee will be entitled to rely on any such officers' certificate and opinion of counsel without responsibility for verifying the information stated therein.

Amendment, Supplement and Waiver

Except as provided in the next two succeeding paragraphs, the indenture, the Notes, the Note Guarantees, the intercreditor agreement and any Security Document may be amended or supplemented with the consent of the holders of at least a majority in aggregate principal amount of the then outstanding Notes (including, without limitation, additional Notes, if any) voting as a single class (including, without limitation, consents obtained in connection with a tender offer or exchange offer for, or purchase of, the Notes), and any existing Default or Event of Default (other than a Default or Event of Default in the payment of the principal of, premium on, if any, or interest, if any, on, the Notes, except a payment default resulting from an acceleration that has been rescinded) or compliance with any provision of the indenture or the Notes or the Note Guarantees may be waived with the consent of the holders of a majority in aggregate principal amount of the then outstanding Notes (including, without limitation, additional Notes, if any) voting as a single class (including, without limitation, consents obtained in connection with a purchase of, or tender offer or exchange offer for, Notes).

Without the consent of each holder of Notes affected, an amendment, supplement or waiver may not (with respect to any Notes held by a non-consenting holder):

- (1) reduce the principal amount of Notes whose holders must consent to an amendment, supplement or waiver;
- (2) reduce the principal of or change the fixed maturity of any Note or alter or waive any of the provisions with respect to the redemption of the Notes (except those provisions relating to the covenants described above under the caption "– Repurchase at the Option of Holders");
- (3) reduce the rate of or change the time for payment of interest, including default interest, on any Note;

- (4) waive a Default or Event of Default in the payment of principal of, premium on, if any, or interest, if any, on, the Notes (except a rescission of acceleration of the Notes by the holders of at least a majority in aggregate principal amount of the then outstanding Notes and a waiver of the payment default that resulted from such acceleration);
- (5) make any Note payable in money other than that stated in the Notes;
- (6) make any change in the provisions of the indenture relating to waivers of past Defaults or the rights of holders of Notes to receive payments of principal of, premium on, if any, or interest, if any, on, the Notes;
- (7) waive a redemption payment with respect to any Note (other than a payment required by one of the covenants described above under the caption “– Repurchase at the Option of Holders”);
- (8) release any Guarantor from any of its obligations under its Note Guarantee or the indenture, except in accordance with the terms of the indenture;
- (9) release the Lien on Collateral granted for the benefit of the holders of Notes, except in accordance with the terms of the relevant Security Documents, the indenture and the intercreditor agreement;
- (10) make any change to the obligations of the Company or any Guarantor to pay Additional Amounts;
- (11) make any change in the provisions of the Security Documents or the indenture relating to the Collateral in a manner that materially and adversely affects the priority and perfection of the holders’ Lien on the Collateral, except in accordance with the other provisions of the Security Documents or the indenture; or
- (12) make any change in the preceding amendment and waiver provisions.

Notwithstanding the preceding, without the consent of any holder of Notes, the Company, the Guarantors and the trustee may amend or supplement the indenture, the Notes, the Note Guarantees, the intercreditor agreement or any Security Document:

- (1) to cure any ambiguity, defect, omission or inconsistency;
- (2) to provide for uncertificated Notes in addition to or in place of certificated Notes;
- (3) to provide for the assumption of the Company’s or a Guarantor’s obligations to holders of Notes and Note Guarantees in the case of a merger or consolidation or sale of all or substantially all of the Company’s or such Guarantor’s assets, as applicable;
- (4) to make any change that would provide any additional rights or benefits to the holders of Notes or that does not materially and adversely affect the legal rights under the indenture, the Notes, the Note Guarantees or the Security Documents of any holder;
- (5) to conform the text of the indenture, the Notes, the Note Guarantees, the intercreditor agreement or any Security Document to any provision of this Description of the Notes to the extent that such provision in this Description of the Notes was intended to be a verbatim recitation of a provision of the indenture, the Notes, the Note Guarantees, the intercreditor agreement or the Security Documents, which intent may be evidenced by an officers’ certificate to that effect;
- (6) to provide for the issuance of additional Notes in accordance with the limitations set forth in the indenture as of the date of the indenture;
- (7) to allow any Guarantor to execute a supplemental indenture and/or a Note Guarantee with respect to the Notes;
- (8) to enter into additional or supplemental Security Documents;

- (9) to release the Lien on Collateral in accordance with the terms of the indenture, the intercreditor agreement and the Security Documents or to release any Note Guarantee in accordance with the terms of the indenture;
- (10) to permit Permitted Parity Lien Indebtedness (including, without limitation, permitting the trustee to enter into the intercreditor agreement, or any amendments to the intercreditor agreement, the Security Documents or the indenture and take any other action necessary to permit the creation and registration of Liens on the Collateral to secure Permitted Parity Lien Indebtedness, in accordance with the indenture);
- (11) to comply with the rules of any applicable securities depository; and
- (12) to evidence or provide for the acceptance and appointment under the indenture of a successor trustee.

Satisfaction and Discharge

The indenture will be discharged and will cease to be of further effect as to all Notes issued thereunder, when:

- (1) either:
 - (a) all Notes that have been authenticated, except lost, stolen or destroyed Notes that have been replaced or paid and Notes for whose payment money has been deposited in trust and thereafter repaid to the Company, have been delivered to the trustee for cancellation; or
 - (b) all Notes that have not been delivered to the trustee for cancellation have become due and payable by reason of the mailing of a notice of redemption or otherwise or will become due and payable within one year and the Company or any Guarantor has irrevocably deposited or caused to be deposited with the trustee as trust funds in trust solely for the benefit of the holders, cash in U.S. dollars, non-callable U.S. Government Securities, or a combination thereof, in amounts as will be sufficient, without consideration of any reinvestment of interest, to pay and discharge the entire Indebtedness on the Notes not delivered to the trustee for cancellation for principal of, premium on, if any, and interest, if any, on, the Notes to the date of maturity or redemption;
- (2) in respect of clause 1(b), no Default or Event of Default has occurred and is continuing on the date of the deposit (other than a Default or Event of Default resulting from the borrowing of funds to be applied to such deposit and any similar deposit relating to other Indebtedness and, in each case, the granting of Liens to secure such borrowings) and the deposit will not result in a breach or violation of, or constitute a default under, any other instrument to which the Company or any Guarantor is a party or by which the Company or any Guarantor is bound (other than with respect to the borrowing of funds to be applied concurrently to make the deposit required to effect such satisfaction and discharge and any similar concurrent deposit relating to other Indebtedness, and in each case the granting of Liens to secure such borrowings);
- (3) the Company or any Guarantor has paid or caused to be paid all sums payable by it under the indenture; and
- (4) the Company has delivered irrevocable instructions to the trustee under the indenture to apply the deposited money toward the payment of the Notes at maturity or on the redemption date, as the case may be.

In addition, the Company must deliver an officers' certificate and an opinion of counsel to the trustee stating that all conditions precedent to satisfaction and discharge have been satisfied.

Concerning the Trustee and the Collateral Agent

If the trustee becomes a creditor of the Company or any Guarantor, the indenture limits the right of the trustee to obtain payment of claims in certain cases, or to realize on certain property received in respect of any such claim as security or otherwise. The trustee will be permitted to engage in other transactions; however, if it acquires any conflicting interest it must eliminate such conflict within 90 days or resign.

The holders of a majority in aggregate principal amount of the then outstanding Notes will have the right to direct the time, method and place of conducting any proceeding for exercising any remedy available to the trustee, subject to certain exceptions. The indenture provides that in case an Event of Default has occurred and is continuing, the trustee will be required, in the exercise of its power, to use the degree of care of a prudent man in the conduct of his own affairs. Subject to such provisions, the trustee will be under no obligation to exercise any of its rights or powers under the indenture at the request of any holder of Notes, unless such holder has offered to the trustee reasonable indemnity or security satisfactory to it against any loss, liability or expense.

The collateral agent or the trustee, as the case may be, will be under no obligation to exercise any rights or powers conferred under the indenture, the intercreditor agreement or any of the pledge agreements for the benefit of the holders of the Notes unless such holders have offered to the collateral agent or the trustee, as the case may be, indemnity or security satisfactory to the collateral agent or the trustee, as the case may be, against any loss, liability or expense. Furthermore, each holder, by accepting the Notes will agree, for the benefit of the collateral agent or the trustee, as the case may be, that it is solely responsible for its own independent appraisal of and investigation into all risks arising under or in connection with the share pledges and the intercreditor agreement and has not relied on and will not at any time rely on the collateral agent or the trustee, as the case may be, in respect of such risks.

The collateral agent or the trustee, as the case may be, will not be responsible for the performance by any other person appointed by the Company in relation to the Notes and, unless notified in writing to the contrary, will assume that the same are being duly performed. The collateral agent or the trustee, as the case may be, will not be responsible for the value of the Collateral or its validity, sufficiency or enforceability.

The collateral agent or the trustee, as the case may be, will not be liable to any holders or any other person for any action taken by the collateral agent or the trustee, as the case may be, in accordance with the instructions of the holders. The collateral agent or the trustee, as the case may be, will be entitled to rely on any written direction of the Holders which has been duly given by the holders of the requisite principal amount of the Notes outstanding.

The collateral agent and the trustee will not be deemed or implied to have any duties or obligations under any documents to which it is a party. Furthermore, the collateral agent and the trustee will not be deemed to have knowledge of any event unless it has been actually notified of such event or have actual knowledge thereof.

Additional Information

Anyone who receives this offering memorandum may obtain a copy of the indenture without charge by writing to Renhe Commercial Holdings Company Limited, No. 23 Mei Shun Street, Nangang District, Harbin, Heilongjiang, China 150001, Attention: Chief Financial Officer.

Indemnification for Judgment Currency

The obligations of the Company or any Guarantor to any holder of the Notes or the trustee under the indenture, the Notes or any Note Guarantee will, notwithstanding any judgment in a currency (the "*Judgment Currency*") other than U.S. dollars, be discharged only to the extent that on the day following receipt by such party of any amount in the judgment currency, such party may in accordance with normal banking procedures purchase U.S. dollars with the judgment currency. If the amount of U.S. dollars so purchased is less than the amount originally to be paid to such party in U.S. dollars, the Company and each Guarantor, jointly and severally, agree as a separate obligation and notwithstanding such judgment, to the extent permitted by applicable law, to pay the difference, and, if the amount of U.S. dollars so purchased exceeds the amount originally to be paid to such party, such party agrees to pay to or for the account of such payor such excess; provided that such party shall not have any obligation to pay any such excess as long as an event of default has occurred and is continuing, in which case such excess may be applied by such party to such obligations.

Consent to Jurisdiction and Service of Process

The indenture will provide that the Company and each Guarantor will appoint Corporation Service Company, 1180 Avenue of the Americas, Ste. 210, New York, NY 10036, U.S.A., as its agent for service of process in any suit, action or proceeding with respect to the indenture, the Notes and the Note Guarantees and for actions brought under U.S. federal or state securities laws brought in any federal or state court located in The City of New York and will submit to such jurisdiction.

Governing Law

The indenture, the Notes and the Note Guarantees will be governed by the laws of the State of the New York. The issuance of the Notes and the Note Guarantees will also be subject to a certain extent to the respective laws of the jurisdiction of formation of the Company and the Guarantors.

Enforceability of Judgments

Because the assets of the Company and the Guarantors are outside the United States, any judgment obtained in the United States against the Company or any Guarantor, including judgments with respect to the payment of principal, premium, interest, Additional Amounts and any redemption price and any purchase price with respect to the Notes, may not be collectable within the United States.

Prescription

Claims against the Company or any Guarantor for the payment of principal or Additional Amounts, if any, on the Notes will be prescribed ten years after the applicable due date for payment thereof. Claims against the Company or any Guarantor for the payment of interest on the Notes will be prescribed five years after the applicable due date for payment of interest.

Book-entry, Delivery and Form

The Notes are being offered and sold to qualified institutional buyers in reliance on Rule 144A ("*Rule 144A Notes*"). The Notes also may be offered and sold in offshore transactions in reliance on Regulation S ("*Regulation S Notes*"). Except as set forth below, the Notes will be issued in registered, global form in denominations of US\$100,000 or higher integral multiples of US\$1,000. Notes will be issued at the closing of this offering only against payment in immediately available funds.

Rule 144A Notes initially will be represented by one or more Notes in registered, global form without interest coupons (collectively, the "*Rule 144A Global Notes*"). Regulation S Notes initially will be represented by one or more Notes in registered, global form without interest coupons (collectively, the "*Regulation S Global Notes*" and, together with the Rule 144A Global Notes, the "*Global Notes*"). The Global Notes will be deposited upon issuance with the trustee as custodian for The Depository Trust Company ("*DTC*"), in New York, New York, and registered in the name of DTC or its nominee, in each case, for credit to an account of a direct or indirect participant in DTC as described below. Through and including the 40th day after the later of the commencement of this offering and the closing of this offering (such period through and including such 40th day, the "*Restricted Period*"), beneficial interests in the Regulation S Global Notes may be held only through the Euroclear System ("*Euroclear*") and Clearstream Banking, S.A. ("*Clearstream*") (as indirect participants in DTC), unless transferred to a person that takes delivery through a Rule 144A Global Note in accordance with the certification requirements described below. Beneficial interests in the Rule 144A Global Notes may not be exchanged for beneficial interests in the Regulation S Global Notes at any time except in the limited circumstances described below. See "*– Exchanges between Regulation S Notes and Rule 144A Notes.*"

Except as set forth below, the Global Notes may be transferred, in whole and not in part, only to another nominee of DTC or to a successor of DTC or its nominee. Beneficial interests in the Global Notes may not be exchanged for Certificated Notes except in the limited circumstances described below. See "*– Exchange of Global Notes for Certificated Notes.*" Except in the limited circumstances described below, owners of beneficial interests in the Global Notes will not be entitled to receive physical delivery of Notes in certificated form.

Rule 144A Notes (including beneficial interests in the Rule 144A Global Notes) will be subject to certain restrictions on transfer and will bear a restrictive legend as described under "*Notice to investors.*" Regulation S Notes will also bear the legend as described under "*Notice to Investors.*" In addition,

transfers of beneficial interests in the Global Notes will be subject to the applicable rules and procedures of DTC and its direct or indirect participants (including, if applicable, those of Euroclear and Clearstream), which may change from time to time.

Depository Procedures

The following description of the operations and procedures of DTC, Euroclear and Clearstream are provided solely as a matter of convenience. These operations and procedures are solely within the control of the respective settlement systems and are subject to changes by them. The Company takes no responsibility for these operations and procedures and urges investors to contact the system or their participants directly to discuss these matters.

DTC has advised the Company that DTC is a limited-purpose trust company created to hold securities for its participating organizations (collectively, the "*Participants*") and to facilitate the clearance and settlement of transactions in those securities between the Participants through electronic book-entry changes in accounts of its Participants. The Participants include securities brokers and dealers (including the initial purchasers), banks, trust companies, clearing corporations and certain other organizations. Access to DTC's system is also available to other entities such as banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with a Participant, either directly or indirectly (collectively, the "*Indirect Participants*"). Persons who are not Participants may beneficially own securities held by or on behalf of DTC only through the Participants or the Indirect Participants. The ownership interests in, and transfers of ownership interests in, each security held by or on behalf of DTC are recorded on the records of the Participants and Indirect Participants.

DTC has also advised the Company that, pursuant to procedures established by it:

- (1) upon deposit of the Global Notes, DTC will credit the accounts of the Participants designated by the initial purchasers with portions of the principal amount of the Global Notes; and
- (2) ownership of these interests in the Global Notes will be shown on, and the transfer of ownership of these interests will be effected only through, records maintained by DTC (with respect to the Participants) or by the Participants and the Indirect Participants (with respect to other owners of beneficial interest in the Global Notes).

Investors in the Rule 144A Global Notes who are Participants may hold their interests therein directly through DTC. Investors in the Rule 144A Global Notes who are not Participants may hold their interests therein indirectly through organizations (including Euroclear and Clearstream) which are Participants. Investors in the Regulation S Global Notes must initially hold their interests therein through Euroclear or Clearstream, if they are participants in such systems, or indirectly through organizations that are participants. After the expiration of the Restricted Period (but not earlier), investors may also hold interests in the Regulation S Global Notes through Participants in the DTC system other than Euroclear and Clearstream. Euroclear and Clearstream will hold interests in the Regulation S Global Notes on behalf of their participants through customers' securities accounts in their respective names on the books of their respective depositories, which are Euroclear Bank S.A./N.V., as operator of Euroclear, and Citibank, N.A., as operator of Clearstream. All interests in a Global Note, including those held through Euroclear or Clearstream, may be subject to the procedures and requirements of DTC. Those interests held through Euroclear or Clearstream may also be subject to the procedures and requirements of such systems. The laws of some states require that certain Persons take physical delivery in definitive form of securities that they own. Consequently, the ability to transfer beneficial interests in a Global Note to such Persons will be limited to that extent. Because DTC can act only on behalf of the Participants, which in turn act on behalf of the Indirect Participants, the ability of a Person having beneficial interests in a Global Note to pledge such interests to Persons that do not participate in the DTC system, or otherwise take actions in respect of such interests, may be affected by the lack of a physical certificate evidencing such interests.

Except as described below, owners of interests in the Global Notes will not have Notes registered in their names, will not receive physical delivery of Notes in certificated form and will not be considered the registered owners or “holders” thereof under the indenture for any purpose.

Payments in respect of the principal of, premium on, if any, and interest, if any, on, a Global Note registered in the name of DTC or its nominee will be payable to DTC in its capacity as the registered holder under the indenture. Under the terms of the indenture, the Company and the trustee will treat the Persons in whose names the Notes, including the Global Notes, are registered as the owners of the Notes for the purpose of receiving payments and for all other purposes. Consequently, neither the Company, the trustee nor any agent of the Company or the trustee has or will have any responsibility or liability for:

- (1) any aspect of DTC’s records or any Participant’s or Indirect Participant’s records relating to or payments made on account of beneficial ownership interest in the Global Notes or for maintaining, supervising or reviewing any of DTC’s records or any Participant’s or Indirect Participant’s records relating to the beneficial ownership interests in the Global Notes; or
- (2) any other matter relating to the actions and practices of DTC or any of its Participants or Indirect Participants.

DTC has advised the Company that its current practice, upon receipt of any payment in respect of securities such as the Notes (including principal and interest), is to credit the accounts of the relevant Participants with the payment on the payment date unless DTC has reason to believe that it will not receive payment on such payment date. Each relevant Participant is credited with an amount proportionate to its beneficial ownership of an interest in the principal amount of the relevant security as shown on the records of DTC. Payments by the Participants and the Indirect Participants to the beneficial owners of Notes will be governed by standing instructions and customary practices and will be the responsibility of the Participants or the Indirect Participants and will not be the responsibility of DTC, the trustee or the Company. Neither the Company nor the trustee will be liable for any delay by DTC or any of the Participants or the Indirect Participants in identifying the beneficial owners of the Notes, and the Company and the trustee may conclusively rely on and will be protected in relying on instructions from DTC or its nominee for all purposes.

Subject to the transfer restrictions set forth under “Notice to Investors,” transfers between the Participants will be effected in accordance with DTC’s procedures, and will be settled in same-day funds, and transfers between participants in Euroclear and Clearstream will be effected in accordance with their respective rules and operating procedures.

Subject to compliance with the transfer restrictions applicable to the Notes described herein, cross-market transfers between the Participants, on the one hand, and Euroclear or Clearstream participants, on the other hand, will be effected through DTC in accordance with DTC’s rules on behalf of Euroclear or Clearstream, as the case may be, by their respective depositories; however, such cross-market transactions will require delivery of instructions to Euroclear or Clearstream, as the case may be, by the counterparty in such system in accordance with the rules and procedures and within the established deadlines (Brussels time) of such system. Euroclear or Clearstream, as the case may be, will, if the transaction meets its settlement requirements, deliver instructions to its respective depository to take action to effect final settlement on its behalf by delivering or receiving interests in the relevant Global Note in DTC, and making or receiving payment in accordance with normal procedures for same-day funds settlement applicable to DTC. Euroclear participants and Clearstream participants may not deliver instructions directly to the depositories for Euroclear or Clearstream.

DTC has advised the Company that it will take any action permitted to be taken by a holder of Notes only at the direction of one or more Participants to whose account DTC has credited the interests in the Global Notes and only in respect of such portion of the aggregate principal amount of the Notes as to which such Participant or Participants has or have given such direction. However, if there is an Event of Default under the Notes, DTC reserves the right to exchange the Global Notes for legended Notes in certificated form, and to distribute such Notes to its Participants.

Although DTC, Euroclear and Clearstream have agreed to the foregoing procedures to facilitate transfers of interests in the Rule 144A Global Notes and the Regulation S Global Notes among participants in DTC, Euroclear and Clearstream, they are under no obligation to perform or to continue to perform such procedures, and may discontinue such procedures at any time. None of the Company, the trustee and any of their respective agents will have any responsibility for the performance by DTC, Euroclear or Clearstream or their respective participants or indirect participants of their respective obligations under the rules and procedures governing their operations.

Exchange of Global Notes for Certificated Notes

A Global Note is exchangeable for Certificated Notes if:

- (1) DTC (a) notifies the Company that it is unwilling or unable to continue as depository for the Global Notes or (b) has ceased to be a clearing agency registered under the Exchange Act and, in either case, the Company fails to appoint a successor depository;
- (2) the Company, at its option, notifies the trustee in writing that it elects to exchange in whole, but not in part, the Global Notes for the Certificated Notes; or
- (3) if DTC or a successor depository so requests following a Default or Event of Default.

In all cases, Certificated Notes delivered in exchange for any Global Note or beneficial interests in Global Notes will be registered in the names, and issued in any approved denominations, requested by or on behalf of the depository (in accordance with its customary procedures) and will bear the applicable restrictive legend referred to in "Notice to Investors," unless that legend is not required by applicable law.

For so long as the Notes are listed on the SGX-ST and the rules of the SGX-ST so require, if any Global Note is exchanged for Certificated Notes, the Company (1) will appoint and maintain a paying agent in Singapore where the Notes may be presented or surrendered for payment or redemption, and (2) make through the SGX-ST an announcement about the exchange of Notes that will include all material information with respect to the delivery of Certificated Notes, including details of the paying agent in Singapore.

Exchanges between Regulation S Notes and Rule 144A Notes

Prior to the expiration of the Restricted Period, beneficial interests in the Regulation S Global Note may be exchanged for beneficial interests in the Rule 144A Global Note only if:

- (1) such exchange occurs in connection with a transfer of the Notes pursuant to Rule 144A; and
- (2) the transferor first delivers to the trustee a written certificate (in the form provided in the indenture) to the effect that the Notes are being transferred to a Person:
 - (a) who the transferor reasonably believes to be a qualified institutional buyer within the meaning of Rule 144A;
 - (b) purchasing for its own account or the account of a qualified institutional buyer in a transaction meeting the requirements of Rule 144A; and
 - (c) in accordance with all applicable securities laws of the states of the United States and other jurisdictions.

Beneficial interests in a Rule 144A Global Note may be transferred to a Person who takes delivery in the form of an interest in the Regulation S Global Note, whether before or after the expiration of the Restricted Period, only if the transferor first delivers to the trustee a written certificate (in the form provided in the indenture) to the effect that such transfer is being made in accordance with Rule 903 or 904 of Regulation S or Rule 144 (if available) and that, if such transfer occurs prior to the expiration of the Restricted Period, the interest transferred will be held immediately thereafter through Euroclear or Clearstream.

Transfers involving exchanges of beneficial interests between the Regulation S Global Notes and the Rule 144A Global Notes will be effected by DTC by means of an instruction originated by the trustee

through the DTC Deposit/Withdraw at Custodian system. Accordingly, in connection with any such transfer, appropriate adjustments will be made to reflect a decrease in the principal amount of the Regulation S Global Note and a corresponding increase in the principal amount of the Rule 144A Global Note or vice versa, as applicable. Any beneficial interest in one of the Global Notes that is transferred to a Person who takes delivery in the form of an interest in the other Global Note will, upon transfer, cease to be an interest in such Global Note and will become an interest in the other Global Note and, accordingly, will thereafter be subject to all transfer restrictions and other procedures applicable to beneficial interests in such other Global Note for so long as it remains such an interest. The policies and practices of DTC may prohibit transfers of beneficial interests in the Regulation S Global Note prior to the expiration of the Restricted Period.

Same Day Settlement and Payment

The Company will make payments in respect of the Notes represented by the Global Notes, including principal, premium, if any, and interest, if any, by wire transfer of immediately available funds to the accounts specified by DTC or its nominee. The Company will make all payments of principal, premium, if any, and interest, if any, with respect to Certificated Notes by wire transfer of immediately available funds to the accounts specified by the holders of the Certificated Notes or, if no such account is specified, by mailing a check to each such holder's registered address to trade in DTC's Same-Day Funds Settlement System, and any permitted secondary market trading activity in such Notes will, therefore, be required by DTC to be settled in immediately available funds. The Company expects that secondary trading in any Certificated Notes will also be settled in immediately available funds.

Because of time zone differences, the securities account of a Euroclear or Clearstream participant purchasing an interest in a Global Note from a Participant will be credited, and any such crediting will be reported to the relevant Euroclear or Clearstream participant, during the securities settlement processing day (which must be a business day for Euroclear and Clearstream) immediately following the settlement date of DTC. DTC has advised the Company that cash received in Euroclear or Clearstream as a result of sales of interests in a Global Note by or through a Euroclear or Clearstream participant to a Participant will be received with value on the settlement date of DTC but will be available in the relevant Euroclear or Clearstream cash account only as of the business day for Euroclear or Clearstream following DTC's settlement date.

Certain Definitions

Set forth below are certain defined terms used in the indenture. Reference is made to the indenture for a full disclosure of all defined terms used therein, as well as any other capitalized terms used herein for which no definition is provided.

"Acquired Debt" means, with respect to any specified Person:

- (1) Indebtedness of any other Person existing at the time such other Person is merged with or into or became a Subsidiary of such specified Person, whether or not such Indebtedness is incurred in connection with, or in contemplation of, such other Person merging with or into, or becoming a Restricted Subsidiary of, such specified Person; and
- (2) Indebtedness secured by a Lien encumbering any asset acquired by such specified Person.

"Affiliate" of any specified Person means any other Person directly or indirectly controlling or controlled by or under direct or indirect common control with such specified Person. For purposes of this definition, "control," as used with respect to any Person, means the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of such Person, whether through the ownership of voting securities, by agreement or otherwise; *provided* that beneficial ownership of 10% or more of the Voting Stock of a Person will be deemed to be control. For purposes of this definition, the terms "controlling," "controlled by" and "under common control with" have correlative meanings.

"Applicable Premium" means, with respect to any Note on any redemption date, the greater of:

- (1) 1.0% of the principal amount of the Note; or

- (2) the excess of:
 - (a) the present value at such redemption date of (i) the redemption price of the Note at May 18, 2013, (such redemption price being set forth in the table appearing above under the caption “– Optional Redemption”) plus (ii) all required interest payments due on the Note through May 18, 2013 (excluding accrued but unpaid interest to the redemption date), computed using a discount rate equal to the Treasury Rate as of such redemption date plus 100 basis points; over
 - (b) the principal amount of the Note.

“Asset Sale” means:

- (1) the sale, lease, conveyance or other disposition of any assets or rights by the Company or any of the Company’s Restricted Subsidiaries; *provided* that the sale, lease, conveyance or other disposition of all or substantially all of the assets of the Company and its Restricted Subsidiaries taken as a whole will be governed by the provisions of the indenture described above under the caption “– Repurchase at the Option of Holders – Change of Control” and/or the provisions described above under the caption “– Certain Covenants – Merger, Consolidation or Sale of Assets” and not by the provisions of the Asset Sale covenant; and
- (2) the issuance of Equity Interests by any of the Company’s Restricted Subsidiaries or the sale by the Company or any of the Company’s Restricted Subsidiaries of Equity Interests in any of the Company’s Subsidiaries.

Notwithstanding the preceding, none of the following items will be deemed to be an Asset Sale:

- (1) any single transaction or series of related transactions that involves assets having a Fair Market Value of less than US\$2.0 million;
- (2) a transfer of assets between or among the Company and its Restricted Subsidiaries;
- (3) an issuance of Equity Interests by a Restricted Subsidiary of the Company to the Company or to a Restricted Subsidiary of the Company;
- (4) the sale, lease or other transfer of products, services, accounts receivable, other current assets or operating rights to underground shop units in the ordinary course of business (or of 100% of the Capital Stock of the Subsidiary owning, directly or indirectly such operating rights) and any sale or other disposition of damaged, worn-out or obsolete assets in the ordinary course of business (including the abandonment or other disposition of intellectual property that is, in the reasonable judgment of the Company, no longer economically practicable to maintain or useful in the conduct of the business of the Company and its Restricted Subsidiaries taken as whole);
- (5) with respect to any semi-annual fiscal period, any sale of less than 100% of Capital Stock in a Subsidiary owning, directly or indirectly, operating rights to underground shop units, *provided* that the book value of such Capital Stock, together with the book value of Capital Stock sold in that semi-annual fiscal period and the immediately prior semi-annual fiscal period in transactions involving the sale of less than 100% of Capital Stock of Subsidiaries owning, directly or indirectly, operating rights to underground shop units, does not exceed the amount equal to 15.0% of the Company’s Total Assets as of the end of the immediately prior semi-annual fiscal period;
- (6) licenses and sublicenses by the Company or any of its Restricted Subsidiaries of software or intellectual property in the ordinary course of business;
- (7) any surrender or waiver of contract rights or settlement, release, recovery on or surrender of contract, tort or other claims in the ordinary course of business;
- (8) the granting of Liens not prohibited by the covenant described above under the caption “– Certain Covenants – Liens”;
- (9) the sale or other disposition of cash or Cash Equivalents; and

- (10) a Restricted Payment that does not violate the covenant described above under the caption “– Certain Covenants – Restricted Payments” or a Permitted Investment.

“*Asset Sale Offer*” has the meaning assigned to that term in the indenture governing the Notes.

“*Attributable Debt*” in respect of a sale and leaseback transaction means, at the time of determination, the present value of the obligation of the lessee for net rental payments during the remaining term of the lease included in such sale and leaseback transaction including any period for which such lease has been extended or may, at the option of the lessor, be extended. Such present value shall be calculated using a discount rate equal to the rate of interest implicit in such transaction, determined in accordance with IFRS; *provided, however*, that if such sale and leaseback transaction results in a Capital Lease Obligation, the amount of Indebtedness represented thereby will be determined in accordance with the definition of “Capital Lease Obligation.”

“*Bank Deposit Secured Indebtedness*” means Indebtedness of the Company or any Restricted Subsidiary that is secured by a pledge of one or more bank accounts of the Company or a Restricted Subsidiary and is used by the Company and its Restricted Subsidiaries to in effect exchange US dollars or Hong Kong dollars into Renminbi or vice versa.

“*Beneficial Owner*” has the meaning assigned to such term in Rule 13d-3 and Rule 13d-5 under the Exchange Act, except that in calculating the beneficial ownership of any particular “person” (as that term is used in Section 13(d)(3) of the Exchange Act), such “person” will be deemed to have beneficial ownership of all securities that such “person” has the right to acquire by conversion or exercise of other securities, whether such right is currently exercisable or is exercisable only after the passage of time. The terms “Beneficially Owns” and “Beneficially Owned” have a corresponding meaning.

“*Board of Directors*” means:

- (1) with respect to a corporation, the board of directors of the corporation or any committee thereof duly authorized to act on behalf of such board;
- (2) with respect to a partnership, the Board of Directors of the general partner of the partnership;
- (3) with respect to a limited liability company, the managing member or members or any controlling committee of managing members thereof; and
- (4) with respect to any other Person, the board or committee of such Person serving a similar function.

“*Capital Lease Obligation*” means, at the time any determination is to be made, the amount of the liability in respect of a capital lease that would at that time be required to be capitalized on a balance sheet prepared in accordance with IFRS, and the Stated Maturity thereof shall be the date of the last payment of rent or any other amount due under such lease prior to the first date upon which such lease may be prepaid by the lessee without payment of a penalty.

“*Capital Stock*” means:

- (1) in the case of a corporation, corporate stock;
- (2) in the case of an association or business entity, any and all shares, interests, participations, rights or other equivalents (however designated) of corporate stock;
- (3) in the case of a partnership or limited liability company, partnership interests (whether general or limited) or membership interests; and
- (4) any other interest or participation that confers on a Person the right to receive a share of the profits and losses of, or distributions of assets of, the issuing Person, but excluding from all of the foregoing any debt securities convertible into Capital Stock, whether or not such debt securities include any right of participation with Capital Stock.

"Cash Equivalents" means:

- (1) direct obligations (or certificates representing an interest in such obligations) issued by, or unconditionally guaranteed by, the government of a member state of the European Union, the United States, the People's Republic of China or Hong Kong (including any agency or instrumentality thereof), as the case may be, the payment of which is backed by the full faith and credit of the relevant member state of the European Union, the United States, the People's Republic of China or Hong Kong, as the case may be, having maturities of not more than six months from the date of acquisition;
- (2) demand or overnight bank deposits, time deposit accounts, certificates of deposit, banker's acceptances and money market deposits with maturities (and similar instruments) of 12 months or less from the date of acquisition issued by a bank or trust company that is organized under, or authorized to operate as a bank or trust company under, the laws of a member state of the European Union, the United States or any state thereof or Hong Kong; *provided* that such bank or trust company has capital, surplus and undivided profits aggregating in excess of US\$500 million (or the foreign currency equivalent thereof as of the date of such investment) and whose long-term debt is rated "A-3" or higher by Moody's or "A-" or higher by S&P or the equivalent rating category of another internationally recognized rating agency;
- (3) repurchase obligations with a term of not more than seven days for underlying securities of the types described in clauses (1) and (2) above entered into with any financial institution meeting the qualifications specified in clause (2) above;
- (4) securities, maturing within one year of the date of acquisition thereof, issued or fully and unconditionally Guaranteed by any state, commonwealth or territory of the United States of America, or by any political subdivision or taxing authority thereof, and rated at least "A" by S&P or Moody's;
- (5) commercial paper having one of the two highest ratings obtainable from Moody's or S&P and, in each case, maturing within six months after the date of acquisition;
- (6) money market funds at least 95% of the assets of which constitute Cash Equivalents of the kinds described in clauses (1) through (5) of this definition; and
- (7) deposits with banks, trust companies or financial institutions licensed to take deposits organized under the laws of the PRC.

"Change of Control" means the occurrence of any of the following:

- (1) the direct or indirect sale, lease, transfer, conveyance or other disposition (other than by way of merger or consolidation), in one or a series of related transactions, of all or substantially all of the properties or assets of the Company and its Subsidiaries taken as a whole to any Person (including any "person" (as that term is used in Section 13(d)(3) of the Exchange Act)) other than a Principal or a Related Party of a Principal;
- (2) the adoption of a plan relating to the liquidation or dissolution of the Company;
- (3) the consummation of any transaction (including, without limitation, any merger or consolidation), the result of which is that any Person (including any "person" (as defined above)), becomes the Beneficial Owner, directly or indirectly, of more Voting Stock of the Company than the Principal and her Related Parties, measured by voting power rather than number of shares;
- (4) the Principal and her Related Parties ceasing to be the Beneficial Owner, directly or indirectly, of at least 30% of the Voting Stock of the Company, measured by voting power rather than number of shares;
- (5) the Company consolidates with, or merges with or into, any Person, or any Person consolidates with, or merges with or into, the Company, in any such event pursuant to a transaction in which any of the outstanding Voting Stock of the Company or such other Person is converted into or

exchanged for cash, securities or other property, other than any such transaction where the Voting Stock of the Company outstanding immediately prior to such transaction constitutes or is converted into or exchanged for a majority of the outstanding shares of the Voting Stock of such surviving or transferee Person (immediately after giving effect to such transaction); or

- (6) the first day on which a majority of the members of the Board of Directors of the Company are not Continuing Directors.

“*Change of Control Offer*” has the meaning assigned to that term in the indenture governing the Notes.

“*Collateral*” means the Capital Stock of all the Guarantors (other than Subsidiaries of JV Guarantors) and all other collateral securing, or purported to be securing, the Notes and the Note Guarantees, to the extent the Lien thereon is not released in accordance with the indenture;

“*Consolidated EBITDA*” means, with respect to any specified Person for any period, the Consolidated Net Income of such Person for such period *plus*, without duplication:

- (1) an amount equal to any extraordinary loss plus any net loss realized by such Person or any of its Restricted Subsidiaries in connection with an Asset Sale, to the extent such losses were deducted in computing such Consolidated Net Income; *plus*
- (2) provision for taxes based on income or profits of such Person and its Restricted Subsidiaries for such period, to the extent that such provision for taxes was deducted in computing such Consolidated Net Income; *plus*
- (3) the Fixed Charges of such Person and its Restricted Subsidiaries for such period, to the extent that such Fixed Charges were deducted in computing such Consolidated Net Income; *plus*
- (4) any foreign currency translation losses (including losses related to currency remeasurements of Indebtedness) of such Person and its Restricted Subsidiaries for such period, to the extent that such losses were taken into account in computing such Consolidated Net Income; *plus*
- (5) depreciation, amortization (including amortization of intangibles but excluding amortization of prepaid cash expenses that were paid in a prior period) and other non-cash charges and expenses (excluding any such non-cash charge or expense to the extent that it represents an accrual of or reserve for cash charges or expenses in any future period or amortization of a prepaid cash charge or expense that was paid in a prior period) of such Person and its Restricted Subsidiaries for such period to the extent that such depreciation, amortization and other non-cash charges or expenses were deducted in computing such Consolidated Net Income; *minus*
- (6) any foreign currency translation gains (including gains related to currency remeasurements of Indebtedness) of such Person and its Restricted Subsidiaries for such period, to the extent that such gains were taken into account in computing such Consolidated Net Income; *minus*
- (7) non-cash items increasing such Consolidated Net Income for such period, other than the accrual of revenue in the ordinary course of business,

in each case, on a consolidated basis and determined in accordance with IFRS.

“*Consolidated Net Income*” means, with respect to any specified Person for any period, the aggregate of the net income (loss) of such Person and its Restricted Subsidiaries for such period, on a consolidated basis, determined in accordance with IFRS and without any reduction in respect of preferred stock dividends; *provided* that:

- (1) all extraordinary gains (but not losses) and all gains (but not losses) realized in connection with any Asset Sale or the disposition of securities (other than, in the case of either such gains, transactions excluded from the definition of “Asset Sale”) or the early extinguishment of Indebtedness, together with any related provision for taxes on any such gain, will be excluded;

- (2) the net income (loss) of any Person that is not a Restricted Subsidiary or that is accounted for by the equity method of accounting except that:
 - (a) subject to the limitations in clauses (1) and (4), the Company's equity in the net income of any such Person for such period will be included up to the aggregate amount of cash actually distributed by such Person during such period to the Company or a Restricted Subsidiary as a dividend or other distribution (subject, in the case of a dividend or other distribution paid to a Restricted Subsidiary, to the limitations contained in clause (3) below); and
 - (b) the Company's equity in a net loss of any such Person (other than an Unrestricted Subsidiary) for such period will be included to the extent such loss has been funded with cash or other assets of the Company or a Restricted Subsidiary;
- (3) the net income (but not loss) of any Restricted Subsidiary will be excluded to the extent that the declaration or payment of dividends or similar distributions by that Restricted Subsidiary of that net income is not at the date of determination permitted without any prior governmental approval (that has not been obtained) or, directly or indirectly, by operation of the terms of its charter or any agreement, instrument, judgment, decree, order, statute, rule or governmental regulation applicable to that Restricted Subsidiary or its stockholders; and
- (4) the cumulative effect of a change in accounting principles will be excluded; and
- (5) non-cash gains and losses attributable to movement in the mark-to-market valuation of Hedging Obligations pursuant to IFRS.

"Consolidated Net Worth" means, as of any date of determination, stockholders' equity as forth on the most recently available semi-annual or annual consolidated balance sheet of the Company and its Restricted Subsidiaries, plus, to the extent not included, any preferred stock of the Company, less any amounts attributable to Disqualified Stock or any equity security convertible into or exchangeable for Indebtedness, the cost of treasury stock and the principal amount of any promissory notes receivable from the sale of the Capital Stock of the Company or any of its Restricted Subsidiaries, each item to be determined in conformity with IFRS.

"Contractor Guarantees" means any Guarantee by the Company or any Restricted Subsidiary of Indebtedness of any contractor, builder or other similar Person engaged by the Company or such Restricted Subsidiary in connection with the development, construction or improvement of real or personal property or equipment to be used in a Permitted Business by the Company or any Restricted Subsidiary in the ordinary course of business, which Indebtedness was Incurred by such contractor, builder or other similar Person to finance the cost of such development, construction or improvement.

"continuing" means, with respect to any Default or Event of Default, that such Default or Event of Default has not been cured or waived.

"Continuing Directors" means, as of any date of determination, any member of the Board of Directors of the Company who:

- (1) was a member of such Board of Directors on the date of the indenture; or
- (2) was nominated for election or elected to such Board of Directors with the approval of the Principal or a majority of the Continuing Directors who were members of such Board of Directors at the time of such nomination or election.

"Credit Facilities" means, one or more debt facilities or commercial paper facilities, in each case, with banks or other institutional lenders providing for revolving credit loans, term loans, receivables financing (including through the sale of receivables to such lenders or to special purpose entities formed to borrow from such lenders against such receivables) or letters of credit, in each case, as amended, restated, modified, renewed, refunded, replaced in any manner (whether upon or after termination or otherwise) or refinanced (including by means of sales of debt securities to institutional investors) in whole or in part from time to time.

"Default" means any event that is, or with the passage of time or the giving of notice or both would be, an Event of Default.

"Disqualified Stock" means any Capital Stock that, by its terms (or by the terms of any security into which it is convertible, or for which it is exchangeable, in each case, at the option of the holder of the Capital Stock), or upon the happening of any event, matures or is mandatorily redeemable, pursuant to a sinking fund obligation or otherwise, or redeemable at the option of the holder of the Capital Stock, in whole or in part, on or prior to the date that is 91 days after the date on which the Notes mature. Notwithstanding the preceding sentence, any Capital Stock that would constitute Disqualified Stock solely because the holders of the Capital Stock have the right to require the Company to repurchase such Capital Stock upon the occurrence of a change of control or an asset sale will not constitute Disqualified Stock if the terms of such Capital Stock provide that the Company may not repurchase or redeem any such Capital Stock pursuant to such provisions unless such repurchase or redemption complies with the covenant described above under the caption "*– Certain Covenants – Restricted Payments.*" The amount of Disqualified Stock deemed to be outstanding at any time for purposes of the indenture will be the maximum amount that the Company and its Restricted Subsidiaries may become obligated to pay upon the maturity of, or pursuant to any mandatory redemption provisions of, such Disqualified Stock, exclusive of accrued dividends.

"Entrusted Loans" means borrowings by a PRC Subsidiary that is a Restricted Subsidiary from a bank that are secured by a pledge of deposits made by another PRC Subsidiary that is a Restricted Subsidiary to the lending banks as collateral for such borrowings, provided that such borrowings are not reflected on the consolidated balance sheet of the Company and its Restricted Subsidiaries.

"Equity Interests" means Capital Stock and all warrants, options or other rights to acquire Capital Stock (but excluding any debt security that is convertible into, or exchangeable for, Capital Stock).

"Equity Offering" means a public or private sale either (1) of Equity Interests of the Company by the Company (other than Disqualified Stock and other than to a Subsidiary of the Company) or (2) of Equity Interests of a direct or indirect parent entity of the Company, including the Principal and any of her Related Parties (other than to the Company or a Subsidiary of the Company), to the extent the net proceeds therefrom are contributed to the common equity capital of the Company.

"European Union" means the European Union as of January 1, 2004, including the countries of Austria, Belgium, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, the Netherlands, Portugal, Spain, Sweden and the United Kingdom, but not including any country that becomes a member of the European Union after January 1, 2004.

"Existing Indebtedness" means all Indebtedness of the Company and its Subsidiaries in existence on the date of the indenture, until such amounts are repaid.

"Fair Market Value" means the value that would be paid by a willing buyer to an unaffiliated willing seller in a transaction not involving distress or necessity of either party, determined in good faith by the Board of Directors of the Company (unless otherwise provided in the indenture).

"Finance Subsidiary" means any Person who is Wholly Owned by the Company and who does not engage in any business activity except (1) the incurrence of Indebtedness the entire proceeds of which are on-lent to the Company, (2) the Guarantee of the Indebtedness of the Company permitted to be incurred under the indenture, (3) activity related to the establishment or maintenance of that Person's corporate existence, and (4) any other activity in connection with or incidental to activities referred to in clauses (1) through (3).

"Fixed Charge Coverage Ratio" means with respect to any specified Person for any period, the ratio of the Consolidated EBITDA of such Person for such period to the Fixed Charges of such Person for such period. In the event that the specified Person or any of its Restricted Subsidiaries incurs, assumes, guarantees, repays, repurchases, redeems, defeases or otherwise discharges any Indebtedness (other than ordinary working capital borrowings) or issues, repurchases or redeems preferred stock subsequent to the commencement of the period for which the Fixed Charge Coverage Ratio is being calculated and on or prior to the date on which the event for which the calculation of the Fixed Charge

Coverage Ratio is made (the "*Calculation Date*"), then the Fixed Charge Coverage Ratio will be calculated giving pro forma effect (determined in good faith by the Company's chief financial officer) to such incurrence, assumption, Guarantee, repayment, repurchase, redemption, defeasance or other discharge of Indebtedness, or such issuance, repurchase or redemption of preferred stock, and the use of the proceeds therefrom, as if the same had occurred at the beginning of the applicable four-quarter reference period.

In addition, for purposes of calculating the Fixed Charge Coverage Ratio:

- (1) acquisitions that have been made by the specified Person or any of its Restricted Subsidiaries, including through mergers or consolidations, or any Person or any of its Restricted Subsidiaries acquired by the specified Person or any of its Restricted Subsidiaries, and including all related financing transactions and including increases in ownership of Restricted Subsidiaries, during the four-quarter reference period or subsequent to such reference period and on or prior to the Calculation Date, or that are to be made on the Calculation Date, will be given pro forma effect (determined in good faith by the Company's chief financial officer) as if they had occurred on the first day of the four-quarter reference period;
- (2) the Consolidated EBITDA attributable to discontinued operations, as determined in accordance with IFRS, and operations or businesses (and ownership interests therein) disposed of prior to the Calculation Date, will be excluded;
- (3) the Fixed Charges attributable to discontinued operations, as determined in accordance with IFRS, and operations or businesses (and ownership interests therein) disposed of prior to the Calculation Date, will be excluded, but only to the extent that the obligations giving rise to such Fixed Charges will not be obligations of the specified Person or any of its Restricted Subsidiaries following the Calculation Date;
- (4) any Person that is a Restricted Subsidiary on the Calculation Date will be deemed to have been a Restricted Subsidiary at all times during such four-quarter period;
- (5) any Person that is not a Restricted Subsidiary on the Calculation Date will be deemed not to have been a Restricted Subsidiary at any time during such four-quarter period; and
- (6) if any Indebtedness bears a floating rate of interest, the interest expense on such Indebtedness will be calculated as if the rate in effect on the Calculation Date had been the applicable rate for the entire period (taking into account any Hedging Obligation applicable to such Indebtedness if such Hedging Obligation has a remaining term as at the Calculation Date in excess of 12 month).

"*Fixed Charges*" means, with respect to any specified Person for any period, the sum, without duplication, of:

- (1) the consolidated interest expense of such Person and its Restricted Subsidiaries for such period, whether paid or accrued, including, without limitation, amortization of debt issuance costs and original issue discount, non-cash interest payments, the interest component of any deferred payment obligations, the interest component of all payments associated with Capital Lease Obligations, imputed interest with respect to Attributable Debt, commissions, discounts and other fees and charges incurred in respect of letter of credit or bankers' acceptance financings, and net of the effect of all payments made or received pursuant to Hedging Obligations in respect of interest rates; *plus*
- (2) the consolidated interest expense of such Person and its Restricted Subsidiaries that was capitalized during such period; *plus*
- (3) any interest on Indebtedness of another Person that is guaranteed by such Person or one of its Restricted Subsidiaries or secured by a Lien on assets of such Person or one of its Restricted Subsidiaries (other than, in each case, with respect to Purchase Guarantees or Permitted Liens described under clause (22) of the definition of "Permitted Liens" securing Purchase Guarantees or Indebtedness guaranteed by Purchase Guarantees), whether or not such Guarantee or Lien is called upon; *plus*

- (4) all dividends, whether paid or accrued and whether or not in cash, on any series of preferred stock of such Person or any of its Restricted Subsidiaries, other than dividends on Equity Interests payable solely in Equity Interests of the Company (other than Disqualified Stock) or to the Company or a Restricted Subsidiary of the Company.

"Guarantee" means a guarantee other than by endorsement of negotiable instruments for collection in the ordinary course of business, direct or indirect, in any manner including, without limitation, by way of a pledge of assets or through letters of credit or reimbursement agreements in respect thereof, of all or any part of any Indebtedness (whether arising by virtue of partnership arrangements, or by agreements to keep-well, to purchase assets, goods, securities or services, to take or pay or to maintain financial statement conditions or otherwise).

"Guarantor" means a Subsidiary Guarantor or a JV Guarantor.

"Hedging Obligations" means, with respect to any specified Person, the obligations of such Person under:

- (1) interest rate swap agreements (whether from fixed to floating or from floating to fixed), interest rate cap agreements and interest rate collar agreements;
- (2) other agreements or arrangements designed to manage interest rates or interest rate risk; and
- (3) other agreements or arrangements designed to protect such Person against fluctuations in currency exchange rates or commodity prices.

"IFRS" means International Financial Reporting Standards promulgated by the International Accounting Standards Board (or any successor board or agency) in effect from time to time.

"Indebtedness" means, with respect to any specified Person, any indebtedness of such Person (excluding accrued expenses and trade payables), whether or not contingent:

- (1) in respect of borrowed money;
- (2) evidenced by bonds, notes, debentures or similar instruments or letters of credit (or reimbursement agreements in respect thereof);
- (3) in respect of banker's acceptances;
- (4) representing Capital Lease Obligations or Attributable Debt in respect of sale and leaseback transactions;
- (5) representing the balance deferred and unpaid of the purchase price of any property or services due more than six months after such property is acquired or such services are completed; or
- (6) representing any Hedging Obligations,

if and to the extent any of the preceding items (other than letters of credit, Attributable Debt and Hedging Obligations) would appear as a liability upon a balance sheet of the specified Person prepared in accordance with IFRS. In addition, the term *"Indebtedness"* includes all Indebtedness of others secured by a Lien on any asset of the specified Person (whether or not such Indebtedness is assumed by the specified Person) and, to the extent not otherwise included, the Guarantee by the specified Person of any Indebtedness of any other Person.

Notwithstanding the foregoing, Indebtedness does not include any capital commitments, Entrusted Loans, deferred payment obligations, indemnities provided to joint venture partners, pre-sale receipts in advance from customers or similar obligations, incurred in the ordinary course of business in connection with the acquisition, development, construction or improvement of real or personal property to be used in a Permitted Business; *provided that* such Indebtedness is not reflected on the consolidated balance sheet of the Company and its Restricted Subsidiaries as a loan or borrowed money (contingent obligations and commitments referred to in a footnote to financial statements and not otherwise reflected on the balance sheet will not be deemed to be reflected as borrowings on such balance sheet).

"Independent Third Party" means any Person that is not an Affiliate of the Company.

"Investment Grade" means a rating of "AAA," "AA," "A" or "BBB," as modified by a "+" or "-" indication, or an equivalent rating representing one of the four highest rating categories, by S&P, or any of its successors or assigns, or a rating of "Aaa," or "Aa," "A" or "Baa," as modified by a "1," "2" or "3" indication, or an equivalent rating representing one of the four highest rating categories, by Moody's, or any of its successors or assigns, or the equivalent ratings of any internationally recognized rating agency or agencies, as the case may be, which shall have been designated by the Company as having been substituted for S&P or Moody's or both, as the case may be.

"Investments" means, with respect to any Person, all direct or indirect investments by such Person in other Persons (including Affiliates) in the forms of loans (including Guarantees or other obligations), advances or capital contributions (excluding commission, travel and similar advances to officers and employees made in the ordinary course of business), purchases or other acquisitions for consideration of Indebtedness, Equity Interests or other securities. If the Company or any Restricted Subsidiary of the Company sells or otherwise disposes of any Equity Interests of any direct or indirect Restricted Subsidiary of the Company such that, after giving effect to any such sale or disposition, such Person is no longer a Restricted Subsidiary of the Company, the Company will be deemed to have made an Investment on the date of any such sale or disposition equal to the Fair Market Value of the Company's Investments in such Subsidiary that were not sold or disposed of in an amount determined as provided in the final paragraph of the covenant described above under the caption "– Certain Covenants – Restricted Payments." The acquisition by the Company or any Restricted Subsidiary of the Company of a Person that holds an Investment in a third Person will be deemed to be an Investment by the Company or such Restricted Subsidiary in such third Person in an amount equal to the Fair Market Value of the Investments held by the acquired Person in such third Person in an amount determined as provided in the final paragraph of the covenant described above under the caption "– Certain Covenants – Restricted Payments." Except as otherwise provided in the indenture, the amount of an Investment will be determined at the time the Investment is made and without giving effect to subsequent changes in value.

"JV Entitlement Amount" means with respect to the JV Guarantee of any JV Guarantor, an amount that is equal to the product of (i) the Fair Market Value of the Total Assets of the JV Guarantor Group Parent of the JV Guarantor Group to which that JV Guarantor belongs (without deducting any Indebtedness or other liabilities of the JV Guarantor Group Parent and its Subsidiaries), measured based on financial statements as of the date of the last fiscal year end of the Company; and (ii) a percentage equal to the direct equity ownership percentage of the Company and its Restricted Subsidiaries in the Capital Stock of such JV Guarantor Group Parent.

"JV Guarantee" means the Guarantee by each JV Guarantor of the Company's obligations under the indenture and the Notes, executed pursuant to the provisions of the indenture, that is subject to the JV Entitlement Amount limitation.

"JV Guarantor" means a Subsidiary of the Company that issues a JV Guarantee in accordance with the provisions of the indenture, and their respective successors and assigns, in each case, under the JV Guarantee of such Person has been released in accordance with the provisions of the indenture.

"JV Guarantor Group" means a group comprising of (1) a JV Guarantor, (2) its direct and indirect shareholders who are JV Guarantors, and (3) its Subsidiaries who are JV Guarantors.

"JV Guarantor Group Parent" means with respect to any JV Guarantor Group, the JV Guarantor within that group that does not have any direct or indirect shareholder who is JV Guarantor.

"Lien" means, with respect to any asset, any mortgage, lien, pledge, charge, security interest or encumbrance of any kind in respect of such asset, whether or not filed, recorded or otherwise perfected under applicable law, including any conditional sale or other title retention agreement, any lease in the nature thereof, any option or other agreement to sell or give a security interest in and any filing of or agreement to give any financing statement under the Uniform Commercial Code (or equivalent statutes) of any jurisdiction.

"Moody's" means Moody's Investors Service.

"Net Proceeds" means the aggregate cash proceeds and Cash Equivalents received by the Company or any of its Restricted Subsidiaries in respect of any Asset Sale (including, without limitation, any cash or Cash Equivalents received upon the sale or other disposition of any non-cash consideration received in any Asset Sale), net of the direct costs relating to such Asset Sale, including, without limitation, legal, accounting and investment banking fees, and sales commissions, and any relocation expenses incurred as a result of the Asset Sale, taxes paid or payable as a result of the Asset Sale, and amounts required to be applied to the repayment of Indebtedness or other obligations, all distributions and other payments required to be made to minority shareholders of the applicable Restricted Subsidiary, and any reserve for adjustment or indemnification obligations in respect of the sale price of such asset or assets established in accordance with IFRS.

"Non-Guarantor Offshore Subsidiary" means any Non-PRC Subsidiary of the Company that is designated by the Board of Directors of the Company as a Non-Guarantor Offshore Subsidiary by the Company in accordance with the provisions of the indenture.

"Non-PRC Subsidiaries" means the Company's Subsidiaries that are incorporated or organized outside the PRC.

"Non-Recourse Debt" means Indebtedness as to which neither the Company nor any of its Restricted Subsidiaries (a) provides credit support of any kind (including any undertaking, agreement or instrument that would constitute Indebtedness) or (b) is directly or indirectly liable as a guarantor or otherwise.

"Note Guarantee" means a Subsidiary Guarantee or a JV Guarantee.

"Obligations" means any principal, interest, penalties, fees, indemnifications, reimbursements, damages and other liabilities payable under the documentation governing any Indebtedness.

"Permitted Business" means any business that is the same as, or related, ancillary or complementary to, any of the businesses in which the Company and its Restricted Subsidiaries are engaged on the date of the indenture.

"Permitted Collateral Liens" means:

- (1) Liens on the Collateral to secure the Notes (or the Note Guarantees) or any Permitted Parity Lien Indebtedness; and
- (2) Liens on the Collateral described in clause (8) of the definition of "Permitted Liens."

"Permitted Investments" means:

- (1) any Investment in the Company or in a Restricted Subsidiary of the Company;
- (2) any Investment in Cash Equivalents;
- (3) any Investment by the Company or any Restricted Subsidiary of the Company in a Person, if as a result of such Investment:
 - (a) such Person becomes a Restricted Subsidiary of the Company; or
 - (b) such Person is merged, consolidated or amalgamated with or into, or transfers or conveys substantially all of its assets to, or is liquidated into, the Company or a Restricted Subsidiary of the Company;
- (4) any Investment made as a result of the receipt of non-cash consideration from an Asset Sale that was made pursuant to and in compliance with the covenant described above under the caption "*– Repurchase at the Option of Holders – Asset Sales*";
- (5) any Investment made as a result of the receipt of non-cash consideration from the sale of Capital Stock of any Subsidiary that does not constitute an Asset Sale;
- (6) any acquisition of assets or Capital Stock solely in exchange for the issuance of Equity Interests (other than Disqualified Stock) of the Company;

- (7) any Investments received in compromise or resolution of (A) obligations of trade creditors or customers that were incurred in the ordinary course of business of the Company or any of its Restricted Subsidiaries, including pursuant to any plan of reorganization or similar arrangement upon the bankruptcy or insolvency of any trade creditor or customer; or (B) litigation, arbitration or other disputes;
- (8) Investments represented by Hedging Obligations;
- (9) payroll, travel or similar advances to cover matters that are expected at the time of such advances ultimately to be treated as expenses in accordance with IFRS;
- (10) other loans or advances to employees made in the ordinary course of business of the Company or any Restricted Subsidiary of the Company in an aggregate principal amount not to exceed US\$1.0 million at any one time outstanding;
- (11) repurchases of the Notes;
- (12) any guarantee of Indebtedness permitted to be incurred by the covenant entitled “– Certain Covenants – Incurrence of Indebtedness and Issuance of Preferred Stock”;
- (13) any Investment existing on, or made pursuant to binding commitments existing on, the date of the indenture and any Investment consisting of an extension, modification or renewal of any Investment existing on, or made pursuant to a binding commitment existing on, the date of the indenture; *provided* that the amount of any such Investment may be increased (a) as required by the terms of such Investment as in existence on the date of the indenture or (b) as otherwise permitted under the indenture;
- (14) Investments acquired after the date of the indenture as a result of the acquisition by the Company or any Restricted Subsidiary of the Company of another Person, including by way of a merger, amalgamation or consolidation with or into the Company or any of its Restricted Subsidiaries in a transaction that is not prohibited by the covenant described above under the caption “– Merger, Consolidation or Sale of Assets” after the date of the indenture to the extent that such Investments were not made in contemplation of such acquisition, merger, amalgamation or consolidation and were in existence on the date of such acquisition, merger, amalgamation or consolidation;
- (15) advances to contractors and suppliers for the acquisition of assets or consumables or services in the ordinary course of business that are recorded as deposits or prepaid expenses on the Company’s consolidated balance sheet;
- (16) deposits made in order to comply with statutory or regulatory obligations to maintain deposits for workers compensation claims and other purposes specified by statute or regulation from time to time in the ordinary course of business;
- (17) receivables owing to the Company or any Restricted Subsidiary, if created or acquired in the ordinary course of business and payable or dischargeable in accordance with customary trade terms;
- (18) prepayments and deposits made with governmental entities or their designated entities to assure completion of projects or otherwise made in order to secure the performance of the Company or any of its Restricted Subsidiaries and prepayments and deposits made in connection with the acquisition of real property, project, or land use rights, construction work or the purchase of equipment by the Company or any of its Restricted Subsidiaries, in each case in the ordinary course of business; and
- (19) Investments representing Purchase Guarantees or Contractor Guarantees permitted to be incurred under the indenture.

“*Permitted Liens*” means:

- (1) Liens on current assets, plant and equipment of the Company or any of its Restricted Subsidiaries securing Indebtedness that was incurred pursuant to either clause (1) or clause (18) of the

definition of Permitted Debt and/or securing Hedging Obligations related thereto and/or securing Obligations with regard to Treasury Management Arrangements;

- (2) Liens in favor of the Company or the Guarantors;
- (3) Liens on property of a Person existing at the time such Person becomes a Restricted Subsidiary of the Company or is merged with or into or consolidated with the Company or any Restricted Subsidiary of the Company; *provided* that such Liens were in existence prior to the contemplation of such Person becoming a Restricted Subsidiary of the Company or such merger or consolidation and do not extend to any assets other than those of the Person that becomes a Restricted Subsidiary of the Company or is merged with or into or consolidated with the Company or any Restricted Subsidiary of the Company;
- (4) Liens on property (including Capital Stock) existing at the time of acquisition of the property by the Company or any Subsidiary of the Company; *provided* that such Liens were in existence prior to such acquisition and not incurred in contemplation of, such acquisition;
- (5) Liens to secure the performance of statutory obligations, insurance, surety or appeal bonds, workers compensation obligations, performance bonds or other obligations of a like nature incurred in the ordinary course of business (including Liens to secure letters of credit issued to assure payment of such obligations);
- (6) Liens (including extensions and renewals thereof) upon real or personal property; *provided* that, (a) such Lien is created solely for the purpose of securing Indebtedness of the type described under clause (4) of the second paragraph of the covenant under the caption entitled “- Certain Covenants – Limitation on Indebtedness and Issuance of Preferred Stock” and such Lien is created prior to, at the time of or within 180 days after the later of the acquisition or the completion of development, construction or improvement of such property, (b) the principal amount of the Indebtedness secured by such Lien does not exceed 100% of the cost of such property, development, construction or improvement and (c) such Lien shall not extend to or cover any property or assets other than such item of property and any improvements on such item; *provided* that, such Lien may cover other property or assets (instead of or in addition to such item of property or improvements) and the principal amount of Indebtedness secured by such Lien may exceed 100% of such cost if (x) such Lien is incurred in the ordinary course of business and (y) the aggregate book value of property or assets (as reflected in the most recent available consolidated financial statements of the Company (which may be internal consolidated statements) or, if any such property or assets have been acquired since the date of such financial statements, the cost of such property or assets) subject to Liens incurred pursuant to this clause (6) does not exceed 130% of the aggregate principal amount of Indebtedness secured by such Liens;
- (7) Liens existing on the date of the indenture;
- (8) Liens for taxes, assessments or governmental charges or claims that are not yet delinquent or that are being contested in good faith by appropriate proceedings promptly instituted and diligently concluded; *provided* that any reserve or other appropriate provision as is required in conformity with IFRS has been made therefor;
- (9) Liens imposed by law, such as carriers’, warehousemen’s, landlord’s and mechanics’ Liens, in each case, incurred in the ordinary course of business;
- (10) survey exceptions, easements or reservations of, or rights of others for, licenses, rights-of-way, sewers, electric lines, telegraph and telephone lines and other similar purposes, or zoning or other restrictions as to the use of real property that were not incurred in connection with Indebtedness and that do not in the aggregate materially adversely affect the value of said properties or materially impair their use in the operation of the business of such Person;
- (11) Liens held by the collateral agent equally and ratably securing the Notes and the Note Guarantees to be issued on the date of the indenture and all future Permitted Parity Lien Indebtedness;

- (12) Liens to secure any Permitted Refinancing Indebtedness permitted to be incurred under the indenture; *provided, however*, that:
- (a) the new Lien is limited to all or part of the same property and assets that secured or, under the written agreements pursuant to which the original Lien arose, could secure the original Lien (plus improvements and accessions to, such property or proceeds or distributions thereof); and
 - (b) the Indebtedness secured by the new Lien is not increased to any amount greater than the sum of (x) the outstanding principal amount, or, if greater, committed amount, of the Indebtedness renewed, refunded, refinanced, replaced, defeased or discharged with such Permitted Refinancing Indebtedness and (y) an amount necessary to pay any fees and expenses, including premiums, related to such renewal, refunding, refinancing, replacement, defeasance or discharge;
- (13) Liens on insurance policies and proceeds thereof, or other deposits, to secure insurance premium financings;
- (14) filing of Uniform Commercial Code financing statements or similar documents as a precautionary measure in connection with operating leases;
- (15) bankers' Liens, rights of setoff, Liens arising out of judgments or awards not constituting an Event of Default and notices of *lis pendens* and associated rights related to litigation being contested in good faith by appropriate proceedings and for which adequate reserves have been made;
- (16) Liens on cash, Cash Equivalents or other property arising in connection with the defeasance, discharge or redemption of Indebtedness;
- (17) Liens on documents or specific items of inventory or other goods (and the proceeds thereof) of any Person securing such Person's obligations in respect of bankers' acceptances or letters of credits issued or created in the ordinary course of business for the account of such Person to facilitate the purchase, shipment or storage of such inventory or other goods;
- (18) grants of software and other technology licenses in the ordinary course of business;
- (19) Liens arising out of conditional sale, title retention, consignment or similar arrangements for the sale of goods entered into in the ordinary course of business;
- (20) leases or subleases granted to others in the ordinary course of business that do not materially interfere with the business of the Company and its Restricted Subsidiaries, taken as a whole;
- (21) Liens on deposits made in order to secure the performance of the Company or any of its Restricted Subsidiaries in connection with the acquisition of real property or land use or other similar rights by the Company or any of its Restricted Subsidiaries and Liens on property or assets under construction in the ordinary course of business and not securing Indebtedness of the Company or any Restricted Subsidiary;
- (22) Liens incurred on deposits made to secure Bank Deposit Secured Indebtedness or Purchase Guarantees (or Indebtedness incurred by customers that is guaranteed by a Purchase Guarantee) permitted to be incurred by the indenture;
- (23) Liens in respect of Entrusted Loans permitted to be incurred by the indenture;
- (24) Liens in respect of transportation equipment securing Indebtedness permitted to be incurred by the indenture;
- (25) Liens incurred in the ordinary course of business of the Company or any Restricted Subsidiary of the Company with respect to obligations that do not exceed US\$5.0 million at any one time outstanding; and
- (26) Liens securing Indebtedness of PRC Subsidiaries that are not Subsidiary Guarantors permitted to be incurred by the indenture in the aggregate at any one time not exceeding US\$50.0 million.

"Permitted Parity Lien Indebtedness" means any other Indebtedness of the Company and the Guarantors that is secured equally and ratably with the Notes by the Collateral and that was permitted to be incurred and so secured under by the provisions of the indenture as described under "– Security – Permitted Parity Lien Indebtedness."

"Permitted Refinancing Indebtedness" means any Indebtedness of the Company or any of its Restricted Subsidiaries issued in exchange for, or the net proceeds of which are used to renew, refund, refinance, replace, defease or discharge other Indebtedness (including Indebtedness repaid substantially concurrent with but in any case before the incurrence of such Permitted Refinancing Indebtedness) of the Company or any of its Restricted Subsidiaries (other than intercompany Indebtedness); *provided* that:

- (1) the principal amount (or accreted value, if applicable) of such Permitted Refinancing Indebtedness does not exceed the principal amount (or accreted value, if applicable) of the Indebtedness renewed, refunded, refinanced, replaced, defeased or discharged (plus all accrued interest on the Indebtedness and the amount of all fees and expenses, including premiums, incurred in connection therewith);
- (2) such Permitted Refinancing Indebtedness has a final maturity date later than the final maturity date of, and has a Weighted Average Life to Maturity that is (a) equal to or greater than the Weighted Average Life to Maturity of, the Indebtedness being renewed, refunded, refinanced, replaced, defeased or discharged or (b) more than 90 days after the final maturity date of the Notes; and
- (3) if the Indebtedness being renewed, refunded, refinanced, replaced, defeased or discharged is subordinated in right of payment to the Notes, such Permitted Refinancing Indebtedness is subordinated in right of payment to the Notes on terms at least as favorable to the holders of Notes as those contained in the documentation governing the Indebtedness being renewed, refunded, refinanced, replaced, defeased or discharged.

"Permitted Subsidiary Indebtedness" means Indebtedness and preferred stock of the Restricted Subsidiaries of the Company to the extent that on the date of incurrence of such Indebtedness and after giving effect thereto and the application of proceeds thereof, the aggregate outstanding principal amount of all such Indebtedness and preferred stock (but excluding the amount of any Indebtedness or preferred stock of any Restricted Subsidiary permitted under clause (3), (6), (8), (9), (10), (11), (12), (13), (14), (15) or (16) of the second paragraph of the covenant described under "the covenant described below under the caption "– Certain Covenants – Incurrence of Indebtedness and Issuance of Preferred Stock") does not exceed 15.0% of the Company's Total Assets.

"Person" means any individual, corporation, partnership, joint venture, association, joint-stock company, trust, unincorporated organization, limited liability company or government or other entity.

"Pledgors" means the Company and each Guarantor that owns Capital Stock in another Guarantor (other than a Subsidiary of a JV Guarantor), excluding any Guarantor whose pledge under the Security Documents has been released in accordance with the indenture and the Security Documents.

"PRC" means the People's Republic of China, excluding Hong Kong, Macau and Taiwan.

"PRC Subsidiaries" means the Company's Subsidiaries that are incorporated or organized under the laws of the PRC.

"Principal" means Mrs. Hawken Xiu Li.

"Purchase Guarantees" means any Indebtedness of the Company or any Restricted Subsidiary consisting of a Guarantee in favor of any bank or other similar financial institutions in the ordinary course of business in respect of loans financing the purchase by customers of individual operating rights to underground shop units from the Company or any Restricted Subsidiary in a principal amount not exceeding the purchase price thereof.

"Rating Agencies" means (1) S&P and (2) Moody's and (3) if S&P or Moody's or both do not make a rating of the Notes publicly available, an internationally recognized securities rating agency or agencies, as the case may be, selected by the Company, which shall be substituted for S&P or Moody's or both, as the case may be.

"Rating Category" means (1) with respect to S&P, any of the following categories: "BB," "B," "CCC," "CC," "C" and "D" (or equivalent successor categories); (2) with respect to Moody's, any of the following categories: "Ba," "B," "Caa," "Ca," "C" and "D" (or equivalent successor categories); and (3) the equivalent of any such category of S&P or Moody's used by another Rating Agency. In determining whether the rating of the Notes has decreased by one or more gradations, gradations within Rating Categories ("+" and "-" for S&P; "1," "2" and "3" for Moody's; or the equivalent gradations for another Rating Agency) shall be taken into account (e.g., with respect to S&P, a decline in a rating from "BB+" to "BB," as well as from "BB-" to "B+," will constitute a decrease of one gradation).

"Rating Date" means (1) in connection with a Change of Control, that date which is 90 days prior to the earlier of (x) a Change of Control and (y) a public notice of the occurrence of a Change of Control or of the intention by the Company or any other Person or Persons to effect a Change of Control, or (2) in connection with actions contemplated under the caption "*– Certain Covenants – Merger, Consolidation or Sale of Assets,*" that date which is 90 days prior to the earlier of (x) the occurrence of any such actions as set forth therein and (y) a public notice of the occurrence of any such actions.

"Rating Decline" means (1) in connection with a Change of Control, the occurrence on, or within six months after, the date, or public notice of the occurrence of, a Change of Control or the intention by the Company or any member or members of management of the Company to effect a Change of Control (which period shall be extended so long as the rating of the Notes is under publicly announced consideration for possible downgrade by any of the Rating Agencies) of any of the events listed below, or (2) in connection with actions contemplated under the caption "*– Certain Covenants – Merger, Consolidation or Sale of Assets,*" the notification by any of the Rating Agencies that such proposed actions will result in any of the events listed below:

- (a) if the Notes are rated by both Moody's and S&P on the Rating Date as Investment Grade, the rating of the Notes by either Rating Agency shall be below Investment Grade;
- (b) if the Notes are rated by either, but not both, of the Rating Agencies on the Rating Date as Investment Grade, the rating of the Notes by such Rating Agency shall be below Investment Grade; or
- (c) if the Notes are rated below Investment Grade by both Rating Agencies on the Rating Date, the rating of the Notes by either Rating Agency shall be decreased by one or more gradations (including gradations within Rating Categories as well as between Rating Categories).

"Related Party" means:

- (1) any controlling stockholder, majority owned Subsidiary, or immediate family member, estate, legal representatives or lineal descendants (in the case of an individual) of any Principal; or
- (2) any trust, corporation, partnership, limited liability company or other entity, the beneficiaries, stockholders, partners, members, owners or Persons beneficially holding a majority (and controlling) interest of which consist of any one or more Principals and/or such other Persons referred to in the immediately preceding clause (1).

"Restricted Investment" means an Investment other than a Permitted Investment.

"Restricted Subsidiary" of a Person means any Subsidiary of the referent Person that is not an Unrestricted Subsidiary.

"S&P" means Standard & Poor's Ratings Services.

"Security Documents" means the pledge agreements, the intercreditor agreement and any other agreements or instruments that may evidence or create any security interest in favor of the collateral agent in any or all of the Collateral.

"Significant Subsidiary" means any Restricted Subsidiary that would be a "significant subsidiary" as defined in Article 1, Rule 1-02 of Regulation S-X, promulgated pursuant to the Securities Act, as such Regulation is in effect on the date of the indenture.

"Stated Maturity" means, with respect to any installment of interest or principal on any series of Indebtedness, the date on which the payment of interest or principal was scheduled to be paid in the documentation governing such Indebtedness as of the date of the indenture, and will not include any contingent obligations to repay, redeem or repurchase any such interest or principal prior to the date originally scheduled for the payment thereof.

"Subsidiary" means, with respect to any specified Person:

- (1) any corporation, association or other business entity of which the total voting power of shares of Capital Stock entitled (without regard to the occurrence of any contingency and after giving effect to any voting agreement or stockholders' agreement that effectively transfers voting power) to vote in the election of directors, managers or trustees of the corporation, association or other business entity is at the time owned or controlled, directly or indirectly:
 - (a) as to more than 50% by that Person or one or more of the other Subsidiaries of that Person (or a combination thereof), or
 - (b) as to 50% by that Person or one or more of the other Subsidiaries of that Person (or a combination thereof), and the Person has, directly or indirectly, the requisite control over such entity to prevent it from incurring any Indebtedness, or taking any other action at any time, in contravention of any of the provisions of the indenture that are applicable to such entity; or
- (2) any partnership or limited liability company of which (a) more than 50% of the capital accounts, distribution rights, total equity and voting interests or general and limited partnership interests, as applicable, are owned or controlled, directly or indirectly, by such Person or one or more of the other Subsidiaries of that Person or a combination thereof, whether in the form of membership, general, special or limited partnership interests or otherwise, and (b) such Person or any Subsidiary of such Person is a controlling general partner or otherwise controls such entity.

"Subsidiary Guarantors" means any Subsidiary of the Company that executes a Subsidiary Guarantee in accordance with the provisions of the indenture, and their respective successors and assigns, in each case, until the Subsidiary Guarantee of such Person has been released in accordance with the provisions of the indenture.

"Subsidiary Guarantee" means the Guarantee by each Subsidiary Guarantor of the Company's obligations under the indenture and the Notes, executed pursuant to the provisions of the indenture, that is not subject to the JV Entitlement Amount limitation.

"Tax" means any tax, duty, levy, impost, assessment or other governmental charge (including penalties and interest related thereto, and, for the avoidance of doubt, including any withholding or deduction for or on account of Tax). *"Taxes"* and *"Taxation"* have the corresponding meanings.

"Total Assets" means, as of any date with respect to any Person, the total consolidated assets of that Person and its Restricted Subsidiaries measured in accordance with IFRS as of the last day of the most recent fiscal quarter for which consolidated financial statements of the Person (which the Company shall use its best efforts to compile on a timely manner) are available (which may be internal consolidated financial statements); *provided* that only with respect to Indebtedness of type described in clause (4) of the second paragraph of the covenant described in "Certain Covenants – Incurrence of Indebtedness and Issuance of Preferred Stock" and with respect to the definition of "Permitted Subsidiary Indebtedness," Total Assets will be calculated after giving pro forma effect to include the cumulative value of all of the real or personal property or equipment the acquisition, development, construction or improvement of which requires or required the Incurrence of such Indebtedness and calculation of Total Assets thereunder in each case as of such date, as measured by the purchase price or cost therefor or budgeted cost provided in good faith by the Company or its Restricted Subsidiaries to the bank or other similar financial institutional lender providing such Indebtedness.

"Treasury Management Arrangement" means any agreement or other arrangement governing the provision of treasury or cash management services, including deposit accounts, overdraft, credit or debit card, funds transfer, automated clearinghouse, zero balance accounts, returned check concentration, controlled disbursement, lockbox, account reconciliation and reporting and trade finance services and other cash management services.

"Treasury Rate" means, as of any redemption date, the yield to maturity as of such redemption date of United States Treasury securities with a constant maturity (as compiled and published in the most recent Federal Reserve Statistical Release H.15 (519) that has become publicly available at least two business days prior to the redemption date (or, if such Statistical Release is no longer published, any publicly available source of similar market data)) most nearly equal to the period from the redemption date to May 18, 2013, however, that if the period from the redemption date to May 18, 2013, is less than one year, the weekly average yield on actually traded United States Treasury securities adjusted to a constant maturity of one year will be used.

"Unrestricted Subsidiary" means any Subsidiary of the Company that is designated by the Board of Directors of the Company as an Unrestricted Subsidiary pursuant to a resolution of the Board of Directors, but only to the extent that such Subsidiary:

- (1) has no Indebtedness other than Non-Recourse Debt;
- (2) except as permitted by the covenant described above under the caption "*– Certain Covenants – Transactions with Affiliates,*" is not party to any agreement, contract, arrangement or understanding with the Company or any Restricted Subsidiary of the Company unless the terms of any such agreement, contract, arrangement or understanding are no less favorable to the Company or such Restricted Subsidiary than those that might be obtained at the time from Persons who are not Affiliates of the Company; and
- (3) is a Person with respect to which neither the Company nor any of its Restricted Subsidiaries has any direct or indirect obligation (a) to subscribe for additional Equity Interests or (b) to maintain or preserve such Person's financial condition or to cause such Person to achieve any specified levels of operating results.

"U.S. Government Securities" means direct obligations of, or obligations guaranteed by, the United States of America, and the payment for which the United States pledges its full faith and credit.

"Voting Stock" of any specified Person as of any date means the Capital Stock of such Person that is at the time entitled to vote in the election of the Board of Directors of such Person.

"Weighted Average Life to Maturity" means, when applied to any Indebtedness at any date, the number of years obtained by dividing:

- (1) the sum of the products obtained by multiplying (a) the amount of each then remaining installment, sinking fund, serial maturity or other required payments of principal, including payment at final maturity, in respect of the Indebtedness, by (b) the number of years (calculated to the nearest one-twelfth) that will elapse between such date and the making of such payment; by
- (2) the then outstanding principal amount of such Indebtedness.

"Wholly Owned Restricted Subsidiary" of any specified Person means a Restricted Subsidiary of such Person all of the outstanding Capital Stock or other ownership interests of which (other than directors' qualifying shares) will at the time be owned by such Person or by one or more Wholly Owned Restricted Subsidiaries of such Person.

Notice to Investors

The Notes are subject to restrictions on transfer as summarized below. By purchasing the Notes, you will be deemed to have made the following acknowledgements, representations to and agreements with us and the Initial Purchasers:

1. You acknowledge that:
 - the Notes have not been registered under the Securities Act or any other securities laws and are being offered for resale in transactions that do not require registration under the Securities Act or any other securities laws; and
 - unless so registered, the Notes may not be offered, sold or otherwise transferred except under an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act or any other applicable securities laws, and in each case in compliance with the conditions for transfer set forth in paragraph 4 below.
2. You represent that you are not an affiliate (as defined in Rule 144 under the Securities Act) of ours, that you are not acting on our behalf and that either:
 - you are a qualified institutional buyer (as defined in Rule 144A under the Securities Act) and are purchasing the Notes for your own account or for the account of another qualified institutional buyer, and you are aware that the Initial Purchasers are selling the Notes to you in reliance on Rule 144A; or
 - you are not a U.S. person (as defined in Regulation S under the Securities Act) or purchasing for the account or benefit of a U.S. person, other than a distributor, and you are purchasing the Notes in an offshore transaction in accordance with Regulation S.
3. You acknowledge that neither we nor the Initial Purchasers nor any person representing us or the Initial Purchasers has made any representation to you with respect to us or the offering of the Notes, other than the information contained in this offering memorandum. You acknowledge that neither the Initial Purchasers nor any person representing the Initial Purchasers make any representation or warranty as to the accuracy or completeness of this offering memorandum. You represent that you are relying only on this offering memorandum in making your investment decision with respect to the Notes. You agree that you have had access to such financial and other information concerning us and the Notes as you have deemed necessary in connection with your decision to purchase the Notes, including an opportunity to ask questions of and request information from us.
4. You represent that you are purchasing the Notes for your own account, or for one or more investor accounts for which you are acting as a fiduciary or agent, in each case not with a view to, or for offer or sale in connection with, any distribution of the Notes in violation of the Securities Act, subject to any requirement of law that the disposition of your property or the property of that investor account or accounts be at all times within your or their control and subject to your or their ability to resell the Notes pursuant to Rule 144A or any other available exemption from registration under the Securities Act. You agree on your own behalf and on behalf of any investor account for which you are purchasing the Notes, and each subsequent holder of the Notes by its acceptance of the Notes will agree, that until the end of the Resale Restriction Period (as defined below), the Notes may be offered, sold or otherwise transferred only:
 - (a) to us;
 - (b) under a registration statement that has been declared effective under the Securities Act;
 - (c) for so long as the Notes are eligible for resale under Rule 144A, to a person the seller reasonably believes is a qualified institutional buyer that is purchasing for its own account or for the account of another qualified institutional buyer and to whom notice is given that the transfer is being made in reliance on Rule 144A;

- (d) through offers and sales that occur outside the United States within the meaning of Regulation S under the Securities Act; or
- (e) under any other available exemption from the registration requirements of the Securities Act.

subject in each of the above cases to any requirement of law that the disposition of the seller's property or the property of an investor account or accounts be at all times within the seller or account's control.

5. You also acknowledge that:

- the above restrictions on resale will apply from the closing date until the date that is one year (in the case of Rule 144A Notes) or 40 days (in the case of Regulation S Notes) after the later of the closing date and the last date that we or any of our affiliates was the owner of the Notes or any predecessor of the Notes (the "Resale Restriction Period"), and will not apply after the applicable Resale Restriction Period ends;
- we and the trustee reserve the right to require in connection with any offer, sale or other transfer of the Notes under clauses (d) and (e) above the delivery of, and the reliance on, an opinion of counsel, certifications and/or other information satisfactory to us and the trustee; and
- each note will contain a legend substantially to the following effect:

THIS SECURITY HAS NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR THE SECURITIES LAWS OF ANY STATE OR OTHER JURISDICTION. NEITHER THIS SECURITY NOR ANY INTEREST OR PARTICIPATION HEREIN MAY BE REOFFERED, SOLD, ASSIGNED, TRANSFERRED, PLEDGED, ENCUMBERED OR OTHERWISE DISPOSED OF IN THE ABSENCE OF SUCH REGISTRATION OR UNLESS SUCH TRANSACTION IS EXEMPT FROM, OR NOT SUBJECT TO, SUCH REGISTRATION. THE HOLDER OF THIS SECURITY, BY ITS ACCEPTANCE HEREOF, AGREES ON ITS OWN BEHALF AND ON BEHALF OF ANY INVESTOR ACCOUNT FOR WHICH IT HAS PURCHASED SECURITIES, TO OFFER, SELL OR OTHERWISE TRANSFER SUCH SECURITY, PRIOR TO THE DATE (THE "RESALE RESTRICTION TERMINATION DATE") THAT IS ONE YEAR (IN THE CASE OF RULE 144A NOTES) OR 40 DAYS (IN THE CASE OF REGULATION S NOTES) AFTER THE LATER OF THE ORIGINAL ISSUE DATE HEREOF AND THE LAST DATE ON WHICH THE ISSUER OR ANY AFFILIATE OF THE ISSUER WAS THE OWNER OF THIS SECURITY (OR ANY PREDECESSOR OF SUCH SECURITY), ONLY (A) TO THE ISSUER, (B) PURSUANT TO A REGISTRATION STATEMENT THAT HAS BEEN DECLARED EFFECTIVE UNDER THE SECURITIES ACT, (C) FOR SO LONG AS THE SECURITIES ARE ELIGIBLE FOR RESALE PURSUANT TO RULE 144A UNDER THE SECURITIES ACT, TO A PERSON IT REASONABLY BELIEVES IS A "QUALIFIED INSTITUTIONAL BUYER" AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT THAT PURCHASES FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER TO WHOM NOTICE IS GIVEN THAT THE TRANSFER IS BEING MADE IN RELIANCE ON RULE 144A, (D) PURSUANT TO OFFERS AND SALES THAT OCCUR OUTSIDE THE UNITED STATES WITHIN THE MEANING OF REGULATION S UNDER THE SECURITIES ACT, OR (E) PURSUANT TO ANOTHER AVAILABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT, SUBJECT TO THE ISSUER'S AND THE TRUSTEE'S RIGHT PRIOR TO ANY SUCH OFFER, SALE OR TRANSFER PURSUANT TO CLAUSES (D) OR (E) TO REQUIRE THE DELIVERY OF AN OPINION OF COUNSEL, CERTIFICATION AND/OR OTHER INFORMATION SATISFACTORY TO EACH OF THEM. THIS LEGEND WILL BE REMOVED UPON THE REQUEST OF THE HOLDER AFTER THE RESALE RESTRICTION TERMINATION DATE. IN THE CASE OF REGULATION S NOTES: BY ITS ACQUISITION HEREOF, THE HOLDER HEREOF REPRESENTS THAT IT IS NOT A U.S. PERSON NOR IS IT PURCHASING FOR THE ACCOUNT OF A U.S. PERSON AND IS ACQUIRING THIS SECURITY IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH REGULATION S UNDER THE SECURITIES ACT.

If you purchase the Notes, you will also be deemed to acknowledge that the foregoing restrictions apply to holders of beneficial interests in these Notes as well as to holders of these Notes.

6. You acknowledge that we, the Initial Purchasers and others will rely upon the truth and accuracy of your acknowledgements, representations, warranties and agreements and agree that if any of the acknowledgements, representations, warranties and agreements deemed to have been made by your purchase of the Notes are no longer accurate, you shall promptly notify the Initial Purchasers. If you are acquiring any Notes as a fiduciary or agent for one or more investor accounts, you represent that you have sole investment discretion with respect to each such investor account and that you have full power to make the foregoing acknowledgements, representations and agreements on behalf of each such investor account.

Taxation

The following summary of certain Cayman Islands, British Virgin Islands, Hong Kong, PRC and United States tax consequences of the purchase, ownership and disposition of Notes is based upon applicable laws, regulations, rulings and decisions as of the date of this offering memorandum, all of which are subject to change (possibly with retroactive effect). This discussion does not purport to be a comprehensive description of all the tax considerations that may be relevant to a decision to purchase, own or dispose of the Notes and does not purport to deal with consequences applicable to all categories of investors, some of which may be subject to special rules. Persons considering the purchase of Notes should consult their own tax advisors concerning the tax consequences of the purchase, ownership and disposition of Notes.

Cayman Islands

The following is a discussion on certain Cayman Islands income tax consequences of an investment in the Notes. The discussion is a general summary of present law, which is subject to prospective and retroactive change. It is not intended as tax advice, does not consider any investor's particular circumstances, and does not consider tax consequences other than those arising under Cayman Islands law.

Under the laws of the Cayman Islands, so long as the holders of the Notes are not residents of the Cayman Islands, payments of interest and principal on the Notes will not be subject to taxation and no withholding will be required on the payment of interest and principal or premium to any holder of the Notes, as the case may be, nor will gains derived from the disposal of the Notes be subject to Cayman Islands income or corporation tax. The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. The Cayman Islands are not party to any double taxation treaties.

No stamp duty is payable in respect of the issue of the Notes. An instrument of transfer in respect of a Note is stampable if executed in or brought into the Cayman Islands.

The Company has been incorporated under the laws of the Cayman Islands as an exempted company with limited liability and, as such, has obtained an undertaking from the Governor in Cabinet of the Cayman Islands as to tax concessions under the Tax Concessions Law (1999 Revision). In accordance with the provision of section 6 of The Tax Concessions Law (1999 Revision), the Governor in Cabinet undertakes with the Company:

- That no law which is hereafter enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciations shall apply to the Company or its operations; and
- In addition, that no tax to be levied on profits, income, gains or appreciations or which is in the nature of estate duty or inheritance tax shall be payable, on or in respect of the shares, debentures or other obligations of the Company, or by way of the withholding, in whole or part, of any relevant payment as defined in Section 6(3) of the Tax Concessions Law (1999 Revision).

These concessions shall be for a period of 20 years from December 4, 2007.

British Virgin Islands

There is no income or other tax of the British Virgin Islands imposed by withholding or otherwise on any payment to be made to or by the guarantors pursuant to the guarantees.

Hong Kong

Withholding Tax. No withholding tax in Hong Kong is payable on payments of principal (including any premium payable on redemption of the Notes) or interest in respect of the Notes or payments made by a guarantor pursuant to its guarantee of the Notes.

Profits Tax. Hong Kong profits tax is charged on every person carrying on a trade, profession or business in Hong Kong in respect of assessable profits arising in or derived from Hong Kong from such

trade, profession or business. Under the Inland Revenue Ordinance (Chapter 112 of the Laws of Hong Kong) (the "Inland Revenue Ordinance"), as it is currently applied, Hong Kong profits tax may be charged on revenue profits arising on the sale, disposal or redemption of the Notes where such sale, disposal or redemption is or forms part of a trade, profession or business carried on in Hong Kong.

Interest on the Notes will be subject to Hong Kong profits tax where such interest has a Hong Kong source, and is received by or accrues to:

- a corporation carrying on a trade, profession or business in Hong Kong; or
- a person, other than a corporation, carrying on a trade, profession or business in Hong Kong and such interest is in respect of the funds of the trade, profession or business.

In the case of a financial institution (as defined in the Inland Revenue Ordinance), interest on the Notes will be subject to Hong Kong profits tax where such interest arises through or from the carrying on by the financial institution of its business in Hong Kong.

Stamp Duty. No Hong Kong stamp duty will be chargeable upon the issue or transfer of a Note (for so long as the register of holders of the Notes is maintained outside Hong Kong).

PRC

Taxation of Interest. The Enterprise Income Tax Law of the PRC and its implementation regulations, effective January 1, 2008, impose a withholding tax at the rate of 10% on interest paid by PRC resident enterprises to holders of notes that are "non-resident enterprises" so long as such "non-resident enterprise" holder does not have an establishment or place of business in China or, despite the existence of establishment or place of business in China, the relevant income is not effectively connected with such establishment or place of business in China, to the extent such interests are sourced within China. Pursuant to these provisions of the PRC tax law, if we are considered a PRC resident enterprise, interest payable to non-resident enterprise holders on the Notes may be treated as income derived from sources within China and be subject to PRC withholding tax. It is unclear whether the PRC tax authorities would treat us as a PRC resident enterprise. To the extent that China has entered into arrangements relating to the avoidance of double-taxation with any jurisdiction, such as Hong Kong, that allow a lower rate of withholding tax, such lower rate may apply to holders of notes who qualify for such treaty benefits.

Taxation on Capital Gains. The PRC Enterprise Income Tax Law and its implementation regulations, effective January 1, 2008, impose a tax at the rate of 10% on capital gains realized by holders of Notes that are "non-resident enterprises" so long as any such "non-resident enterprise" holder does not have an establishment or place of business in China or, despite the existence of establishment or place of business in China, the relevant gain is not effectively connected with such establishment or place of business in China, to the extent such capital gains are sourced within China. Pursuant to these provisions of the PRC tax law, if we are considered a PRC resident enterprise, capital gains realized by holders of Notes may be treated as income derived from sources within China and be subject to PRC tax. The application of this provision to holders of Notes is uncertain. To the extent that China has entered into arrangements relating to the avoidance of double-taxation with any jurisdiction, such as Hong Kong and the United States, that allow a lower rate of withholding tax, such lower rate may apply to qualified investors in the Notes.

Stamp duty. No PRC stamp tax will be chargeable upon the issue or transfer (for so long as the register of holders of the Notes is maintained outside Mainland China) of a Note.

Certain U.S. Federal Income Tax Considerations

This disclosure is limited to the U.S. federal tax issues addressed herein. Additional issues may exist that are not addressed in this disclosure and that could affect the U.S. federal tax treatment of the Notes. This tax disclosure was written in connection with the promotion or marketing of the Notes by the Company, and it cannot be used by any holder for the purpose of avoiding penalties that may be asserted against the holder under the Internal Revenue Code of 1986, as amended (the "Code"). Holders should seek their own advice based on their particular circumstances from independent tax advisers.

The following is a description of certain U.S. federal income tax consequences to the U.S. Holders described below of owning and disposing of Notes, but it does not purport to be a comprehensive description of all tax considerations that may be relevant to a particular person's decision to acquire the Notes. This discussion applies only to initial U.S. Holders that (i) purchase Notes in this offering at the "issue price," which will equal the first price to the public (not including bond houses, brokers or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers) at which a substantial amount of the Notes is sold for money and (ii) hold the Notes as capital assets for U.S. federal income tax purposes.

This discussion does not describe all of the tax consequences that may be relevant in light of a U.S. Holder's particular circumstances, including alternative minimum tax consequences and tax consequences applicable to U.S. Holders subject to special rules, such as:

- certain financial institutions;
- dealers or traders in securities that use a mark-to-market method of tax accounting;
- persons holding Notes as part of a hedging transaction, straddle, wash sale, conversion transaction or integrated transaction or persons entering into a constructive sale with respect to the Notes;
- persons whose functional currency for U.S. federal income tax purposes is not the U.S. dollar;
- entities classified as partnerships for U.S. federal income tax purposes;
- tax-exempt entities; or
- persons holding Notes in connection with a trade or business conducted outside of the United States.

If an entity that is classified as a partnership for U.S. federal income tax purposes holds Notes, the U.S. federal income tax treatment of a partner will generally depend on the status of the partner and the activities of the partnership. Partnerships holding Notes and partners in such partnerships should consult their tax advisers as to the particular U.S. federal income tax consequences of holding and disposing of the Notes.

This discussion is based on the Code, administrative pronouncements, judicial decisions, and Treasury regulations, all as of the date hereof, any of which is subject to change, possibly with retroactive effect.

As used herein, a "U.S. Holder" is a beneficial owner of a Note that is, for U.S. federal income tax purposes:

- a citizen or individual resident of the United States;
- a corporation, or other entity taxable as a corporation, created or organized in or under the laws of the United States, any state therein or the District of Columbia; or
- an estate or trust the income of which is subject to U.S. federal income taxation regardless of its source.

Payments of Stated Interest. Stated interest paid on a Note (including any Additional Amounts) will be taxable to a U.S. Holder as ordinary interest income at the time it accrues or is received, in accordance with the U.S. Holder's method of accounting for U.S. federal income tax purposes. Interest income earned by a U.S. Holder with respect to a Note will constitute foreign-source income for U.S. federal income tax purposes, which may be relevant to a U.S. Holder in calculating the U.S. Holder's foreign tax credit limitation. The limitation on foreign taxes eligible for credit is calculated separately with respect to specific classes of income. PRC taxes withheld, if any, from interest income on a Note may be eligible for credit against the U.S. Holder's United States federal income tax liability, subject to generally applicable limitations and conditions, or, at the election of the U.S. Holder, for deduction in computing the U.S. Holder's taxable income. The rules governing foreign tax credits are complex and, therefore, U.S. Holders should consult their own tax advisors regarding the availability of foreign tax credits in their particular circumstances.

Original Issue Discount. It is possible that the Notes will be issued with “original issue discount.” For U.S. federal income tax purposes, if the excess (if any) of the principal amount of the Notes over their issue price (as defined above) is equal to, or is greater than, a prescribed *de minimis* amount, the excess would be treated as original issue discount. Generally, the *de minimis* amount is 1/4 of 1% of the principal amount multiplied by the number of complete years to maturity. If the Notes are issued with original issue discount, U.S. Holders would be required to include stated interest payments in income as described in “– Payments of Interest” above. In addition, U.S. Holders would be required to include the original issue discount in income as it accrues, in accordance with a constant yield method based on a compounding of interest, before the receipt of cash payments attributable to this income. Under this method, U.S. Holders generally would be required to include in income increasingly greater amounts of original issue discount in successive accrual periods. A U.S. Holder may make an election to include in gross income all interest that accrues on a Note (including stated interest, and any original issue discount or *de minimis* original issue discount) in accordance with a constant yield method based on the compounding of interest.

Sale, Exchange or Retirement of the Notes. Upon the sale, exchange or retirement of a Note, a U.S. Holder will recognize taxable gain or loss equal to the difference between the amount realized on the sale, exchange or retirement and the U.S. Holder’s adjusted tax basis in the Note. For these purposes, the amount realized does not include any amount attributable to accrued interest. Amounts attributable to accrued interest are treated as interest as described under “-Payments of Interest” above. A U.S. Holder’s adjusted tax basis in a Note will generally equal the cost of such Note to the U.S. Holder increased by the amount of original issue discount, if any, that the U.S. Holder previously included in income with respect to the Note.

Gain or loss realized on the sale, exchange or retirement of a Note will generally be capital gain or loss and will be long-term capital gain or loss if at the time of the sale, exchange or retirement the Note has been held for more than one year. Long-term capital gains recognized by non-corporate U.S. Holders will be subject to reduced tax rates. The deductibility of capital losses may be subject to limitations. Any gain or loss will generally be U.S.-source income for purposes of computing a U.S. Holder’s foreign tax credit limitation. As described in “Taxation – PRC,” we may be treated as a PRC resident enterprise for PRC tax purposes. If we are deemed to be a resident enterprise under PRC tax law, gains from the sale or other disposition of Notes may be subject to PRC income taxes. In that case, a U.S. Holder’s amount realized would include the gross amount of the proceeds of the sale or disposition. U.S. Holders should consult their tax advisers regarding their eligibility for benefits under the income tax treaty between the United States and the PRC and the creditability of any PRC tax on disposition gains in their particular circumstances.

Information Reporting and Backup Withholding. Payments of interest and proceeds from the sale of a Note that are made within the United States or through certain U.S.-related financial intermediaries generally are subject to information reporting, and may be subject to backup withholding, unless (i) the U.S. Holder is an exempt recipient or (ii) in the case of backup withholding, the U.S. Holder provides a correct taxpayer identification number and certifies that it is not subject to backup withholding. The amount of any backup withholding deducted from a payment to a U.S. Holder will be allowed as a credit against the U.S. Holder’s U.S. federal income tax liability and may entitle it to a refund, provided that the required information is timely furnished to the Internal Revenue Service.

Plan of Distribution

Subject to the terms and conditions in the purchase agreement between us, the guarantors and the Initial Purchasers, we have agreed to sell to the Initial Purchasers, and the Initial Purchasers have agreed to severally but not jointly purchase from us, the principal amount of the Notes set forth opposite their names in the table below.

Initial Purchasers	Principal Amount of Notes
BOCI Asia Limited	US\$75,000,000
J.P. Morgan Securities Ltd.	75,000,000
Merrill Lynch International	75,000,000
UBS AG	75,000,000
Total	US\$300,000,000

The obligations of the Initial Purchasers under the purchase agreement are several and not joint. The purchase agreement provides that the Initial Purchasers will purchase all the Notes if any of them is purchased.

The Initial Purchasers initially propose to offer the Notes for resale at the issue price that appears on the cover of this offering memorandum. After the initial offering, the Initial Purchasers may change the offering price and any other selling terms. The Initial Purchasers may offer and sell the Notes through certain of their affiliates.

In the purchase agreement, we have agreed that:

- We will not offer or sell any of our debt securities (other than the Notes) for a period of 90 days after the date of this offering memorandum without the prior consent of the Initial Purchasers.
- We and the guarantors will jointly and severally indemnify the Initial Purchasers against certain liabilities, including liabilities under the Securities Act, or contribute to payments that the Initial Purchasers may be required to make in respect of those liabilities.
- The obligations of the Initial Purchasers are subject to certain conditions precedent and the Initial Purchasers are entitled to terminate the purchase agreement in certain circumstances prior to payment being made to us.

The Notes have not been and will not be registered under the Securities Act and may not be offered or sold within the United States except to qualified institutional buyers in reliance on Rule 144A and to certain persons in offshore transactions in reliance on Regulation S. Until 40 days after the later of (i) the commencement of this offering and (ii) the issue date of the Notes, an offer or sale of the Notes initially sold in reliance on Regulation S within the United States by a dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act unless the dealer makes the offer or sale in compliance with Rule 144A or another exemption from registration under the Securities Act.

No action has been taken in any jurisdiction by us that would permit a public offering of the Notes or the possession, circulation or distribution of this offering memorandum or any other material relating to us or the Notes in any jurisdiction where action for this purpose is required. Accordingly, the Notes may not be offered or sold, directly or indirectly, and neither this offering memorandum nor any other offering material or advertisements in connection with the Notes may be distributed or published, in or from any country or jurisdiction, except in compliance with any applicable rules and regulations of any such country or jurisdiction. This offering memorandum does not constitute an offer to sell or a solicitation of an offer to purchase in any jurisdiction where such offer or solicitation would be unlawful. Persons into whose possession this offering memorandum comes are advised to inform themselves about and to observe any restrictions relating to the offering of the Notes, the distribution of this offering memorandum and resale of the Notes. See "Notice to Investors."

We and the guarantors have also agreed that they will not at any time offer, sell, contract to sell, pledge or otherwise dispose of, directly or indirectly, any securities under circumstances in which such offer, sale, pledge, contract or disposition would cause the exemption afforded by Section 4(2) of the Securities Act or the safe harbor of Rule 144A and Regulation S to cease to be applicable to the offer and sale of the Notes.

European Economic Area. This offering memorandum has been prepared on the basis that all offers of the Notes will be made pursuant to an exemption under Article 3 of Directive 2003/71/EC (the Prospectus Directive), as implemented in member states of the European Economic Area (the EEA), from the requirement to produce a prospectus for offers of the Notes. Accordingly, any person making or intending to make any offer within the EEA of the Notes should only do so in circumstances in which no obligation arises for us or any of the Initial Purchasers to produce a prospectus for such offer. Neither we nor the Initial Purchasers have authorized, nor do they authorize, the making of any offer of the Notes through any financial intermediary, other than offers made by the Initial Purchasers, which constitute the final placement of the Notes contemplated in this offering memorandum.

In relation to each Member State of the European Economic Area that has implemented the Prospectus Directive (each, a Relevant Member State), with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State, the offer is not being made and will not be made to the public of any notes which are the subject of the offering contemplated by this offering memorandum in that Relevant Member State, other than: (a) to legal entities which are authorized or regulated to operate in the financial markets or, if not so authorized or regulated, whose corporate purpose is solely to invest in securities; (b) to any legal entity which has two or more of (i) an average of at least 250 employees during the last financial year; (ii) a total balance sheet of more than €43,000,000; and (iii) an annual net turnover of more than €50,000,000, as shown in its last annual or consolidated accounts; or (c) in any other circumstances falling within Article 3(2) of the Prospectus Directive; provided that no such offer of the Notes shall require us or the Initial Purchasers to publish a prospectus pursuant to Article 3 of the Prospectus Directive. For the purposes of this provision, the expression an "offer of the Notes to the public" in relation to the Notes in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe the Notes, as the same may be varied in that Relevant Member State by any measure implementing the Prospectus Directive in that Relevant Member State and the expression "Prospectus Directive" means Directive 2003/71/EC and includes any relevant implementing measure in each Relevant Member State.

United Kingdom. This offering memorandum is for distribution only to, and is only directed at, persons who (i) have professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended, (the Financial Promotion Order), (ii) are persons falling within Article 49(2)(a) to (d) (high net worth companies, unincorporated associations, etc.) of the Financial Promotion Order or (iii) are persons to whom an invitation or inducement to engage in investment activity (within the meaning of section 21 of the Financial Services and Markets Act 2000) in connection with the issue or sale of any notes may otherwise lawfully be communicated (all such persons together being referred to as "relevant persons"). This offering memorandum is directed only at relevant persons and must not be acted on or relied on by persons who are not relevant persons. Any investment or investment activity to which this document relates is available only to relevant persons and will be engaged in only with relevant persons. The Notes are being offered solely to "qualified investors" as defined in the Prospectus Directive and accordingly the offer of the Notes is not subject to the obligation to publish a prospectus within the meaning of the Prospectus Directive.

British Virgin Islands. No invitation will be made directly or indirectly to any person resident in the British Virgin Islands to subscribe for any of the Notes.

Cayman Islands. No invitation will be made directly or indirectly to any person resident in the Cayman Islands to subscribe for any of the Notes.

Hong Kong. The Notes may not be offered or sold in the Hong Kong Special Administrative Region of the People's Republic of China (Hong Kong) by means of any document other than to (1) professional investors within the meaning of the Securities and Futures Ordinance (Cap. 571) of the laws of Hong Kong ("SFO") and any rules made thereunder, or (2) in circumstances that do not result in the document being, or otherwise require, a "prospectus" as defined in the Companies Ordinance (Cap. 32) of the laws of Hong Kong or that do not constitute an offer to the public within the meaning of that Ordinance or an invitation to the public within the meaning of the SFO. No invitation, advertisement or document relating to the Notes may be issued, whether in Hong Kong or elsewhere, that is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to the Notes that are intended to be disposed of only to persons outside Hong Kong or only to professional investors, as defined under the Securities and Futures Ordinance (Cap. 571) of the laws of Hong Kong and any rule made thereunder.

The contents of this document have not been reviewed by any regulatory authority in Hong Kong. You are advised to exercise caution in relation to this offering. If you are in any doubt about any of the contents of this document, you should obtain independent professional advice.

Japan. The Notes have not been and will not be registered under the Financial Instruments and Exchange Law of Japan, and may not be offered or sold in Japan or to, or for the account or benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organized under the laws of Japan) or to, or for the account or benefit of, any person for reoffering or resale, directly or indirectly, in Japan or to, or for the account or benefit of, any resident of Japan, except pursuant to an exemption from the registration requirements of, or otherwise in compliance with, the Financial Instruments and Exchange Law of Japan, and in compliance with the other relevant laws and regulations of Japan.

Singapore. This offering memorandum has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, this offering memorandum and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Notes may not be circulated or distributed, nor may the Notes be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than (1) to an institutional investor under Section 274 of the Securities and Futures Act, Chapter 289 of Singapore (the SFA), (2) to a relevant person pursuant to Section 275 (1), or any person pursuant to Section 275(1A), and in accordance with the conditions specified in Section 275, of the SFA, or (3) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the Notes are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

- (a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or
- (b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

securities (as defined in Section 239(1) of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Notes pursuant to an offer made under Section 275 of the SFA except:

- (i) to an institutional investor or to a relevant person defined in Section 275(2) of the SFA, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;

- (ii) where no consideration is or will be given for the transfer;
- (iii) where the transfer is by operation of law; or
- (iv) as specified in Section 276(7) of the SFA.

People's Republic of China. No invitation will be made directly or indirectly to any person resident in the PRC to subscribe for any of the Notes.

The Notes are a new issue of securities for which there currently is no market. We have received approval in-principle for the listing of the Notes on the SGX-ST.

The Initial Purchasers have advised us that they intend to make a market in the Notes as permitted by applicable law. The Initial Purchasers are not obligated, however, to make a market in the Notes, and any market-making activity may be discontinued at any time at the sole discretion of the Initial Purchasers without notice. In addition, any such market-making activity will be subject to the limits imposed by the Securities Act and the Exchange Act. Accordingly, we cannot assure you that any market for the Notes will develop, that it will be liquid if it does develop, or that you will be able to sell any Notes at a particular time or at a price which will be favorable to you. See "Risk Factors – Risks Relating to the Notes – A trading market for the Notes may not develop, and there are restrictions on resale of the Notes."

We have been advised by the Initial Purchasers that, in connection with the offering of the Notes, the Initial Purchasers may engage in transactions that stabilize, maintain or otherwise affect the price of the Notes. Specifically, the Initial Purchasers may overallocate the offering, creating a syndicate short position. In addition, the Initial Purchasers may bid for, and purchase, the Notes in the open market to cover syndicate shorts or to stabilize the price of the Notes. Any of these activities may stabilize or maintain the market price of the Notes above independent market levels. The Initial Purchasers are not required to engage in these activities, and may end any of these activities at any time. No assurance can be given as to the liquidity of, or the trading market for, the Notes.

The Initial Purchasers and certain of their affiliates have in the past and may in the future have performed certain investment banking, commercial dealings and advisory services for us, the guarantors and/or our or their respective affiliates from time to time for which they have received customary fees, commissions and expenses and may, from time to time, engage in transactions with and perform services for us, the guarantors and/or our or their affiliates in the ordinary course of their business. We may enter into hedging or other derivative transactions as part of our risk management strategy with the Initial Purchasers, which may include transactions relating to our obligations under the Notes. Our obligations under these transactions may be secured by cash or other collateral. In addition, the Initial Purchasers and certain of their affiliates may hold our shares or other securities as beneficial owners, on behalf of clients or in the capacity of investment advisors.

The Initial Purchasers or their respective affiliates may purchase the Notes for their own account and enter into transactions, including credit derivatives, such as asset swaps, repackaging and credit default swaps relating to the Notes and/or other securities of ours, the guarantors or their respective subsidiaries or associates at the same time as the offer and sale of the Notes or in secondary market transactions. Such transactions would be carried out as bilateral trades with selected counterparties and separately from any existing sale or resale of the Notes to which this offering memorandum relates (notwithstanding that such selected counterparties may also be purchasers of the Notes).

Ratings

The Notes have been rated “BB” by Standard & Poor’s Ratings Services and “Ba2” by Moody’s Investors Service. The ratings reflect the rating agencies’ assessment of the likelihood of timely payment of the principal of and interest on the Notes. The ratings do not address the payment of any Additional Amounts and do not constitute recommendations to purchase, hold or sell the Notes inasmuch as such ratings do not comment as to market price or suitability for a particular investor. We cannot assure you that the ratings will remain in effect for any given period or that the ratings will not be revised by such rating agencies in the future if in their judgment circumstances so warrant. Each such rating should be evaluated independently of any other rating on the Notes or on us.

Legal Matters

Certain legal matters with respect to the Notes will be passed upon for us by Conyers Dill & Pearman as to matters of Cayman Islands law and British Virgin Islands law, Norton Rose Hong Kong as to matters of Hong Kong law (other than taxation), Davis Polk & Wardwell LLP as to matters of United States federal and New York law and Jingtian & Gongcheng Attorneys at Law as to matters of PRC law. Certain legal matters will be passed upon for the Initial Purchasers by Latham & Watkins as to matters of United States federal and New York law and Kaiwen Law Firm as to matters of PRC law.

Certified Public Accountants

The consolidated financial statements of Renhe Commercial Holdings Company Limited as of and for the years ended December 31, 2008 and 2009 included in this offering memorandum have been audited by KPMG, Certified Public Accountants, as stated in their report appearing herein.

The consolidated financial statements of Renhe Commercial Holdings Company Limited as of and for the year ended December 31, 2007 included in this offering memorandum have been audited by KPMG, Certified Public Accountants, as stated in the Accountants’ Report appearing herein.

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Independent Auditor's Report to the Shareholders of Renhe Commercial Holdings Company Limited

We have audited the consolidated financial statements of Renhe Commercial Holdings Company Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") set out on pages F-3 to F-43, which comprise the consolidated and company balance sheets as at 31 December 2009, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the financial statements

The directors of the Company are responsible for the preparation and the true and fair presentation of these financial statements in accordance with International Financial Reporting Standards promulgated by the International Accounting Standards Board and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. This report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and true and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2009 and of the Group's profit and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

KPMG

Certified Public Accountants

8th Floor, Prince's Building

10 Chater Road

Central, Hong Kong

April 26, 2010

Consolidated Income Statement
for the year ended 31 December 2009
(Expressed in Renminbi)

		2009	2008
	Note	RMB'000	RMB'000
Revenue	4	4,162,943	3,050,281
Cost of sales.....	5	(1,059,117)	(530,196)
Gross profit		3,103,826	2,520,085
Other income.....	6	1,965,772	61,827
Administrative expenses		(253,442)	(108,888)
Other operating expenses.....		(144,869)	(73,578)
Profit from operations		4,671,287	2,399,446
Finance income		11,858	19,046
Finance expenses		(4,643)	(12,534)
Net finance income.....	7(b)	7,215	6,512
Profit before income tax	7	4,678,502	2,405,958
Income tax.....	8	(640,934)	(502,940)
Profit for the year		4,037,568	1,903,018
Attributable to equity shareholders of the Company		4,037,568	1,903,018
Basic and diluted earnings per share (RMB cents)	14	19.29	10.82

The notes on pages F-9 to F-43 form part of these financial statements.

**Consolidated Statement of Comprehensive Income
for the year ended 31 December 2009**

(Expressed in Renminbi)

		<u>2009</u>	<u>2008</u>
	Note	RMB'000	RMB'000
Profit for the year		4,037,568	1,903,018
Other comprehensive income for the year (after tax and reclassification adjustments)			
Exchange differences on translation of financial statements of foreign operations.....	13	7,232	(68,480)
Total comprehensive income for the year		<u>4,044,800</u>	<u>1,834,538</u>
Attributable to equity shareholders of the Company		<u>4,044,800</u>	<u>1,834,538</u>

The notes on pages F-9 to F-43 form part of these financial statements.

Consolidated Balance Sheet at 31 December 2009

(Expressed in Renminbi)

	Note	2009 RMB'000	2008 RMB'000
Non-current assets			
Property and equipment.....	15	252,671	358,025
Investment properties.....	16	2,100,956	934,667
Land use rights	17	8,119	16,951
Other assets.....	21	778,039	517,851
Total non-current assets		<u>3,139,785</u>	<u>1,827,494</u>
Current assets			
Inventories.....	19	121,265	129,000
Trade and other receivables	20	5,440,822	2,153,089
Cash at bank and on hand.....	22	4,904,426	3,233,578
Total current assets		<u>10,466,513</u>	<u>5,515,667</u>
Current liabilities			
Trade and other payables	23	1,126,637	531,294
Taxation.....	24(a)	383,132	371,789
Total current liabilities		<u>1,509,769</u>	<u>903,083</u>
Net current assets		<u>8,956,744</u>	<u>4,612,584</u>
Total assets less current liabilities		<u>12,096,529</u>	<u>6,440,078</u>
Non-current liabilities			
Other payables.....		–	1,668
Deferred tax liabilities.....	24(b)	30,000	74,741
Total non-current liabilities		<u>30,000</u>	<u>76,409</u>
Net assets		<u>12,066,529</u>	<u>6,363,669</u>
Capital and reserves			
Share capital.....	25(c)	193,884	176,253
Reserves	25(d)	11,872,645	6,187,416
Total equity attributable to the equity shareholders of the Company		<u>12,066,529</u>	<u>6,363,669</u>

Approved and authorised for issue by the board of directors on April 26, 2010.

DAI Yongge) Director
WANG Chunrong) Director

The notes on pages F-9 to F-43 form part of these financial statements.

Balance Sheet at 31 December 2009

(Expressed in Renminbi)

		2009	2008
	Note	RMB'000	RMB'000
Non-current assets			
Investments in subsidiaries	18	–	–
Total non-current assets		–	–
Current assets			
Trade and other receivables	20	6,716,576	3,289,466
Cash and cash equivalents	22	561,281	905,137
Total current assets		7,277,857	4,194,603
Current liabilities			
Trade and other payables	23	66,302	33,909
Total current liabilities		66,302	33,909
Net current assets		7,211,555	4,160,694
Total assets less current liabilities		7,211,555	4,160,694
Net assets		7,211,555	4,160,694
Capital and reserves			
Share capital	25(c)	193,884	176,253
Reserves	25(d)	7,017,671	3,984,441
Total equity		7,211,555	4,160,694

Approved and authorised for issue by the board of directors on April 26, 2010.

DAI Yongge) Director
WANG Chunrong) Director

The notes on pages F-9 to F-43 form part of these financial statements.

Consolidated Statement of Changes in Equity
for the year ended 31 December 2009
(Expressed in Renminbi)

	Note	Reserves						Retained earnings	Total
		Share capital	Share premium	Capital surplus	Reserve fund	Exchange reserve	Merger reserves		
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000		
	25(c)	25(d)(i)	25(d)(ii)	25(d)(iii)	25(d)(iv)	25(d)(v)	RMB'000	RMB'000	
Balance at 1 January 2008.....		17	1,416,665	37,320	44,716	(6,685)	128,704	270,877	1,891,614
Changes in equity for 2008:									
Issuance of shares, net of issuing expenses.....	25(c)(ii)	176,236	2,673,677	-	-	-	-	-	2,849,913
Equity settled share-based transactions.....	27	-	-	44,816	-	-	-	-	44,816
Transfer to reserve fund	25(d)(iii)	-	-	-	207,541	-	-	(207,541)	-
Dividends to equity shareholders.....	25(b)	-	-	-	-	-	-	(257,212)	(257,212)
Total comprehensive income for the year.....		-	-	-	-	(68,480)	-	1,903,018	1,834,538
Balance at 31 December 2008.		<u>176,253</u>	<u>4,090,342</u>	<u>82,136</u>	<u>252,257</u>	<u>(75,165)</u>	<u>128,704</u>	<u>1,709,142</u>	<u>6,363,669</u>
Balance at 1 January 2009.....		176,253	4,090,342	82,136	252,257	(75,165)	128,704	1,709,142	6,363,669
Changes in equity for 2009:									
Issuance of shares, net of issuing expenses.....	25(c)(iii)	17,631	3,131,843	-	-	-	-	-	3,149,474
Equity settled share-based transactions.....	27	-	-	32,586	-	-	-	-	32,586
Transfer to reserve fund	25(d)(iii)	-	-	-	225,686	-	-	(225,686)	-
Dividends to equity shareholders.....	25(b)	-	-	-	-	-	-	(1,524,000)	(1,524,000)
Total comprehensive income for the year.....		-	-	-	-	7,232	-	4,037,568	4,044,800
Balance at 31 December 2009.		<u>193,884</u>	<u>7,222,185</u>	<u>114,722</u>	<u>477,943</u>	<u>(67,933)</u>	<u>128,704</u>	<u>3,997,024</u>	<u>12,066,529</u>

The notes on pages F-9 to F-43 form part of these financial statements.

Consolidated Cash Flow Statement
for the year ended 31 December 2009
(Expressed in Renminbi)

	Note	2009 RMB'000	2008 RMB'000
Operating activities			
Profit for the year		4,037,568	1,903,018
Adjustments for:			
Depreciation		60,813	33,764
Amortization		407	1,030
Net finance income.....		(7,215)	(6,512)
Waived bank loan		-	(10,684)
Loss on disposal of property and equipment, and investment properties		6	31
Gain on disposal of subsidiaries.....		(1,906,800)	-
Income tax		640,934	502,940
Operating profit before changes in working capital		2,825,713	2,423,587
(Increase)/decrease in bank deposits.....		(351,214)	77,651
Increase in trade and other receivables		(1,946,350)	(2,043,731)
Increase in trade and other payables.....		1,829,628	278,064
Decrease/(increase) in inventories.....		7,735	(129,000)
Income tax paid		(674,332)	(69,853)
Net cash generated from operating activities.....		1,691,180	536,718
Investing activities			
Disposal of subsidiaries, net of cash disposed of		685,546	-
Interest received.....		14,885	15,479
Purchase of property and equipment		(242,912)	(355,191)
Additions to investment properties		(2,106,883)	(1,333,150)
Advances to related parties		-	(432)
Repayments from related parties.....		-	116,588
Repayments from third parties.....		-	10,000
Increase in time deposits		(248,282)	-
Net cash used in investing activities		(1,897,646)	(1,546,706)
Financing activities			
Proceeds from issuance of ordinary shares		3,279,329	2,987,471
Advances from related parties		-	1,814
Repayments to related parties		-	(49,604)
Repayment of loans		-	(8,500)
Payment of issuing expenses		(127,848)	(123,173)
Dividends paid		(1,524,000)	-
Net cash from financing activities		1,627,481	2,808,008
Net increase in cash and cash equivalents		1,421,015	1,798,020
Cash and cash equivalents at 1 January.....		3,233,578	1,517,447
Effect of foreign exchange rate changes		1,551	(81,889)
Cash and cash equivalents at 31 December	22	4,656,144	3,233,578

The notes on pages F-9 to F-43 form part of these financial statements.

Notes to the Financial Statements

(Expressed in Renminbi)

1 General information

Renhe Commercial Holdings Company Limited (the “Company”) was incorporated in the Cayman Islands on 20 November 2007 and registered as an exempted company with limited liability under the Companies Law Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The Company and its subsidiaries (collectively referred to as the “Group”) are principally engaged in development, lease and management of underground shopping mall in the People’s Republic of China (the “PRC”).

2 Significant accounting policies

(a) Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) and its interpretations promulgated by the International Accounting Standards Board (IASB) and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. A summary of the significant accounting policies adopted by the Group is set out below.

The IASB has issued certain new and revised IFRSs that are first effective or available for early adoption for the current accounting period of the Group and the Company. Note 3 provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

(b) Basis of preparation of the financial statements

The consolidated financial statements are presented in Renminbi (“RMB”), rounded to the nearest thousand, which is the functional currency of the subsidiaries carrying on the principal activities of the Group. The Company and its overseas subsidiaries’ functional currency is Hong Kong dollar (“HKD”). Since the Group’s operations are conducted in the PRC, the Group has adopted RMB as its presentation currency.

The consolidated financial statements have been prepared on the historical cost basis except where stated otherwise in the accounting policies set out below.

(c) Use of estimates and judgements

The preparation of the financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Judgements made by management in the application of IFRSs that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in Note 35.

(d) Subsidiaries

(i) Subsidiaries

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity, so as to obtain benefits from its activities. In assessing control, potential voting rights that currently are exercisable are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

(ii) Transactions eliminated on consolidation

Intra-group balances and transactions and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses arising from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

(e) Foreign currency

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at the exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortized cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortized cost in foreign currency translated at the exchange rate at the end of the period. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on retranslation are recognised in profit or loss.

The results of foreign operations are translated to RMB at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Balance sheet items including goodwill are translated to RMB at exchange rates at the reporting date. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the exchange reserve.

(f) Investment properties

Investment properties are land and/or buildings which are owned or held under a leasehold interest to earn rental income and/or for capital appreciation. These include land held for a currently undetermined future use and property that is being constructed or developed for future use as investment property. Investment properties are measured at cost less accumulated depreciation and accumulated impairment losses (Note 2(m)(ii)). The depreciation policy is the same as that of property and equipment (Note 2(g)(iii)).

(g) Property and equipment

(i) Recognition and measurement

Items of property and equipment are measured at cost less accumulated depreciation and accumulated impairment losses (Note 2(m)(ii)).

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located, and capitalised borrowing costs.

When parts of an item of property and equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

Gains and losses on disposal of an item of property and equipment are determined by comparing the proceeds from disposal with the carrying amount of property and equipment and are recognised net within "other income" in profit or loss.

(ii) Subsequent costs

The cost of replacing part of an item of property and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied with the part will flow to the Group and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of property and equipment are recognised in profit or loss as incurred.

(iii) Depreciation

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property and equipment.

The estimated useful lives for current and comparative period are as follows:

- Underground properties under leasehold land are depreciated over the shorter of the unexpired term of lease and their estimated useful lives, being no more than 40 years after the date of completion.
- Machinery 10 years
- Decoration 5 years
- Office equipment 5 years
- Vehicles 5-20 years

Depreciation methods, useful lives and residual values are reviewed at each reporting date.

(h) Land use rights

Land use rights represent lease prepayments for acquiring rights to use land in the PRC with period of 40 years. Land use rights granted with consideration are recognised initially at acquisition cost. Land use rights are classified and accounted for in accordance with the intended use of the properties under the related land.

For properties that are held for own use and investment properties, the corresponding lease prepayments are separately stated as land use rights in the balance sheet. Land use rights for properties held for own use and investment properties are stated at cost, less accumulated amortization and any impairment losses (Note 2(m)(ii)). Amortization is charged to profit or loss on a straight-line basis over the period of the land use rights.

(i) Leased assets

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

(i) Classification of assets leased to the Group

Assets that are held by Group under leases which transfer to the Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases, with the following exceptions:

- property held under operating leases that would otherwise meet the definition of an investment property is classified as investment property on a property-by-property basis and, if classified as investment property, is accounted for as if held under a finance lease (see Note 2(f)); and
- land held for own use under an operating lease, the fair value of which cannot be measured separately from the fair value of a building situated thereon at the inception of the lease, is accounted for as being held under a finance lease, unless the building is also clearly held under an operating lease. For these purposes, the inception of the lease is the time that the lease was first entered into by the Group, or taken over from the previous lessee.

(ii) Assets acquired under finance leases

Where the Group acquires the use of assets under finance leases, the amounts representing the fair value of the leased asset, or, if lower, the present value of the minimum lease payments, of such assets are included in fixed assets and the corresponding liabilities, net of finance charges, are recorded as obligations under finance leases. Depreciation is provided at rates which write off the cost or valuation of the assets over the term of the relevant lease or, where it is likely the Group will obtain ownership of the asset, the life of the asset, as set out in Note 2(g). Impairment losses are accounted for in accordance with the accounting policy as set out in Note 2(m). Finance charges implicit in the lease payments are charged to profit or loss over the period of the leases so as to produce an approximately constant periodic rate of charge on the remaining balance of the obligations for each accounting period. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

(iii) Operating lease charges

Where the Group has the use of assets held under operating leases, payments made under the leases are charged to profit or loss in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

The cost of acquiring land held under an operating lease is amortized on a straight-line basis over the period of the lease term except where the property is classified as an investment property (see Note 2(f)) or is held for development for sale (see Note 2(j)).

(j) Inventories

Inventories represent units of underground shopping mall under development and completed units of which operation rights will be transferred subsequently. The cost of inventories comprises specifically identified cost, including the acquisition cost of land, aggregate cost of development, materials and supplies, wages and other direct expenses, an appropriate proportion of overheads and borrowing costs capitalised (Note 2(s)). Net realisable value represents the estimated selling price less estimated costs of completion and costs to be incurred in transferring the operating right of units. Inventories are measured at the lower of cost and the net realisable value.

(k) Trade and other receivables

Trade and other receivables are initially recognised at fair value and thereafter stated at amortized cost less allowance for impairment losses for bad and doubtful debts (Note 2(m)(ii)).

(l) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition.

(m) Impairment

(i) Financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses are recognised in profit or loss.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortized cost, the reversal is recognised in profit or loss.

(ii) Non-financial assets

The carrying amount of the Group's non-financial assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets ("the cash-generating unit").

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognised.

(n) Trade and other payables

Trade and other payables are initially recognised at fair value and thereafter stated at amortized cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(o) Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortized cost with any difference between the amount initially recognised and redemption value being recognised in profit or loss over the period of the borrowings, together with any interest and fees payable, using the effective interest method.

(p) Employee benefits

(i) Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for the statutory defined contribution pension plans are recognised as an expense in profit or loss when they are due.

(ii) Short-term benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognised for the amount expected to be paid under short-term cash bonus if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(iii) Share-based payment transactions

The grant date fair value of options granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period that the employees unconditionally become entitled to the options. The amount recognised as an expense is adjusted to reflect the actual number of share options for which the related service and non-market vesting conditions are met.

(q) Financial guarantees issued, provisions and contingent liabilities

(i) Financial guarantees issued

Financial guarantees are contracts that require the issuer (i.e. the guarantor) to make specified payments to reimburse the beneficiary of the guarantee (the "holder") for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Where the Group issues a financial guarantee, the fair value of the guarantee (being the transaction price, unless the fair value can otherwise be reliably estimated) is initially recognised as deferred income within trade and other payables. Where consideration is received or receivable for the issuance of the guarantee, the consideration is recognised in accordance with the Group's policies applicable to that category of asset where no such consideration is received or receivable, an immediate expense is recognised in profit or loss on initial recognition of any deferred income.

The amount of the guarantee initially recognised as deferred income is amortized in the profit or loss over the term of the guarantee as income from financial guarantees issued. In addition, provisions are recognised in accordance with Note 2(q)(ii) if and when (i) it becomes probable that the holder of the

guarantee will call upon the Group under the guarantee, and (ii) the amount of that claim on the Group is expected to exceed the amount currently carried in trade and other payables in respect of that guarantee i.e. the amount initially recognised, less accumulated amortization.

(ii) Provisions and contingent liabilities

Provisions are recognised for other liabilities of uncertain timing or amount when the Group or the Company has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(r) Revenue recognition

Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in profit or loss as follows:

(i) Lease income from operating lease

Lease income from operating lease is recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total lease income, over the term of the lease. Contingent rental are recorded as income in the periods in which they are earned.

(ii) Revenue from transfer of operation rights

Revenue from transfer of operation rights is recognised when the significant risks and rewards of the operation rights have been transferred to the customers. Revenue from transfer of operation rights excludes sales tax and is after deduction of any trade discounts.

(iii) Services

Revenue from services rendered is recognised in profit or loss in proportion to the stage of completion of the transaction at the reporting date. The stage of completion is assessed by reference to surveys of work performed.

(iv) Interest income

Interest income is recognised as it accrues using the effective interest method.

(s) Borrowing cost

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

(t) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the assets can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at each balance sheet date and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

- in the case of current tax assets and liabilities, the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or
- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:
 - the same taxable entity; or
 - different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(u) Related parties

For the purposes of the financial statements, a party is considered to be related to the Group if:

- (i) the party has the ability, directly or indirectly through one or more intermediaries, to control the Group or exercise significant influence over the Group in making financial and operating policy decisions, or has joint control over the Group;
- (ii) the Group and the party are subject to common control;
- (iii) the party is an associate of the Group or a joint venture in which the Group is a venturer;

- (iv) the party is a member of key management personnel of the Group or the Group's parent, or a close family member of such an individual, or is an entity under the control, joint control or significant influence of such individuals;
- (v) the party is a close family member of a party referred to in (i) or is an entity under the control, joint control or significant influence of such individuals; or
- (vi) the party is a post-employment benefit plan which is for the benefit of employees of the Group or of any entity that is a related party of the Group.

Close family members of an individual are those family members who may be expected to influence, or be influenced by, that individual in their dealings with the entity.

(v) Dividends

Dividends are recognised as a liability in the period in which they are declared.

(w) Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

The Group manages its business in a single segment, namely the underground shopping mall operating business. The Group's most senior executive management assesses performance and allocates resources on a group basis. Accordingly, no operating segment information is presented.

The Group's operations are located in the PRC, no geographic segment reporting is presented.

3 Changes in accounting policies

The IASB has issued one new IFRS, a number of amendments to IFRSs and new Interpretations that are first effective for the current accounting period of the Group and the Company. Of these, the following developments are relevant to the Group's financial statements:

- IFRS 8, *Operating segments*
- IAS 1, *Presentation of financial statements* (revised 2007)
- Improvements to IFRSs (2008)
- Amendments to IAS 27, *Consolidated and separate financial statements – cost of an investment in a subsidiary, jointly controlled entity or associate*
- Amendments to IFRS 7, *Financial instruments: Disclosures – improving disclosures about financial instruments*
- Amendments to IFRS 2, *Share-based payment – vesting conditions and cancellations*
- IFRIC 15, *Agreements for the construction of real estate*

IFRS 8, the amendments to IAS 27 and IFRS 2 and Interpretation IFRIC 15 have had no material impact on the Group's financial statements as the amendments and interpretations were consistent with policies already adopted by the Group. In addition, the amendments to IFRS 7 do not contain any additional disclosure requirements specifically applicable to the financial statements. The impact of the remainder of these developments is as follows:

- As a result of the adoption of IAS 1, *Presentation of financial statements* (revised 2007), details of changes in equity during the year arising from transactions with equity shareholders in their capacity as such have been presented separately from all other income and expenses in a revised

consolidated statement of changes in equity. All other items of income and expense are presented in the consolidated income statement, if they are recognised as part of profit or loss for the year, or otherwise in a new primary statement, the consolidated statement of comprehensive income. Corresponding amounts have been restated to conform to the new presentation. This change in presentation has no effect on reported profit or loss, total income and expense or net assets for any period presented.

- The “Improvements to IFRSs (2008)” comprise a number of minor and non-urgent amendments to a range of IFRSs which the IASB has issued as an omnibus batch of amendments. Of these, the following amendment has resulted in changes to the Group’s accounting policies:
 - As a result of amendments to IAS 40, *Investment property*, investment property that is under construction is recorded and measured as investment property, which was previously recorded as property and equipment. In accordance with the transitional provisions in the amendment, this new policy will be applied prospectively and previous periods have not been restated.

4 Revenue

	2009	2008
	RMB'000	RMB'000
Operating lease	129,369	182,085
Transfer of operation rights.....	4,033,574	2,868,196
	<u>4,162,943</u>	<u>3,050,281</u>

The Group’s customer base is diversified and includes only one customer with whom transactions have exceeded 10% of the Group’s revenue. In 2009 revenue from transfer of operation rights of this customer amounted to approximately RMB1,283 million (2008: RMB Nil).

5 Cost of sales

Cost of sales represents mainly the amortization of land use rights, depreciation of the investment properties and costs of construction of properties relating to the operation rights transferred out during the year.

	2009	2008
	RMB'000	RMB'000
Operating lease	60,057	33,305
Transfer of operation rights.....	999,060	496,891
	<u>1,059,117</u>	<u>530,196</u>

6 Other income

	2009	2008
	RMB'000	RMB'000
Revenue from property management and relevant service	58,978	51,174
Net gain on disposal of subsidiaries (Note 9)	1,906,800	–
Net loss on sales of property and equipment.....	(6)	(31)
Waived bank loan.....	–	10,684
	<u>1,965,772</u>	<u>61,827</u>

7 Profit before income tax

(a) Personnel expenses

	2009	2008
	RMB'000	RMB'000
Wages, salaries and other benefits	139,101	49,738
Contributions to defined contribution retirement plans (Note 26)	3,211	1,358
Equity settled share-based payment expenses (Note 27)	32,586	44,816
Others	1,186	476
	<u>176,084</u>	<u>96,388</u>

(b) Net finance income

	2009	2008
	RMB'000	RMB'000
Finance income		
– Interest income on bank deposits	11,858	19,046
Finance expenses		
– Net foreign exchange loss	(4,560)	(12,434)
– Bank charges and others	(83)	(100)
	<u>7,215</u>	<u>6,512</u>

(c) Other items

	2009	2008
	RMB'000	RMB'000
Depreciation		
– Investment properties	57,086	32,275
– Property and equipment	8,208	1,489
Amortization – land use rights	407	1,030
Advertisement expenses	53,109	1,417
Repairs and maintenance	30,216	7,750
Utility charges	15,669	7,798
Operating lease charges	18,741	7,214
Auditors' remuneration – audit services	7,032	3,500
Rentals receivable from investment properties less direct outgoings of RMB13,675,000 (2008: RMB2,257,000)	(115,694)	(179,828)

(d) Property tax

The property tax rate levied on the lease income and the transfer of operation rights income applicable to the Group's subsidiaries in the PRC is 12%.

According to the "Supplementary Provisions of Policies for Encouragement of Foreign Investment in Heilongjiang Province" (Hei Zheng Fa [1991] No.38), foreign investment enterprises (FIEs) in Heilongjiang Province are entitled to property tax exemption for five years from the month of business license being obtained. Accordingly, Harbin Renhe Century Public Facilities Co., Ltd. ("Harbin Renhe Century") is entitled to property tax exemption for the period from 2003 to 2008.

According to the “Provisions on Collection and Exemption of Property Tax for Foreign Investment Enterprises in Guangdong Province” (Ren Min Zheng Fu Ling [2002] No.75), FIEs in Guangdong Province are entitled to property tax exemption for three years since its establishment or purchase of property. Guangzhou Renhe is entitled to property tax exemption for the period from 2005 to 2008.

According to the “Notice of the State Administration of Taxation on Several Issues Concerning the Levy of Property Tax on Foreign Investment Enterprises” (Guo Shui Fa [2000] No.44), FIEs are exempted from property tax for the aerial defence project since 1 January 2000. According to “the Ministry of Finance and the State Administration of Taxation, Notice on the Levy of Property Tax Relating to Underground Buildings with Housing Function” (Cai Shui [2005] No.181, “No.181”), from 1 January 2006, underground properties are subject to property tax which is levied at 12% of the related income. Before 1 January 2009, there were no specific tax rules or regulations stipulating whether No.181 does not apply to FIEs or FIEs should be continually exempted from property tax.

According to “the Ministry of Finance and the State Administration of Taxation, Notice on the Levy of Property Tax on Foreign Investment Enterprises” (Cai Shui [2009] No. 3), all the FIEs in the PRC will be subject to the property tax since 1 January 2009. Accordingly, the Group has accrued property tax for subsidiaries in the PRC since 1 January 2009.

8 Income tax

(a) Income tax in the consolidated income statement represents:

	2009	2008
	RMB'000	RMB'000
Current tax		
Provision for the year		
– PRC Enterprise Income Tax (Note 24(a))	685,675	428,199
Deferred tax		
– Reversal and origination of temporary difference (Note 24(b))	(44,741)	74,741
	<u>640,934</u>	<u>502,940</u>

- (i) According to the Tax Regulation of Foreign Investment on Aerial Defence Project, (No.121 [1997] Cai Shui Zi), Harbin Renhe Century and Guangzhou Renhe are entitled to a tax holiday of full exemption of the state income tax for 2006 and 2007, and a tax holiday of 50% reduction in the state income tax rate for the years from 2008 to 2010.
- (ii) On 16 March 2007, the Fifth Plenary Session of the Tenth National People’s Congress passed the Corporate Income Tax Law of the People’s Republic of China (“new tax law”) which took effect on 1 January 2008. As a result of the new tax law, from 1 January 2008, the statutory income tax rate applicable to the Group’s subsidiaries in the PRC is 25%. The Group’s subsidiaries in the PRC that have not fully utilised their five-year tax holiday (i.e. two-year exemption and subsequent three-year 50% reduction of the applicable tax rate), will be allowed to continue to receive the benefits of the tax holiday.
- (iii) According to the Implementation Rules of the Corporate Income Tax Law, the overseas investor to FIEs shall be liable for withholding tax at 10% on the dividend derived from the profits of the year 2008 and thereafter of the FIEs in the PRC. In addition, tax treaties between the PRC and other countries could override the withholding tax rate on dividend if a tax treaty provides a more favourable withholding tax rate. Under the Sino-Hong Kong Double Tax Arrangement, a Hong Kong company will be liable for withholding tax at the rate of 5% for dividend income derived from the PRC if the Hong Kong company holds 25% of equity interests or more of the Chinese company directly. As the holding companies of such FIEs in the Group are Hong Kong companies, the withholding tax rate applicable is 5%.

- (iv) Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands, the Group is not subject to any income tax in the Cayman Islands and the British Virgin Islands.
- (v) No provision for Hong Kong Profits Tax has been made as the Group did not earn any income subject to Hong Kong Profits Tax during the year.

(b) Reconciliation between tax expenses and accounting profit at applicable tax rates:

	2009	2008
	RMB'000	RMB'000
Profit before income tax	4,678,502	2,405,958
Income tax calculated at the rates applicable to respective companies comprising the Group	1,169,626	601,490
Tax effect of non-taxable income	–	(1,843)
Effect of tax exemption/reduction	(563,632)	(172,470)
Effect of withholding tax at 5% on the profits of the Group's PRC subsidiaries	30,000	74,741
Others	4,940	1,022
	<u>640,934</u>	<u>502,940</u>

9 Disposal of subsidiaries

On 18 December 2009, Fine Genius Enterprises Limited (“the Seller”, a wholly-owned subsidiary of the Company) entered into a sale and purchase agreement with First Achieve Holdings Company (“the Purchaser”, third party of the Group), pursuant to which the Seller has agreed to sell and the Purchaser has agreed to purchase the entire share of Victory Faith Group Limited (“Victory Faith”, a wholly-owned subsidiary of the Seller) for a total consideration of HKD2,765,431,818 (equivalent to RMB2,434,907,000).

Victory Faith is an investment holding company which indirectly held 100% equity interest in Zhengzhou Renhe New World Investment Management Co., Ltd. (“Zhengzhou Renhe”) via a Hong Kong investment holding company, Star Legend Group Limited (“Star Legend”), a wholly owned subsidiary of Victory Faith. Upon completion of the sale in December 2009, the Purchaser acquired 100% equity interests in Victory Faith, Star Legend and Zhengzhou Renhe. Zhengzhou Renhe is engaged in development, lease and management of an underground shopping mall located in Zhengzhou, Henan province of the PRC.

The consolidated net assets of Victory Faith as at 31 December 2009 were as follows:

	2009
	RMB'000
Net assets disposed of:	
Property and equipment	3,214
Investment properties	598,287
Trade and other receivables	500,644
Cash and cash equivalent	44,926
Trade and other payables	(620,059)
Taxation	1,095
	<u>528,107</u>
Gain on disposal	1,906,800
	<u>2,434,907</u>
Satisfied by:	
Cash received	730,472
Consideration receivable	1,704,435
	<u>2,434,907</u>

Analysis of net cash inflow in respect of disposal of subsidiaries:

	2009
	RMB'000
Cash consideration received	730,472
Cash and cash equivalents disposed of	(44,926)
Net cash inflow in respect of disposal of subsidiaries	<u>685,546</u>

10 Directors' remuneration

Details of directors' remuneration are as follows:

	Directors' fees	Salaries, allowances and benefits in kind	Discretionary bonuses	Retirement scheme contributions	Sub-total	Share-based payments (Note(i))	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
2009							
<i>Chairperson</i>							
Dai Yongge.....	-	16,637	26,414	14	43,065	3,555	46,620
<i>Executive directors</i>							
Wang Hongfang	-	3,835	8,805	14	12,654	2,962	15,616
Wang Luding	-	3,305	7,044	14	10,363	2,371	12,734
Wang Chunrong	-	3,307	7,044	14	10,365	2,369	12,734
Zhang Dabin.....	-	3,834	8,805	14	12,653	2,371	15,024
<i>Non-executive directors</i>							
Hawken Xiu Li	-	211	-	-	211	-	211
Ho Gilbert Chi Hang	-	211	-	-	211	-	211
Ho James Hsiang Ming....	-	-	-	-	-	-	-
Jiang Mei.....	-	211	-	-	211	-	211
Zhang Xingmei	-	211	-	-	211	-	211
Chi Miao (appointed on 9 March 2009)	-	-	-	-	-	-	-
<i>Independent non-executive directors</i>							
Fan Ren-Da.....	-	211	-	-	211	-	211
Wang Yifu	-	211	-	-	211	-	211
Wang Shengli	-	211	-	-	211	-	211
	<u>-</u>	<u>32,395</u>	<u>58,112</u>	<u>70</u>	<u>90,577</u>	<u>13,628</u>	<u>104,205</u>

	Directors' fees	Salaries, allowances and benefits in kind	Discretionary bonuses	Retirement scheme contributions	Sub-total	Share-based payments (Note(i))	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
2008							
<i>Chairperson</i>							
Dai Yongge.....	-	2,302	8,819	6	11,127	4,889	16,016
<i>Executive directors</i>							
Wang Hongfang	-	905	2,646	8	3,559	4,074	7,633
Wang Luding	-	911	1,764	10	2,685	3,259	5,944
Wang Chunrong	-	900	1,764	9	2,673	3,259	5,932
Zhang Dabin.....	-	936	2,646	8	3,590	3,259	6,849
<i>Non-executive directors</i>							
Hawken Xiu Li	-	176	-	-	176	-	176
Ho Gilbert Chi Hang	-	176	-	-	176	-	176
Ho James Hsiang Ming....	-	-	-	-	-	-	-
Jiang Mei.....	-	176	-	-	176	-	176
Zhang Xingmei	-	236	-	-	236	-	236
<i>Independent non-executive directors</i>							
Fan Ren-Da.....	-	41	-	-	41	-	41
Wang Yifu	-	176	-	-	176	-	176
Wang Shengli	-	176	-	-	176	-	176
	-	7,111	17,639	41	24,791	18,740	43,531

Note:

- (i): These represent the estimated value of share options granted to the directors under the Company's share option scheme. The value of these share options is measured according to the Group's accounting policies for share-based payment transactions as set out in Note 2(p)(iii). Details of these benefits in kind, including the principal terms and number of options granted, are disclosed in Note 27.

11 Individuals with highest emoluments

The five highest paid individuals of the Group during the year ended 31 December 2009 and 2008 comprise five directors of the Company, whose remuneration is disclosed in note 10.

12 Profit attributable to equity shareholders of the Company

The consolidated profit attributable to equity shareholders of the Company includes a loss of RMB122,765,000 (2008: RMB70,705,000) which has been dealt with in the financial statements of the Company.

Reconciliation of the above amount to the Company's profit for the year:

	2009	2008
	(RMB'000)	(RMB'000)
Amount of consolidated profit attributable to equity shareholders dealt with in the Company's financial statements	(122,765)	(70,705)
Final dividends from subsidiaries attributable to the profits of the previous financial year, approved and paid during the year	1,524,000	257,212
Company's profit for the year (Note 25(a))	<u>1,401,235</u>	<u>186,507</u>

Details of dividends paid and payable to equity shareholders of the Company are set out in Note 25(b).

13 Other comprehensive income

	2009	2008
	(RMB'000)	(RMB'000)
Translation of financial statements of foreign operations – before tax amount and net of tax amount	<u>7,232</u>	<u>(68,480)</u>

14 Earnings per share

The calculation of basic earnings per share at 31 December 2009 was based on the profit attributable to ordinary equity shareholders of the Company of RMB4,037,568,000 (2008: RMB1,903,018,000) and a weighted average number of ordinary shares outstanding of 20,926,027,000 (2008: 17,581,967,000), calculated as follows:

Weighted average number of ordinary shares

		2009	2008
	Note	('000)	('000)
Issued ordinary shares at 1 January	25(c)	20,000,000	17,000,000
Effect of shares issuance	25(c)	<u>926,027</u>	<u>581,967</u>
Weighted average number of ordinary shares at 31 December		<u>20,926,027</u>	<u>17,581,967</u>

During the years ended 31 December 2009 and 2008, diluted earnings per share are calculated on the same basis as basic earnings per share. The share options exercised did not have dilutive effect as at 31 December 2009.

15 Property and equipment

	Construction in progress	Office equipment	Vehicles	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Cost				
At 1 January 2008.....	29,700	4,882	5,257	39,839
Additions	1,296,330	7,724	5,070	1,309,124
Transfer to investment properties	(649,431)	–	–	(649,431)
Transfer to inventories	(335,408)	–	–	(335,408)
Disposals.....	–	(20)	–	(20)
At 31 December 2008	<u>341,191</u>	<u>12,586</u>	<u>10,327</u>	<u>364,104</u>
At 1 January 2009.....	341,191	12,586	10,327	364,104
Additions	–	7,963	239,302	247,265
Change in accounting policy – transfer to investment properties	(341,191)	–	–	(341,191)
Disposals.....	–	(4,274)	(344)	(4,618)
At 31 December 2009	<u>–</u>	<u>16,275</u>	<u>249,285</u>	<u>265,560</u>
Accumulated depreciation				
At 1 January 2008.....	–	2,952	1,656	4,608
Charge for the year	–	1,134	355	1,489
Written back on disposals.....	–	(18)	–	(18)
At 31 December 2008	<u>–</u>	<u>4,068</u>	<u>2,011</u>	<u>6,079</u>
At 1 January 2009.....	–	4,068	2,011	6,079
Charge for the year	–	2,420	5,788	8,208
Written back on disposals.....	–	(1,288)	(110)	(1,398)
At 31 December 2009	<u>–</u>	<u>5,200</u>	<u>7,689</u>	<u>12,889</u>
Net book value				
At 31 December 2008	<u>341,191</u>	<u>8,518</u>	<u>8,316</u>	<u>358,025</u>
At 31 December 2009	<u>–</u>	<u>11,075</u>	<u>241,596</u>	<u>252,671</u>

16 Investment properties

	2009	2008
	RMB'000	RMB'000
Cost		
Balance at 1 January.....	1,025,619	575,579
Transfer from property and equipment	341,191	649,431
Additions	2,345,941	122,428
Transfer of operation rights.....	(893,108)	(321,715)
Disposal of subsidiaries (Note 9).....	(636,060)	(104)
Balance at 31 December	<u>2,183,583</u>	<u>1,025,619</u>
Accumulated depreciation		
Balance at 1 January.....	90,952	120,392
Charge for the year	57,086	32,275
Transfer of operation rights.....	(27,637)	(61,640)
Disposal of subsidiaries (Note 9).....	(37,774)	(75)
Balance at 31 December	<u>82,627</u>	<u>90,952</u>
Net book value	<u><u>2,100,956</u></u>	<u><u>934,667</u></u>

All of the investment properties owned by the Group are located in the PRC.

According to the Property Valuation Reports issued by CB Richard Ellis Ltd and BMI Appraisals Limited, which are independent qualified valuers in Hong Kong, on 26 April 2010 and 27 April 2009, the Group's investment properties were valued on the basis of market value. The fair value of the Group's investment properties as at 31 December 2009 and 2008 are RMB8,286,000,000 and RMB5,521,000,000, respectively.

17 Land use rights

	2009	2008
	RMB'000	RMB'000
Cost		
Balance at 1 January.....	18,241	50,328
Transfer of operation rights.....	(9,146)	(32,087)
Balance at 31 December	<u>9,095</u>	<u>18,241</u>
Accumulated amortization		
Balance at 1 January.....	1,290	1,939
Charge for the year	407	1,030
Transfer of operation rights.....	(721)	(1,679)
Balance at 31 December	<u>976</u>	<u>1,290</u>
Net book value	<u><u>8,119</u></u>	<u><u>16,951</u></u>

Land use rights represent lease prepayments for acquiring rights to use land and obtaining land use right certificates. The land is all located in the PRC, for the Group's own use properties and investment properties. According to the legal counsel, the Group is not required to pay land use right premiums and to obtain the land use right certificates for underground projects developed. Since the Group has no plan to obtain land use right certificates for the underground projects developed since 2008, no additional expenditure on land use rights incurred afterwards.

18 Investments in subsidiaries – the Company

	2009	2008
	RMB'000	RMB'000
Unlisted shares, at cost	–	–

The following list contains only the particulars of subsidiaries which principally affected the results, assets or liabilities of the Group all of which are private companies, particulars of which are set out below:

Name of subsidiary	Place and date of incorporation/ establishment	Issued/ paid-in capital	Attributable equity interest		Principal activities
			Direct	Indirect	
Fine Genius Enterprises Limited	British Virgin Islands 25 October 2007	USD1	100%	–	Investment holding
Renhe Commercial Management Limited	Hong Kong 18 December 2007	HKD1	–	100%	Investment holding
Harbin Renhe Public Facilities Co., Ltd. (“Harbin Renhe Public”)	Harbin, the PRC 11 January 1992	RMB20,000,000	–	100%	Development, lease and management of underground shopping mall
Harbin Baorong Public Facilities Co., Ltd. (“Harbin Baorong”)	Harbin, the PRC 24 October 2000	RMB60,000,000	–	100%	Development, lease and management of underground shopping mall
Harbin Renhe Century Public Facilities Co., Ltd. (“Harbin Renhe Century”)	Harbin, the PRC 7 March 2003	RMB417,718,000	–	100%	Development, lease and management of underground shopping mall
Guangzhou Renhe New World Public Facilities Co., Ltd. (“Guangzhou Renhe”)	Guangzhou, the PRC 3 August 2005	RMB335,000,000	–	100%	Development, lease and management of underground shopping mall
Shenyang New World Renhe Public Facilities Management Co., Ltd. (“Shenyang Renhe”)	Shenyang, the PRC 30 April 2008	USD49,800,000	–	100%	Development, lease and management of underground shopping mall
Tianjin Renhe New World Public Facilities Co., Ltd. (“Tianjin Renhe”)	Tianjin, the PRC 13 May 2008	HKD220,000,000	–	100%	Development, lease and management of underground shopping mall
Wuhan Renhe New World Public Facilities Management Co., Ltd. (“Wuhan Renhe”)	Wuhan, the PRC 19 May 2008	RMB500,000,000	–	100%	Development, lease and management of underground shopping mall
Nanchang Renhe New World Public Facilities Co., Ltd. (“Nanchang Renhe”)	Nanchang, the PRC 20 May 2008	RMB300,000,000	–	100%	Development, lease and management of underground shopping mall

Name of subsidiary	Place and date of incorporation/ establishment	Issued/ paid-in capital	Attributable equity interest		Principal activities
			Direct	Indirect	
Harbin New World Renhe Public Facilities Co., Ltd. ("Harbin New World")	Harbin, the PRC 18 July 2008	HKD450,000,000	–	100%	Development, lease and management of underground shopping mall
Liaoning Renhe New World Public Facilities Co., Ltd. ("Liaoning Renhe")	Shenyang, the PRC 31 July 2008	USD49,800,000	–	100%	Development, lease and management of underground shopping mall
Shenzhen Renhe New World Public Facilities Co., Ltd. ("Shenzhen Renhe")	Shenzhen, the PRC 17 April 2009	USD4,500,000	–	100%	Development, lease and management of underground shopping mall
Chengdu Renhe New World Public Facilities Co., Ltd. ("Chengdu Renhe")	Chengdu, the PRC 4 September 2009	HKD62,000,000	–	100%	Development, lease and management of underground shopping mall
Luoyang Renhe New World Public Facilities Co., Ltd. ("Luoyang Renhe")	Luoyang, the PRC 25 November 2009	USD49,800,000	–	100%	Development, lease and management of underground shopping mall
Putian Renhe New World Public Facilities Co., Ltd. ("Putian Renhe")	Putian, the PRC 26 October 2009	USD29,999,990	–	100%	Development, lease and management of underground shopping mall
Heilongjiang Renhe Spring Public Facilities Co., Ltd. ("Heilongjiang Renhe Spring")	Heilongjiang, the PRC 10 April 2009	HKD341,000,000	–	100%	Development, lease and management of underground shopping mall
Kunming Renhe New World Public Facilities Co., Ltd. ("Kunming Renhe")	Kunming, the PRC 30 September 2009	USD2,000,000	–	100%	Development, lease and management of underground shopping mall
Weifang Renhe New World Public Facilities Co., Ltd. ("Weifang New World")	Weifang, the PRC 2 September 2009	USD49,000,000	–	100%	Development, lease and management of underground shopping mall
Xi'an Renhe New World Public Facilities Co., Ltd. ("Xi'an Renhe")	Xi'an, the PRC 2 September 2009	USD2,000,000,	–	100%	Development, lease and management of underground shopping mall
Handan Renhe New World Public Facilities Co., Ltd. ("Handan Renhe")	Handan, the PRC 23 July 2009	USD49,800,000	–	100%	Development, lease and management of underground shopping mall
Shenyang Renhe First Tunnel Public Facilities Management Co., Ltd. ("Shenyang First Tunnel")	Shenyang, the PRC 26 September 2009	USD9,960,000	–	100%	Development, lease and management of underground shopping mall

Name of subsidiary	Place and date of incorporation/ establishment	Issued/ paid-in capital	Attributable equity interest		Principal activities
			Direct	Indirect	
Dalian New World Renhe Public Facilities Management Co., Ltd. ("Dalian New World")	Dalian, the PRC 14 July 2009	USD19,600,000	-	100%	Development, lease and management of underground shopping mall
Anshan Renhe First Tunnel Public Facilities Management Co., Ltd. ("Anshan Renhe")	Anshan, the PRC 25 November 2009	USD20,000,000	-	100%	Development, lease and management of underground shopping mall
Fushun Renhe First Tunnel Public Facilities Management Co., Ltd. ("Fushun Renhe")	Fushun, the PRC 12 November 2009	USD30,000,000	-	100%	Development, lease and management of underground shopping mall
Chongqing Banan Renhe New World Public Facilities Co., Ltd. ("Chongqing Banan Renhe")	Chongqing, the PRC 1 December 2009	USD30,000,000	-	100%	Development, lease and management of underground shopping mall
Chongqing Dadukou Renhe New World Public Facilities Co., Ltd. ("Chongqing Dadukou Renhe")	Chongqing, the PRC 1 December 2009	USD30,000,000	-	100%	Development, lease and management of underground shopping mall
Chongqing Renhe Investment Co., Ltd. ("Chongqing Investment")	Chongqing, the PRC 16 December 2009	USD70,000,000	-	100%	Development, lease and management of underground shopping mall

19 Inventories

The Group constructs underground shopping malls and transfers the operating rights of certain units of the underground shopping malls to buyers. Inventories balance represents the cost of the units of the underground shopping malls of which the operating rights will be transferred to buyers subsequently.

20 Trade and other receivables

	The Group		The Company	
	2009	2008	2009	2008
	RMB'000	RMB'000	RMB'000	RMB'000
Trade receivables (Note (ii))	2,499,423	1,834,008	-	-
Deposits for construction	280,000	200,000	-	-
Receivable from disposal of subsidiaries (Note 9)	1,704,435	-	-	-
Amounts due from subsidiaries (Note (v)) ..	-	-	6,423,784	3,289,466
Bank deposits (Note 21 (i))	367,761	100,437	-	-
Others	595,573	25,014	292,792	-
	5,447,192	2,159,459	6,716,576	3,289,466
Less: allowance for doubtful debts	6,370	6,370	-	-
	<u>5,440,822</u>	<u>2,153,089</u>	<u>6,716,576</u>	<u>3,289,466</u>

The balance of trade and other receivables are expected to be settled or recovered within one year.

(i) Trade receivables arose from the transfer of operation rights

The Group normally requested a 30% cash payment upon the purchase from buyers and the remaining 70%, in most cases, would be settled by loans obtained by buyers from commercial banks. As at 31 December 2009, the Group is in the process of arranging loans with banks for the buyers of certain newly developed underground shopping malls.

(ii) Ageing analysis

Included in trade and other receivables are trade receivables with the following ageing analysis as of the balance sheet date:

	2009	2008
	RMB'000	RMB'000
Current	1,885,104	1,834,008
Less than 6 months past due	570,000	–
More than 6 months past due.....	44,319	–
Amounts past due	614,319	–
	<u>2,499,423</u>	<u>1,834,008</u>

(iii) Impairment of trade receivables

Impairment losses in respect of trade receivables are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade receivables directly (Note 2(m)(i)).

(iv) Trade receivables that are not impaired

All of the trade receivables are neither individually nor collectively considered to be impaired. Receivables that were past due but not impaired relate to a number of independent buyers of operation rights. Based on the assessment of these buyers' credit quality, management believes that no impairment allowance is necessary in respect of the balances.

For details of the Group's credit policy and analysis on credit risk, please refer to Note 31(a).

(v) Amounts due from subsidiaries

Amounts due from subsidiaries are unsecured, interest free and have no fixed repayment term.

21 Other assets

	2009	2008
	RMB'000	RMB'000
Bank deposits (i)	90,359	28,617
Prepayments for construction	687,680	489,234
	<u>778,039</u>	<u>517,851</u>

(i) Bank deposits represent deposits for guarantees for loans:

	2009	2008
	RMB'000	RMB'000
Repayable within one year (Note 20)	367,761	100,437
Repayable after more than one year	90,359	28,617
	<u>458,120</u>	<u>129,054</u>

The Group's subsidiaries in PRC have entered into agreements with certain banks with respect to loans provided to buyers of the operation rights and the Group makes deposits as security for repayment of the loans under these agreements. The deposits will be released accordingly along with the repayment of loan principal by the buyers.

22 Cash at bank and on hand

	The Group		The Company	
	2009	2008	2009	2008
	RMB'000	RMB'000	RMB'000	RMB'000
Cash on hand	2,479	928	21	20
Cash at bank.....	4,901,947	3,232,650	561,260	905,117
	<u>4,904,426</u>	<u>3,233,578</u>	<u>561,281</u>	<u>905,137</u>
Representing:				
– Cash and cash equivalents.....	4,656,144	3,233,578	561,281	905,137
– Time deposits with original maturity over three months.....	248,282	–	–	–
	<u>4,904,426</u>	<u>3,233,578</u>	<u>561,281</u>	<u>905,137</u>

23 Trade and other payables

	Note	The Group		The Company	
		2009	2008	2009	2008
		RMB'000	RMB'000	RMB'000	RMB'000
Receipts in advance	(i)	167,600	124,715	–	–
Construction payables.....	(ii)	354,523	129,496	–	–
Other taxes payable	(iii)	126,316	134,230	–	–
Deposits	(iv)	325,358	67,815	–	–
Salary and welfare expenses payable		76,519	33,645	60,507	18,252
Professional service fee payables ...		7,104	17,885	5,795	15,157
Amounts due to related parties.....		–	–	–	500
Others.....		69,217	23,508	–	–
		<u>1,126,637</u>	<u>531,294</u>	<u>66,302</u>	<u>33,909</u>

(i) As at 31 December 2009, the amount of receipts in advance expected to be recognised as income after more than one year is RMB32,877,000 (2008: RMB29,094,000).

(ii) The aging analysis of construction payables at each balance sheet date is as follows:

	The Group	
	2009	2008
	RMB'000	RMB'000
Due within one year	350,270	123,625
Overdue	4,253	5,871
	<u>354,523</u>	<u>129,496</u>

(iii) Other taxes payable mainly represents the payables of business tax, which is 5% of gross revenue.

(iv) These mainly represent rental deposits paid by tenants for the privilege to renew the operating lease contracts upon expiry and to sign new operating lease contracts for the units of the Group's underground shopping malls to be opened in the future and deposits collected from customers to secure the execution of the lease agreements.

24 Income tax in the consolidated balance sheet

(a) Current taxation in the consolidated balance sheet represents:

	2009	2008
	RMB'000	RMB'000
PRC Enterprise Income Tax payable		
At the beginning of the year.....	371,789	13,443
Provision for the year (Note 8(a)).....	685,675	428,199
Tax paid	(674,332)	(69,853)
	<u>383,132</u>	<u>371,789</u>

(b) Deferred tax liabilities recognised

The deferred tax liabilities recognised in the consolidated balance sheet as at 31 December 2009 relate to the withholding tax as described in Note 8(a)(iii) at the rate of 5% on the profits of the Group's PRC subsidiaries for the year ended 31 December 2009, which are to be distributed in the foreseeable future.

(c) Deferred tax assets not recognised

There are no significant deductible temporary differences, which require to recognise deferred tax assets for both 2009 and 2008.

(d) Deferred tax liabilities not recognised

As at 31 December 2009, temporary differences relating to the undistributed profits of the Group's PRC subsidiaries amounted to RMB1,599,197,000 (2008: RMB373,702,000). Deferred tax liabilities of RMB79,959,850 (2008: RMB18,685,000) have not been recognised in respect of the tax that would be payable on the distribution of these retained profits as the Company controls the dividend policy of these subsidiaries and it has been determined that it is probable that profits will not be distributed in the foreseeable future.

25 Capital and reserves

(a) Movements in components of equity

The reconciliation between the opening and closing balances of each components of the Group's consolidated equity is set out in the consolidated statement of changes in equity. Details of the changes in the Company's individual components of equity between the beginning and the end of the year are set out below:

	Note	Share capital RMB'000	Share premium RMB'000	Capital surplus RMB'000	Exchange reserve RMB'000	Retained earnings RMB'000	Total RMB'000
Balance at 1 January 2008		17	1,416,665	-	(6,685)	247	1,410,244
Changes in equity for 2008:							
Issued of new shares, net of issuing expenses		176,236	2,673,677	-	-	-	2,849,913
Dividends to equity shareholders.....	25(b)	-	-	-	-	(257,212)	(257,212)
Equity settled share-based transactions ..	27	-	-	44,816	-	-	44,816
Total comprehensive income for the year		-	-	-	(73,574)	186,507	112,933
Balance as at 31 December 2008 and 1 January 2009		176,253	4,090,342	44,816	(80,259)	(70,458)	4,160,694
Changes in equity for 2009:							
Issued of new shares, net of issuing expenses		17,631	3,131,843	-	-	-	3,149,474
Dividends to equity shareholders.....	25(b)	-	-	-	-	(1,524,000)	(1,524,000)
Equity settled share-based transactions ..	27	-	-	32,586	-	-	32,586
Total comprehensive income for the year		-	-	-	(8,434)	1,401,235	1,392,801
Balance as at 31 December 2009		193,884	7,222,185	77,402	(88,693)	(193,223)	7,211,555

(b) Dividends

(i) Dividends payable to equity shareholders of the Company attributable to the year

	2009 RMB'000	2008 RMB'000
Final dividend proposed after the balance sheet date of RMB9.18 cents per ordinary share (2008: RMB7.62 cents per ordinary share).....	2,019,600	1,524,000
	<u>2,019,600</u>	<u>1,524,000</u>

The final dividend proposed after the balance sheet date has not been recognised as a liability at the balance sheet date.

(ii) Dividends payable to equity shareholders of the Company attributable to the previous financial year, approved and paid during the year

	2009	2008
	RMB'000	RMB'000
Final dividend in respect of the previous financial year, approved and paid during the year, of RMB7.62 cents per share	1,524,000	257,212

(c) Share capital

	Note	2009		2008	
		Number of shares	RMB'000	Number of shares	RMB'000
		('000)		('000)	
Authorised:					
Ordinary shares of HKD0.01 each.....		40,000,000		40,000,000	
Issued and fully paid:					
At 1 January.....		20,000,000	176,253	1,843	17
Capitalisation issue	(i)	–	–	16,998,157	149,798
Shares issued under the Global Offering.....	(ii)	–	–	3,000,000	26,438
Share issuance	(iii)	2,000,000	17,631	–	–
At 31 December		22,000,000	193,884	20,000,000	176,253

(i) Capitalisation issue

Pursuant to the resolutions of the Company's shareholders passed on 25 August 2008, the Company's directors are authorised to allot and issue a total of 16,998,157,000 shares credited as fully paid at par to the holders of shares on the register of members of the Company at the close of business on 25 August 2008 (or as they may direct) in proportion to their respective shareholdings (save that no shareholders shall be entitled to be allotted or issued any fraction of a share).

(ii) Share issued under the Global Offering

In October 2008, the Company issued an aggregate of 3,000,000,000 ordinary shares of par value HKD0.01 each at an offer price of HKD1.13 per share, to the public in Hong Kong and other selected institutional and professional investors. The Company raised approximately HKD3,390,000,000 (equivalent to RMB2,987,471,000) in total from the share offer.

(iii) Subscription of new shares

On 16 July 2009, the Company and Super Brilliant Investments Limited ("Super Brilliant"), the controlling shareholder of the Company, entered into an agreement. Pursuant to the agreement, Super Brilliant subscribed 2,000,000,000 ordinary shares of par value HKD0.01 each at the placing price of HK1.86 per share.

The Company raised approximately HKD3,720,000,000 (equivalent to RMB3,279,329,000) in total from the subscription.

(iv) *Terms of unexpired and unexercised share options at balance sheet date*

Exercise period	Exercise price	2009	2008
		Number	Number
		'000	'000
23 April 2009 to 31 December 2013	HKD1.34	92,718	467,500
23 April 2010 to 31 December 2013	HKD1.34	280,500	280,500
23 April 2011 to 31 December 2013	HKD1.34	187,000	187,000
		<u>560,218</u>	<u>935,000</u>

Each option entitles the holder to subscribe for one ordinary share in the Company. Further details of these options are set out in Note 27 to the financial statements.

(d) Nature and purpose of reserves

(i) *Share premium*

The application of the share premium account is governed by the Companies Law of Cayman Islands. Under the Companies Law, the funds in the share premium account of the Company are distributable to the shareholders of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as they fall due in the ordinary course of the business.

(ii) *Capital surplus*

Capital surplus mainly represents the book value of assets injected by the investors of Harbin Baorong and Harbin Renhe Century in excess of their share of the registered capital, and the fair value of the estimated number of unexercised share options granted to employees of the Company (Note 27) recognised in accordance with the accounting policy adopted for share-based payments in Note 2(p)(iii).

(iii) *Reserve fund*

Pursuant to the Articles of Association of the PRC subsidiaries comprising the Group, appropriations to the general reserve fund were made at a certain percentage of profit after tax determined in accordance with the accounting rules and regulations of the PRC. The percentage for this appropriation was decided by the directors of the subsidiaries. From 1 January 2008, the Group's PRC subsidiaries are required to transfer 10% of their profit after tax to statutory reserve fund in accordance with the relevant PRC regulations since these subsidiaries became wholly foreign owned enterprises by then. The transfer could no longer be recognised when the accumulated statutory reserve fund reaches 50% of the registered capital. This reserve fund can be utilised in setting off accumulated losses or increasing capital of the subsidiaries and is non-distributable other than in liquidation.

(iv) *Exchange reserve*

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations.

(v) *Merger reserves*

The merger reserves represent the aggregate amount of paid-in capital of the PRC subsidiaries now comprising the Group after elimination of investments in these subsidiaries.

(e) Distributability of reserves

For dividend purposes, the amount which the PRC subsidiaries can legally distribute by way of a dividend is by reference to the profits as reflected in their PRC statutory financial statements prepared in accordance with the accounting rules and regulations of the PRC. These profits differ from those reflected in this report, which are determined in accordance with IFRSs.

As at 31 December 2009, in addition to the share premium as described in Note 25(d)(i), the accumulated amount of reserves was a loss of RMB281,916,000 (2008: RMB150,717,000).

(f) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can fund its development, lease and management of underground shopping malls, and continue to provide returns for shareholders, by pricing rental and operation rights commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

The Group monitors its capital structure on the basis of a gearing ratio, being the total of bank and interest bearing borrowings divided by the total assets. As at 31 December 2009 and 2008, the gearing ratio of the Group was Nil.

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

26 Employee benefit plan

(a) Defined contribution retirement benefit schemes

Pursuant to the relevant labour rules and regulations in the PRC, the Group participates in defined contribution retirement benefit schemes (the "Schemes") organised by the relevant local government authorities in the cities the PRC subsidiaries operate. The Group is required to make contributions to the Schemes at the rate ranges from 12% to 22% of the eligible employee's salaries. The local government authorities are responsible for the entire pension obligations payable to retired employees.

The Group has no other obligation for the payment of pension benefits associated with the Schemes and other post-retirement benefits beyond the annual contributions described above.

The Group also operates a Mandatory Provident Fund Scheme ("the MPF scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance and not previously covered by the defined benefit retirement plan. The MPF scheme is a defined contribution retirement plan administered by independent trustees. Under the MPF scheme, the employer and its employees are each required to make contributions to the plan at 5% of the employees' relevant income, subject to a cap of monthly relevant income of HKD20,000. Contributions to the plan vest immediately.

27 Equity settled share-based transactions

Wealthy Aim Holdings Limited, which is wholly-owned by the Company's immediate holding company, Super Brilliant adopted a share option scheme on 15 April 2008 whereby Wealthy Aim Holdings Limited invited employees of the Group, to take up options at HKD1 consideration to acquire shares of the Company from Wealthy Aim Holdings Limited. Each option gives the holder the right to acquire ordinary shares in the Company.

(a) The terms and conditions of the grants that existed during the year are as follows, whereby all options are settled by physical delivery of shares:

	Number of instruments	Vesting conditions	Contractual life of options
	'000		
Options granted to directors on:			
– 15 April 2008.....	195,500	15 April 2008 to 22 April 2009	15 April 2008 to 31 December 2013
– 15 April 2008.....	117,300	15 April 2008 to 22 April 2010	15 April 2008 to 31 December 2013
– 15 April 2008.....	78,200	15 April 2008 to 22 April 2011	15 April 2008 to 31 December 2013
Options granted to employees on:			
– 15 April 2008.....	272,000	15 April 2008 to 22 April 2009	15 April 2008 to 31 December 2013
– 15 April 2008.....	163,200	15 April 2008 to 22 April 2010	15 April 2008 to 31 December 2013
– 15 April 2008.....	108,800	15 April 2008 to 22 April 2011	15 April 2008 to 31 December 2013
	935,000		

(b) The number and weighted average exercise price of share options are as follows:

	Weighted average exercise price	Number of options
	HKD	'000
Outstanding at 1 January 2009.....	1.34	935,000
Exercised during the year.....	1.34	374,782
Outstanding at 31 December 2009.....	1.34	560,218
Exercisable at 31 December 2009.....	1.34	92,718

The weighted average share price at the date of exercise for share options exercised in 2009 was HKD1.34 (2008: no options exercised).

The options outstanding at 31 December 2009 had an exercise price of HKD1.34 and a weighted average remaining contractual life of 48 months (2008: 60 months).

(c) Fair value of share options and assumptions

The fair value of services received in return for share options granted is measured by reference to the fair value of share options granted. The estimate of the fair value of the share options granted is measured based on a Black-Scholes Model. The contractual life of the share options is used as an input into this model. Expectations of early exercise are incorporated into the Black-Scholes Model.

	2008
Fair value at measurement date.....	RMB0.095
Share price	RMB0.577
Exercise price	HKD1.340
Expected volatility (expressed as weighted average volatility used in the modelling under Black-Scholes Model).....	43.40%
Option life (expressed as weighted average life used in the modelling under Black-Scholes Model)	3.68 years
Expected dividends	0.69%
Risk-free interest rate (based on Exchange Fund Notes).....	1.788%

The expected volatility is based on the historic volatility of the share price over the most recent period, adjusted for any expected changes to future volatility based on publicly available information. Expected dividends are based on the dividends policies of the Company.

Share options were granted under a service condition. This condition has not been taken into account in the grant date fair value measurement for the services received. There were no market conditions associated with the share option grants.

28 Contingencies

(a) Guarantees

The Group has provided guarantees and made deposits to bank to assist the buyers of operation rights to obtain bank loans (Note 21(i)). The outstanding guarantees as at 31 December 2009 amounted to RMB980,236,000 (2008: RMB294,240,000). The guarantees and deposit will be released accordingly along with the repayment of loan principal by the buyers.

29 Operating lease

(a) Leases as lessor

The Group leases out its investment properties under operating leases. The future minimum lease payments under non-cancellable leases are as follows:

	2009	2008
	RMB'000	RMB'000
Less than one year.....	123,364	125,544
Between one and five years	29,422	78,167
More than five years.....	2,496	2,154
	<u>155,282</u>	<u>205,865</u>

(b) Leases as lessee

Non-cancellable operating lease rentals are payable as follows:

	2009	2008
	RMB'000	RMB'000
Less than one year.....	15,874	11,528
Between one and five years	78,454	16,909
More than five years.....	1,950	900
	<u>96,278</u>	<u>29,337</u>

30 Capital commitments

As at 31 December 2009 and 2008, the Group has the following commitments in respect of the construction of underground shopping mall not provided for in the financial statements:

	2009	2008
	RMB'000	RMB'000
Contracted for.....	1,096,289	317,140
Authorised but not contracted for.....	1,248,794	139,329
	<u>2,345,083</u>	<u>456,469</u>

31 Financial risk management and fair values

Exposure to credit, liquidity, interest rate and currency risks arises in the normal course of the Group's business. The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

(a) Credit risk

Cash is deposited with financial institutions with acceptable credit quality. Except for cash of the Group's PRC subsidiaries deposited in the PRC banks, cash in the Group's subsidiaries outside PRC was deposited in The Hongkong and Shanghai Banking Corporation Limited, Bank of China (Hong Kong) limited and China Merchants Bank. Management does not expect any of these financial institutions will fail to meet their obligations.

The Group's credit risk is primarily attributable to trade and other receivables. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

Credit evaluations are performed on all customers requiring credit over a certain amount. Given the Group requests the tenants to pay rental and other service fees in advance, the credit risks of rental and service fee receivables are considered low. In respect of the balances of trade receivables due from the buyers of the operation rights, the Group normally arranges bank financing for buyers up to 70% of the total purchase price and provides guarantee to secure repayment obligations of the buyers. For details of the guarantee, please refer to Note 28 (a).

As at 23 April 2010, RMB590,000,000 of trade receivables have been collected and the directors of the Company are of the opinion that the remaining balance of trade receivables is collectible once the loans are obtained from banks and no impairment is considered necessary.

If a buyer fails to repay the bank loans, the bank may demand the Group to repay the outstanding amount of the loans and any unpaid interests thereon. Under such circumstances, the Group is entitled to indemnification from the buyers which includes to transfer the operation rights to other buyers to recover any amounts paid by the Group to the bank but there can be no assurance that the price of the transfer of operation rights can be equal to or greater than the amount of loan principals and interests requested by the bank.

(b) Liquidity risk

The Group manages cash including the short term investment of cash surpluses and the raising of loans to cover expected cash demands on a group basis. The Group’s policy is to regularly monitor its liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and readily realisable marketable securities and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

The following table details the remaining contractual maturities at the balance sheet date of the Group’s and the Company’s financial liabilities which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the balance sheet date) and the earliest date the Group and the Company can be required to pay:

	2009					2008						
	Contractual undiscounted cash outflow					Contractual undiscounted cash outflow						
	Balance sheet carrying amount	Within 1 year or on demand	More than 1 year	More than 2 years	More than 5 years	Total	Balance sheet carrying amount	Within 1 year or on demand	More than 1 year	More than 2 years	More than 5 years	Total
			but less than 2 years	but less than 5 years					but less than 2 years	but less than 5 years		
RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
The Group												
Trade and other payables, excluding receipt in advance	959,037	(959,037)	-	-	-	(959,037)	406,579	(406,579)	-	-	-	(406,579)
Long term other payables.....	-	-	-	-	-	-	1,668	-	(1,668)	-	-	(1,668)
	<u>959,037</u>	<u>(959,037)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(959,037)</u>	<u>408,247</u>	<u>(406,579)</u>	<u>(1,668)</u>	<u>-</u>	<u>-</u>	<u>(408,247)</u>
The Company												
Trade and other payables	<u>66,302</u>	<u>(66,302)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(66,302)</u>	<u>33,909</u>	<u>(33,909)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(33,909)</u>

(c) Interest rate risk

As at 31 December 2009, it is estimated that a general increase/decrease of 100 basis point in bank deposit interest rates, with all other variable held constant, would increase/decrease the Group’s profit after tax and retained earnings by approximately RMB40,462,000 (31 December 2008: RMB30,066,000).

Given the current turbulent market, the estimated increase/decrease in interest rates are based on the Group’s best estimate considering the historical information and the forecast of the future economic situation. The actual interest rate fluctuation may be different from the Group’s estimate.

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the balance sheet date and had been applied to the exposure to interest rate risk for non-derivative financial instruments in existence at that date. The 100 basis point increase or decrease represents management’s assessment of a reasonable possible change in respective interest rates over the period until the next annual balance sheet date.

(d) Foreign currency risk

RMB is not freely convertible into foreign currencies. All foreign exchange transactions involving RMB must take place through the People’s Bank of China (“PBOC”) or other institutions authorised to buy and sell foreign exchange. The exchange rate adopted for the foreign exchange transactions are the rates of exchange quoted by the PBOC that would be subject to a managed float against an unspecified basket of currencies.

Foreign currency payments, including the remittance of earnings outside the PRC, are subject to the availability of foreign currency (which depends on the foreign currency denominated earnings of the Group) or must be arranged through the PBOC with government approval.

All the Group's cash and bank balances in RMB were placed with banks in the PRC. RMB is not a freely convertible currency and the remittance of funds out of the PRC is subject to the exchange restriction imposed by the PRC government.

All the revenue-generating operations of the Group are transacted in RMB. The Group is exposed to foreign currency risk on financing transactions denominated in currencies other than the functional currency of the PRC subsidiaries (RMB) and the overseas group entities (HKD). Depreciation or appreciation of the RMB and HKD against foreign currencies can affect the Group's results. The Group did not hedge its foreign currency exposure.

The following table details the Group's and the Company's recognised assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate.

	Exposure foreign currencies (expressed in Renminbi)			
	2009		2008	
	United State Dollars	Hong Kong Dollars	United State Dollars	Hong Kong Dollars
	RMB'000	RMB'000	RMB'000	RMB'000
The Group				
Cash at bank and on hand	2,226,288	375,251	373,675	242,122

	Exposure foreign currencies (expressed in Renminbi)	
	2009	2008
	United State Dollars	United State Dollars
	RMB'000	RMB'000
The Company		
Cash at bank and on hand	711	41

The following table indicates the approximate change in the Group's profit after tax in response to reasonably possible changes in the foreign exchange rates to which the Group has significant exposure at the balance sheet date. This analysis assumes that all other variables, in particular interest rates, remain constant.

	2009		2008	
	Increase/ (decrease) in foreign exchange rates	Increase/ (decrease) in profit after tax	Increase/ (decrease) in foreign exchange rates	Increase/ (decrease) in profit after tax
		(RMB'000)		(RMB'000)
HKD	0.4%	(7,032)	0.4%	(1,495)
	(0.4)%	7,032	(0.4)%	1,495
RMB	5%	(98,189)	5%	(23,396)
	(5)%	98,189	(5)%	23,396

Given the current turbulent market, the reasonably possible changes estimated by the Group are based on the Group's best estimate considering the historical information and the forecast of the future economic situation. Actual changes in foreign exchange rates may be different from the Group's estimate.

(e) Fair value

The Group has no financial instruments carried at fair value. The carrying amount of the Group's and the Company's financial instruments carried at cost or amortized cost are not materially different from their fair values as at 31 December 2009 and 2008. The fair value is estimated as the present value of future cash flows, discounted at current market interest rates for similar financial instruments.

32 Material related party transactions and balances

(a) Key management personnel remuneration

Remuneration for key management personnel of the Group, including amounts paid to the Company's directors as disclosed in Note 10 and certain of the highest paid employees as disclosed in Note 11, is as follows:

	2009	2008
	RMB'000	RMB'000
Salaries and other emoluments	100,494	31,342
Retirement plan contributions	208	105
Equity settled share-based payment.....	16,233	22,326
	<u>116,935</u>	<u>53,773</u>

(b) Material related party transactions

	2009	2008
	RMB'000	RMB'000
Advances to related parties		
– Directors	–	5
– Harbin Renhe Group Co. Ltd. (Note (i))	–	10
– Other related parties	–	417
Repayments from related parties		
– Directors	–	5
– Harbin Renhe Group Co. Ltd. (Note (i))	–	110,149
– Other related parties	–	6,434
Advances from related parties		
– Directors	–	89
– Harbin Renhe Group Co. Ltd. (Note (i))	–	777
– Other related parties	–	948
Repayments to related parties		
– Directors	–	14,249
– Harbin Renhe Group Co. Ltd. (Note (i))	–	23,724
– Other related parties	–	11,631
Operating lease to		
– Directors	17	19
– Other related parties	280	397
Operating lease from		
– Other related parties	800	1,609

(i) Harbin Renhe Group Co., Ltd. is a company controlled by Mr. Dai Yongge, the Company's director.

33 Possible impact of amendments, new standards and interpretations issued but not yet adopted

Up to the date of issue of these financial statements, the IASB has issued a number of new standards, amendments to and interpretations of IFRSs which are not yet effective for the year ended 31 December 2009 and which have not been adopted in these financial statements.

	Effective for accounting periods beginning on or after
Revised IFRS 3, Business combinations	1 July 2009
Amended IAS 27, Consolidated and separate financial statements.....	1 July 2009
Amendment to IAS 39, Financial instruments recognition and measurement – Eligible hedged items	1 July 2009
IFRIC 17, Distributions of non-cash assets to owners	1 July 2009
Improvements to IFRSs 2009.....	1 July 2009 or 1 January 2010
Amendments to IFRS 2, Share-based payment – Group cash settled share- based payment transactions	1 January 2010
Amendment to IAS 32, Financial instruments: Presentation – Classification of rights issues	1 February 2010
IFRIC 19, Extinguishing financial liabilities with equity instruments.....	1 July 2010
Revised IAS 24, Related party disclosures	1 January 2011
Amendments to IFRIC 14, IAS 19-Prepayment of a minimum funding requirement.....	1 January 2011
IFRS 9, Financial instruments	1 January 2013

The Group is in the process of making an assessment of what the impact of these amendments, new standards and interpretations is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the Group's results of operations and financial position.

34 Ultimate holding company

The directors of the Company consider the ultimate holding company of the Company as at 31 December 2009 to be Shining Hill Investments Limited, which is incorporated in British Virgin Islands.

35 Accounting estimates and judgements

The Group's financial condition and results of operations are sensitive to accounting methods, assumptions and estimates that underlie the preparation of the financial statements. The Group bases the assumptions and estimates on historical experience and on various other assumptions that the Group believes to be reasonable and which form the basis for making judgements about matters that are not readily apparent from other sources. On an on-going basis, management evaluates its estimates. Actual results may differ from those estimates as facts, circumstances and conditions change.

The selection of critical accounting policies, the judgements and other uncertainties affecting application of those policies and the sensitivity of reported results to changes in conditions and assumptions are factors to be considered when reviewing the financial statements. The significant accounting policies are set forth in Note 2. The Group believes the following critical accounting policies involve the most significant judgements and estimates used in the preparation of the financial statements.

(a) Impairment losses for bad and doubtful debts

The Group estimates impairment losses for bad and doubtful debts resulting from the inability of the customers and other debtors to make the required payments. The Group bases the estimates on the aging of the receivable balance, debtors creditworthiness, and historical write-off experience. If the financial condition of the customers and debtors were to deteriorate, actual write-offs would be higher than estimated.

(b) Impairment losses of non-current assets

If circumstances indicate that the net book value of a non-current asset may not be recoverable, the asset may be considered "impaired", and an impairment loss may be recognised in accordance with IAS 36 "Impairment of Assets". The carrying amounts of non-current assets are reviewed periodically in order to assess whether the recoverable amounts have declined below the carrying amounts. These assets are tested for impairment whenever events or changes in circumstances indicate that their recorded carrying amounts may not be recoverable. When such a decline has occurred, the carrying amount is reduced to recoverable amount. The recoverable amount is the greater of its fair value less costs to sell and the value in use. It is difficult to precisely estimate selling price because quoted market prices for the Group's assets are not readily available. In determining the value in use, expected cash flows generated by the asset are discounted to their present value, which requires significant judgement relating to level of sales volume, selling price and amount of operating costs. The Group uses all readily available information in determining an amount that is a reasonable approximation of recoverable amount, including estimates based on reasonable and supportable assumptions and projections of sale volume, selling price and amount of operating costs.

(c) Depreciation

Property and equipment and investment properties are depreciated on a straight-line basis over the estimated useful lives, after taking into account the estimated residual value. The Group reviews the estimated useful lives of the assets regularly in order to determine the amount of depreciation expense to be recorded during any reporting period. The useful lives are based on the Group's historical experience with similar assets and taking into account anticipated technological changes. The depreciation expense for future periods is adjusted if there are significant changes from previous estimates.

(d) Taxes

The Group files income taxes and other taxes in numerous tax authorities. Judgement is required in determining the provision for taxation. There are many transactions and calculation for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts originally recorded, the differences will impact on the current income tax and other tax expenses, deferred income tax and taxes provisions in the periods in which the differences arise.

36 Subsequent events

- (i) On 8 February 2010, the board of directors of the Company approved a share option scheme (the "Scheme") to certain directors and employees of the Company and its subsidiaries. Under the Scheme, grantees may subscribe for, in aggregate, up to 1,100,000,000 ordinary shares of HKD0.01 each of the Company.
- (ii) In April 2010, the Group acquired the operation rights to an underground mall with a total GFA of approximately 40,100 sq.m. in Chengdu, Sichuan Province at a consideration of RMB289 million.

37 Comparative figures

As a result of the application of IFRS 1 (revised 2007), Presentation of financial statements, and IFRS 8, Operating segments, certain comparative figures have been adjusted to conform to current year's presentation and to provide comparative amounts in respect of items disclosed for the first time in 2009. Further details of these developments are disclosed in Note 3.

Independent Auditor's Report to the Shareholders of Renhe Commercial Holdings Company Limited

We have audited the consolidated financial statements of Renhe Commercial Holdings Company Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") set out on pages F-45 to F-83, which comprise the consolidated and company balance sheets as at 31 December 2008, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the financial statements

The directors of the Company are responsible for the preparation and the true and fair presentation of these financial statements in accordance with International Financial Reporting Standards ("IFRSs") promulgated by the International Accounting Standards Board ("IASB") and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. This report is made solely to you, as a body, in accordance with section 141 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and true and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2008 and of the Group's profit and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

KPMG

Certified Public Accountants
8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

27 April 2009

Consolidated Income Statement
For the year ended 31 December 2008
(Expressed in Renminbi)

		<u>2008</u>	<u>2007</u>
	Note	RMB'000	RMB'000
Revenue	4	3,050,281	366,495
Cost of sales	5	(530,196)	(81,138)
Gross profit		<u>2,520,085</u>	<u>285,357</u>
Other operating income	6	61,827	54,237
Administrative expenses		(108,888)	(12,892)
Other operating expenses		(73,578)	(34,032)
Profit from operations		<u>2,399,446</u>	<u>292,670</u>
Finance income		19,046	3,131
Finance expenses		(12,534)	(17,835)
Net finance income/(expense)	7(b)	<u>6,512</u>	<u>(14,704)</u>
Profit before income tax	7	<u>2,405,958</u>	<u>277,966</u>
Income tax	8	(502,940)	(11,291)
Profit for the year		<u>1,903,018</u>	<u>266,675</u>
Attributable to equity shareholders of the Company		<u>1,903,018</u>	<u>266,675</u>
Dividends payable to equity shareholders of the Company attributable to the year:			
Final dividend proposed after the balance sheet date	12	<u>1,524,000</u>	<u>257,212</u>
Basic and diluted earnings per share (RMB cents)	13	<u>10.82</u>	<u>1.57</u>

The notes on pages F-50 to F-83 form part of these financial statements.

Consolidated Balance Sheet
At 31 December 2008
(Expressed in Renminbi)

		<u>2008</u>	<u>2007</u>
	Note	RMB'000	RMB'000
Non-current assets			
Property and equipment	14	358,025	35,231
Investment properties	15	934,667	455,187
Land use rights	16	16,951	48,389
Bank deposits	20	28,617	156,487
Total non-current assets		<u>1,338,260</u>	<u>695,294</u>
Current assets			
Inventories	18	129,000	–
Trade and other receivables	19	2,541,886	396,979
Bank deposits	20	100,437	50,218
Cash and cash equivalents	21	3,233,578	1,517,447
Total current assets		<u>6,004,901</u>	<u>1,964,644</u>
Current liabilities			
Bank loans	22	–	19,184
Trade and other payables	23	531,294	723,684
Taxation	24(a)	371,789	13,443
Total current liabilities		<u>903,083</u>	<u>756,311</u>
Net current assets		<u>5,101,818</u>	<u>1,208,333</u>
Total assets less current liabilities		<u>6,440,078</u>	<u>1,903,627</u>
Non-current liabilities			
Deposits	23(iv)	1,668	12,013
Deferred tax liabilities	24(b)	74,741	–
Total non-current liabilities		<u>76,409</u>	<u>12,013</u>
Net assets		<u>6,363,669</u>	<u>1,891,614</u>
Capital and reserves			
Share capital	25(a)	26,455	17
Reserves		6,337,214	1,891,597
Total equity attributable to the equity shareholders of the Company		<u>6,363,669</u>	<u>1,891,614</u>

Approved and authorised for issue by the board of directors on 27 April 2009.

DAI Yongge) Director
WANG Chunrong) Director

The notes on pages F-50 to F-83 form part of these financial statements.

Balance Sheet
At 31 December 2008
(Expressed in Renminbi)

		2008	2007
	Note	RMB'000	RMB'000
Non-current assets			
Investments in subsidiaries	17	–	–
Total non-current assets		–	–
Current assets			
Amounts due from subsidiaries		3,289,466	16
Cash and cash equivalents	21	905,137	1,423,563
Total current assets		4,194,603	1,423,579
Current liabilities			
Trade and other payables	23	33,909	13,335
Total current liabilities		33,909	13,335
Net current assets		4,160,694	1,410,244
Total assets less current liabilities		4,160,694	1,410,244
Net assets		4,160,694	1,410,244
Capital and reserves			
Share capital	25(a)	26,455	17
Reserves		4,134,239	1,410,227
Total equity		4,160,694	1,410,244

Approved and authorised for issue by the board of directors on 27 April 2009.

DAI Yongge) Director
WANG Chunrong) Director

The notes on pages F-50 to F-83 form part of these financial statements.

Consolidated Statement of Changes in Equity
For the year ended 31 December 2008
(Expressed in Renminbi)

	Note	Reserves							Total RMB'000
		Share capital	Share premium	Capital surplus	Reserve fund	Exchange reserve	Merger reserves	Retained earnings	
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
		25(a)	25(b)(i)	25(b)(ii)	25(b)(iii)	25(b)(iv)	25(b)(v)		
At 1 January 2007		135,000	-	37,320	20,271	-	-	28,847	221,238
Capital injection	25(a)	7,704	-	-	-	-	-	-	7,704
Profit for the year		-	-	-	-	-	-	266,675	266,675
Transfer to reserve fund	25(b)(iii)	-	-	-	24,645	-	-	(24,645)	-
Paid-in capital of the subsidiaries after elimination of investments in these subsidiaries.....		(142,704)	-	-	-	-	128,704	-	(14,000)
Issue of shares	25(a)	17	1,416,665	-	-	-	-	-	1,416,682
Exchange difference on translation of financial statements of foreign operations.....		-	-	-	-	(6,685)	-	-	(6,685)
At 31 December 2007		17	1,416,665	37,320	44,716	(6,685)	128,704	270,877	1,891,614
Issued of new shares, net of issuing expenses	25(a)	26,438	2,823,475	-	-	-	-	-	2,849,913
Equity settled share-based transactions.....	27	-	-	44,816	-	-	-	-	44,816
Profit for the year		-	-	-	-	-	-	1,903,018	1,903,018
Transfer to reserve fund	25(b)(iii)	-	-	-	207,541	-	-	(207,541)	-
Dividends to equity shareholders	12(b)	-	-	-	-	-	-	(257,212)	(257,212)
Exchange difference on translation of financial statements of foreign operations.....		-	-	-	-	(68,480)	-	-	(68,480)
At 31 December 2008		26,455	4,240,140	82,136	252,257	(75,165)	128,704	1,709,142	6,363,669

The notes on pages F-50 to F-83 form part of these financial statements.

Consolidated Cash Flow Statement
For the year ended 31 December 2008
(Expressed in Renminbi)

	Note	2008 RMB'000	2007 RMB'000
Operating activities			
Profit for the year		1,903,018	266,675
Adjustments for:			
Depreciation		33,764	38,193
Amortization		1,030	1,257
Net finance (income)/expense		(6,512)	14,704
Waived bank loan		(10,684)	–
Loss/(gain) on disposal of property and equipment, and investment properties.....		31	(3,658)
Income tax		502,940	11,291
Operating profit before changes in working capital		2,423,587	328,462
Decrease in bank deposits		77,651	22,386
Increase in trade and other receivables		(2,043,731)	(5,513)
Increase/(decrease) in trade and other payables		278,064	(152,526)
(Increase)/decrease in inventories		(129,000)	38,376
Income tax paid		(69,853)	(10,854)
Net cash generated from operating activities		536,718	220,331
Investing activities			
Proceeds from sales of property and equipment		–	4,536
Interest received		15,479	3,131
Purchase of property and equipment		(355,191)	(14,901)
Additions to investment properties		(1,333,150)	(89,936)
Advances to related parties		(432)	(329,554)
Repayments from related parties		116,588	382,626
Repayments from/(advances) to third parties		10,000	(33,862)
Net cash used in investing activities		(1,546,706)	(77,960)
Financing activities			
Capital contribution from equity shareholders		–	1,437,721
Advances from related parties		1,814	110,848
Repayments to related parties		(49,604)	(141,103)
Repayments to third parties		–	(8,200)
Repayment of loans		(8,500)	(1,000)
Proceeds from ordinary shares issued under the Global Offering.....		2,987,471	–
Payment of issuing expenses		(123,173)	–
Dividends paid		–	(6,000)
Interest paid		–	(16,409)
Net cash from financing activities		2,808,008	1,375,857
Net increase in cash and cash equivalents		1,798,020	1,518,228
Cash and cash equivalents at 1 January		1,517,447	5,904
Effect of foreign exchange rate changes		(81,889)	(6,685)
Cash and cash equivalents at 31 December	21	3,233,578	1,517,447

The notes on pages F-50 to F-83 form part of these financial statements.

Notes to the Financial Statements

(Expressed in Renminbi)

1. General information and group reorganisation

Renhe Commercial Holdings Company Limited (the “Company”) was incorporated in the Cayman Islands on 20 November 2007 and registered as an exempted company with limited liability under the Companies Law Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The Company and its subsidiaries (collectively referred to as the “Group”) are principally engaged in development, lease and management of underground shopping mall in the People’s Republic of China (the “PRC”).

Pursuant to a reorganisation of the Group as detailed in the section headed “History and Reorganisation” in the Prospectus of the Company dated 30 September 2008 (the “Reorganisation”) to rationalise the Group’s structure in preparation for the public listing of the Company’s shares on the Main Board of the Stock Exchange of Hong Kong Limited (the “Stock Exchange”), the Company became the holding company of the subsidiaries comprising the Group. The shares of the Company were listed on the Stock Exchange (the “Listing”) on 22 October 2008 (the “Listing Date”).

The Group is regarded as a continuing entity resulting from the Reorganisation under common control. The consolidated financial statements of the Group have been prepared as if the current group structure had been in existence throughout both years ended 31 December 2008 and 2007 or since the respective dates of incorporation or establishment of the group companies, rather than from the date when the Company became the holding company of the Group pursuant to the Reorganisation.

2. Significant accounting policies

(a) Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) and its interpretations promulgated by the International Accounting Standards Board (IASB) and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange. A summary of the significant accounting policies adopted by the Group is set out below.

The IASB has issued certain new and revised IFRSs that are first effective or available for early adoption for the current accounting period of the Group and the Company. Note 3 provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

(b) Basis of preparation of the financial statements

The consolidated financial statements are presented in Renminbi (“RMB”), rounded to the nearest thousand, which is the functional currency of the subsidiaries carrying on the principal activities of the Group. The Company and its overseas subsidiaries’ functional currency is Hong Kong dollar (“HKD”). Since the Group’s operations are conducted in the PRC, the Group has adopted RMB as its presentation currency.

The consolidated financial statements have been prepared on the historical cost basis except where stated otherwise in the accounting policies set out below.

(c) Use of estimates and judgements

The preparation of the financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Judgements made by management in the application of IFRSs that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in Note 35.

(d) Subsidiaries

(i) Subsidiaries

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity, so as to obtain benefits from its activities. In assessing control, potential voting rights that currently are exercisable are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

(ii) Transactions eliminated on consolidation

Intra-group balances and transactions and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

(e) Foreign currency

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at the exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortized cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortized cost in foreign currency translated at the exchange rate at the end of the period. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on retranslation are recognised in profit or loss.

The results of foreign operations are translated to RMB at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Balance sheet items including goodwill are translated to RMB at exchange rates at the reporting date. The resulting exchange differences are recognised directly in a separate component of equity.

(f) Investment properties

Investment properties are properties held to earn lease income, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes. Investment properties are measured at cost less accumulated depreciation and accumulated impairment losses (Note 2(l)). The depreciation policy is the same as that of property and equipment (Note 2(g)(iii)).

Property that is being constructed or developed for future use as investment property is classified as property and equipment and stated at cost until construction or development is completed.

(g) Property and equipment

(i) Recognition and measurement

Items of property and equipment are measured at cost less accumulated depreciation and accumulated impairment losses (Note 2(l)).

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located, and borrowing costs (Note 2(s)).

When parts of an item of property and equipment have different useful lives, they are accounted for as separate items of property and equipment.

Gains and losses on disposal of an item of property and equipment are determined by comparing the proceeds from disposal with the carrying amount of property and equipment and are recognised net within "other operating income" in the income statement.

(ii) Subsequent costs

The cost of replacing part of an item of property and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied with the part will flow to the Group and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of property and equipment are recognised in profit or loss as incurred.

(iii) Depreciation

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property and equipment.

The estimated useful lives are as follows:

- Underground properties under leasehold land are depreciated over the shorter of the unexpired term of lease and their estimated useful lives, being no more than 40 years after the date of completion.
- Machinery 10 years
- Decoration 5 years
- Office equipment 5 years
- Vehicles 5 years

Construction in progress represents underground properties and various machinery and equipment under construction and pending installation, and is stated at cost less impairment losses (Note 2(l)). Cost comprises direct and indirect costs of construction incurred during the periods of construction.

Construction in progress is transferred to property and equipment when the asset is substantially ready for its intended use. No depreciation is provided for construction in progress.

Depreciation methods, useful lives and residual values are reviewed at each reporting date.

(h) Land use rights

Land use rights represent lease prepayments for acquiring rights to use land in the PRC with period of 40 years. Land use rights granted with consideration are recognised initially at acquisition cost. Land use rights are classified and accounted for in accordance with the intended use of the properties under the related land.

For properties that are held for own use and investment properties, the corresponding lease prepayments are separately stated as land use rights in the balance sheet. Land use rights for properties held for own use and investment properties are stated at cost, less accumulated amortization and any impairment losses (Note 2(l)). Amortization is charged to profit or loss on a straight-line basis over the period of the land use rights.

(i) Inventories

Inventories represent units of underground shopping mall under development and completed units of which operation rights will be transferred subsequently. The cost of inventories comprises specifically identified cost, including the acquisition cost of land, aggregate cost of development, materials and supplies, wages and other direct expenses, an appropriate proportion of overheads and borrowing costs capitalised (Note 2(s)). Net realisable value represents the estimated selling price less estimated costs of completion and costs to be incurred in transferring the operating right of units. Inventories are measured at the lower of cost and the net realisable value.

(j) Trade and other receivables

Trade and other receivables are initially recognised at fair value and thereafter stated at amortized cost less impairment losses for bad and doubtful debts (Note 2(l)).

(k) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition.

(l) Impairment

(i) Financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses are recognised in profit or loss.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortized cost, the reversal is recognised in profit or loss.

(ii) Non-financial assets

The carrying amount of the Group's non-financial assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets ("the cash-generating unit").

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss.

Impairment losses recognised in prior periods are assessed at each reporting date for any indication that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognised.

(m) Trade and other payables

Trade and other payables are initially recognised at fair value and thereafter stated at amortized cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(n) Loans and borrowings

Loans and borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, loans and borrowings are stated at amortized cost with any difference between the amount initially recognised and redemption value being recognised in profit or loss over the period of the loans and borrowings, together with any interest and fees payable, using the effective interest method.

(o) Preference shares

Preference shares are classified as equity if they are non-redeemable, or redeemable only at the Company's option, and any dividends are discretionary. Dividends on preference shares classified as equity are recognised as distributions within equity.

Preference shares are classified as liabilities if they are redeemable on a specific date or at the option of the shareholders, or if dividend payments are not discretionary. The liability is recognised in accordance with the Group's policy for interest-bearing borrowings set out in Note 2(n) and accordingly dividends thereon are recognised on an accruals basis in profit or loss as part of finance costs.

(p) Employee benefits

(i) Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for the statutory defined contribution pension plans are recognised as an expense in profit or loss when they are due.

(ii) Short-term benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognised for the amount expected to be paid under short-term cash bonus if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(iii) Share-based payment transactions

The grant date fair value of options granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period that the employees become unconditionally entitled to the options. The amount recognised as an expense is adjusted to reflect the actual number of share options for which the related service and non-market vesting conditions are met.

(q) Financial guarantees issued, provisions and contingent liabilities

(i) Financial guarantees issued

Financial guarantees are contracts that require the issuer (i.e. the guarantor) to make specified payments to reimburse the beneficiary of the guarantee (the "holder") for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Where the Group issues a financial guarantee, the fair value of the guarantee (being the transaction price, unless the fair value can otherwise be reliably estimated) is initially recognised as deferred income within trade and other payables. Where consideration is received or receivable for the issuance of the guarantee, the consideration is recognised in accordance with the Group's policies applicable to that category of asset where no such consideration is received or receivable, an immediate expense is recognised in profit or loss on initial recognition of any deferred income.

The amount of the guarantee initially recognised as deferred income is amortized in the income statement over the term of the guarantee as income from financial guarantees issued. In addition, provisions are recognised in accordance with Note 2(q)(ii) if and when (i) it becomes probable that the holder of the guarantee will call upon the Group under the guarantee, and (ii) the amount of that claim on the Group is expected to exceed the amount currently carried in trade and other payables in respect of that guarantee i.e. the amount initially recognised, less accumulated amortization.

(ii) Provisions and contingent liabilities

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(r) Revenue recognition

Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in the income statement as follows:

(i) Lease income from operating lease

Lease income from operating lease is recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total lease income, over the term of the lease. Contingent rental are recorded as income in the periods in which they are earned.

(ii) Revenue from transfer of operation rights

Revenue from transfer of operation rights is recognised when the significant risks and rewards of the operation rights have been transferred to the customers. Revenue from transfer of operation rights excludes sales tax and is after deduction of any trade discounts.

(iii) Services

Revenue from services rendered is recognised in profit or loss in proportion to the stage of completion of the transaction at the reporting date. The stage of completion is assessed by reference to surveys of work performed.

(iv) Interest income

Interest income is recognised as it accrues using the effective interest method.

(s) Borrowing costs

Borrowing costs are expensed in profit or loss in the period in which they are incurred, except to the extent that they are capitalised as being directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

(t) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised directly in equity, in which case they are recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the assets can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at each balance sheet date and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

- in the case of current tax assets and liabilities, the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or
- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:
 - the same taxable entity; or
 - different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(u) Related parties

For the purposes of the financial statements, a party is considered to be related to the Group if:

- (i) the party has the ability, directly or indirectly through one or more intermediaries, to control the Group or exercise significant influence over the Group in making financial and operating policy decisions, or has joint control over the Group;
- (ii) the Group and the party are subject to common control;
- (iii) the party is an associate of the Group or a joint venture in which the Group is a venturer;
- (iv) the party is a member of key management personnel of the Group or the Group's parent, or a close family member of such an individual, or is an entity under the control, joint control or significant influence of such individuals;
- (v) the party is a close family member of a party referred to in (i) or is an entity under the control, joint control or significant influence of such individuals; or
- (vi) the party is a post-employment benefit plan which is for the benefit of employees of the Group or of any entity that is a related party of the Group.

Close family members of an individual are those family members who may be expected to influence, or be influenced by, that individual in their dealings with the entity.

(v) Dividends

Dividends are recognised as a liability in the period in which they are declared.

(w) Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing projects or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards, that are different from those of other segments. The business segments are determined based on the Group's management and internal reporting structure.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly other income and administrative expenses, other receivables and trade and other payables.

Segment capital expenditure is the total cost incurred during the period to acquire property and equipment.

Given the Group is mainly engaged in underground shopping mall leasing business and the operations of the Group are all in the PRC, no business or geographical segment information is presented.

3. Changes in accounting policies

The IASB has issued the following new Interpretations and an amendment to IFRSs that are first effective for the current accounting period of the Group:

- IFRIC 11, IFRS 2 – Group and treasury share transactions
- IFRIC 12, Service concession arrangements
- IFRIC 14, IAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction
- Amendments to IAS 39, Financial instruments: Recognition and measurement and IFRS 7, Financial instruments: Disclosures – Reclassification of financial assets

These IFRS developments have had no material impact on the Group's financial statements as either they were consistent with accounting policies already adopted by the Group or they were not relevant to the Group's operations.

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period (Note 33).

4. Revenue

	2008	2007
	RMB'000	RMB'000
Lease income	182,085	176,505
Transfer of operation rights	2,868,196	189,990
	<u>3,050,281</u>	<u>366,495</u>

5. Cost of sales

Cost of sales represents mainly the amortization of land use rights, depreciation of the investment properties and costs of construction of properties relating to the operation rights transferred out during the year.

	2008	2007
	RMB'000	RMB'000
Lease income	33,305	37,992
Transfer of operation rights	496,891	43,146
	<u>530,196</u>	<u>81,138</u>

6. Other operating income

	2008	2007
	RMB'000	RMB'000
Revenue from property management and relevant service	51,174	50,579
Net (loss)/gain on sales of property and equipment	(31)	3,658
Waived bank loan (Note 22)	10,684	-
	<u>61,827</u>	<u>54,237</u>

7. Profit before income tax

(a) Personnel expenses

	2008	2007
	RMB'000	RMB'000
Wages, salaries and other benefits	49,738	14,037
Contributions to defined contribution retirement plans (Note 26)	1,358	620
Equity settled share-based payment expenses (Note 27)	44,816	-
Others	476	388
	<u>96,388</u>	<u>15,045</u>

(b) Net finance income/(expense)

	2008	2007
	RMB'000	RMB'000
Finance income		
– Interest income on bank deposits	19,046	3,131
Finance expenses		
– Interest expenses	–	(17,771)
– Net foreign exchange loss	(12,434)	–
– Bank charges and others	(100)	(64)
	<u>6,512</u>	<u>(14,704)</u>

(c) Other items

	2008	2007
	RMB'000	RMB'000
Auditors' remuneration – audit	3,500	75
Repairs and maintenance	7,750	4,752
Utility charges	7,798	8,599
Depreciation of property and equipment	1,489	1,458
Operating lease charges	7,214	478
Penalty	1,782	–
Rentals receivable from investment properties less direct outgoings of RMB2,257,000 (2007: RMB3,341,000).....	<u>(179,828)</u>	<u>(173,164)</u>

(d) Property tax

The property tax rate levied on the lease income and the transfer of operation rights income applicable to the Group's subsidiaries in the PRC is 12%.

According to the "Supplementary Provisions of Policies for Encouragement of Foreign Investment in Heilongjiang Province" (Hei Zheng Fa [1991] No.38), foreign investment enterprises in Heilongjiang Province are entitled to property tax exemption for five years from the month of business license being obtained. Accordingly, Harbin Renhe Century Public Facilities Co., Ltd. ("Harbin Renhe Century") is entitled to property tax exemption for the period from 2003 to 2008.

According to the "Provisions on Collection and Exemption of Property Tax for Foreign Investment Enterprises in Guangdong Province" (Ren Min Zheng Fu Ling [2002] No.75), foreign investment enterprises in Guangdong Province are entitled to property tax exemption for three years since its establishment or purchase of property. Guangzhou Renhe is entitled to property tax exemption for the period from 2005 to 2008.

8. Income tax

(a) Income tax in the consolidated income statement represents:

	2008	2007
	RMB'000	RMB'000
Current tax		
Provision for the year		
– PRC Enterprise Income Tax (Note 24(a))	428,199	11,291
Deferred tax		
– Origination of temporary difference (Note 24(b))	74,741	–
	<u>502,940</u>	<u>11,291</u>

- (i) In 2007, the provision for PRC Enterprise Income Tax for the Group's subsidiaries in the PRC is based on the applicable income tax rate of 27% (24% represents the state income tax rate and 3% represents the local income tax rate) of the taxable income as determined in accordance with the relevant income tax rules and regulations of the PRC. The Group's subsidiaries, Harbin Renhe Century, Harbin Baorong Public Facilities Co., Ltd. ("Harbin Baorong") and Guangzhou Renhe are entitled to the exemption of local income tax for the years from 2006 to 2015, from 2002 to 2011, and from 2006 to 2010, respectively.
- (ii) According to the Tax Regulation of Foreign Investment on Aerial Defence Project (No.121 [1997] Cai Shui Zi), Harbin Renhe Century and Guangzhou Renhe are entitled to a tax holiday of full exemption of the state income tax for 2006 and 2007, and a tax holiday of 50% reduction in the state income tax rate for the years from 2008 to 2010.
- (iii) On 16 March 2007, the Fifth Plenary Session of the Tenth National People's Congress passed the Corporate Income Tax Law of the People's Republic of China ("new tax law") which took effect on 1 January 2008. As a result of the new tax law, from 1 January 2008, the statutory income tax rate applicable to the Group's subsidiaries in the PRC is 25%. The Group's subsidiaries in the PRC that have not fully utilised their five-year tax holiday (i.e. two-year exemption and subsequent three-year 50% reduction of the applicable tax rate), will be allowed to continue to receive the benefits of the tax holiday.
- (iv) According to the Implementation Rules of the Corporate Income Tax Law, the overseas investor to the foreign investment enterprises ("FIEs") shall be liable for withholding tax at 10% on the dividend derived from the profits of the year 2008 and thereafter of the FIEs in the PRC. In addition, tax treaties between the PRC and other countries could override the withholding tax rate on dividend if a tax treaty provides a more favourable withholding tax rate. Under the Sino-Hong Kong Double Tax Arrangement, a Hong Kong company will be liable for withholding tax at the rate of 5% for dividend income derived from the PRC if the Hong Kong company holds 25% of equity interests or more of the Chinese company directly. As the holding companies of such FIEs in the Group are Hong Kong companies, the withholding tax rate applicable is 5%.
- (v) Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands, the Group is not subject to any income tax in the Cayman Islands and the British Virgin Islands.
- (vi) No provision for Hong Kong Profits Tax has been made as the Group did not earn any income subject to Hong Kong Profits Tax during the year.

(b) Reconciliation between tax expenses and accounting profit at applicable tax rates:

	2008	2007
	RMB'000	RMB'000
Profit before income tax	2,405,958	277,966
Income tax calculate at the rates applicable to respective companies comprising the Group	601,490	75,051
Tax effect of non-taxable income of waived bank loan (Note 22)	(1,843)	4,429
Effect of tax exemption/reduction	(172,470)	(68,367)
Effect of withholding tax at 5% on the profits of the Group's PRC subsidiaries	74,741	–
Others	1,022	178
	<u>502,940</u>	<u>11,291</u>

9. Directors' remuneration

Details of directors' remuneration are as follows:

	Directors' fees	Salaries, allowances and benefits in kind	Discretionary bonuses	Retirement scheme contributions	Sub-total	Share-based payments (Note(i))	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
2008							
<i>Chairperson</i>							
Dai Yongge	–	2,302	8,819	6	11,127	4,889	16,016
<i>Executive directors</i>							
Wang Hongfang	–	905	2,646	8	3,559	4,074	7,633
Wang Luding	–	911	1,764	10	2,685	3,259	5,944
Wang Chunrong	–	900	1,764	9	2,673	3,259	5,932
Zhang Dabin	–	936	2,646	8	3,590	3,259	6,849
<i>Non-executive directors</i>							
Hawken Xiu Li	–	176	–	–	176	–	176
Ho Gilbert Chi Hang	–	176	–	–	176	–	176
Ho James Hsiang Ming ...	–	–	–	–	–	–	–
Jiang Mei	–	176	–	–	176	–	176
Zhang Xingmei	–	236	–	–	236	–	236
<i>Independent non-executive directors</i>							
Fan Ren-Da	–	41	–	–	41	–	41
Wang Yifu	–	176	–	–	176	–	176
Wang Shengli	–	176	–	–	176	–	176
	<u>–</u>	<u>7,111</u>	<u>17,639</u>	<u>41</u>	<u>24,791</u>	<u>18,740</u>	<u>43,531</u>

	Directors' fees	Salaries, allowances and benefits in kind	Discretionary bonuses	Retirement scheme contributions	Sub-total	Share-based payments (Note(i))	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
2007							
<i>Chairperson</i>							
Dai Yongge	-	240	-	-	240	-	240
<i>Executive directors</i>							
Wang Hongfang	-	35	-	-	35	-	35
Wang Luding	-	100	-	1	101	-	101
Wang Chunrong	-	50	-	3	53	-	53
Zhang Dabin	-	190	-	3	193	-	193
<i>Non-executive directors</i>							
Hawken Xiu Li	-	-	-	-	-	-	-
Ho Gilbert Chi Hang	-	-	-	-	-	-	-
Ho James Hsiang Ming ...	-	-	-	-	-	-	-
Jiang Mei	-	-	-	-	-	-	-
Zhang Xingmei	-	340	-	-	340	-	340
<i>Independent non-executive directors</i>							
Fan Ren-Da	-	-	-	-	-	-	-
Wang Yifu	-	-	-	-	-	-	-
Wang Shengli	-	-	-	-	-	-	-
	-	955	-	7	962	-	962

During the year, no amount was paid or payable by the Group to the directors or any of the five highest paid individuals set out in Note 10 below as an inducement to join or upon joining the Group or as compensation for loss of office. There was no arrangement under which a director waived or agreed to waive any remuneration during the year.

Note:

- (i): These represent the estimated value of share options granted to the directors under the Company's share option scheme. The value of these share options is measured according to the Group's accounting policies for share-based payment transactions as set out in Note 2(p)(iii). Details of these benefits in kind, including the principal terms and number of options granted, are disclosed in Note 27.

10. Individuals with highest emoluments

Of the five individuals with the highest emoluments, five (2007: four) are directors whose emoluments are disclosed in Note 9. The aggregate of the emoluments in respect of the other one individual in 2007 is as follows:

	2008	2007
	RMB'000	RMB'000
Salaries and other emoluments	-	100
Retirement plan contributions	-	-
Share-based payments	-	-
	-	100

The emoluments of one individual in 2007 with the highest emoluments are within the following bands:

	2008	2007
	Number of individuals	Number of individuals
HKD Nil to HKD1,000,000	–	1

11. Profit attributable to equity shareholders of the Company

The consolidated profit attributable to equity shareholders of the Company includes a loss of RMB70,705,000 (2007: a profit of RMB247,000) which has been dealt with in the financial statements of the Company.

12. Dividends

(a) Dividends attributable to the year

	2008	2007
	RMB'000	RMB'000
Final dividend proposed after the balance sheet date of RMB7.62 cents per ordinary share.....	1,524,000	–
Dividends declared before the Listing	–	257,212
	<u>1,524,000</u>	<u>257,212</u>

The final dividend proposed after the balance sheet date has not been recognised as a liability at the balance sheet date.

(b) Dividends attributable to the previous financial year

	2008	2007
	RMB'000	RMB'000
Dividends paid during the year	257,212	–

13. Earnings per share

The calculation of basic earnings per share at 31 December 2008 was based on the profit attributable to ordinary equity shareholders of the Company of RMB1,903,018,000 (2007: RMB266,675,000) and a weighted average number of ordinary shares outstanding of 17,581,967,000 (2007: 17,000,000,000), calculated as follows:

Weighted average number of ordinary shares

		2008	2007
	Note	'000	'000
Issued ordinary shares at 1 January	(i)	17,000,000	17,000,000
Effect of shares issued under the Global Offering	25(a)	581,967	–
Weighted average number of ordinary shares at 31 December.....		<u>17,581,967</u>	<u>17,000,000</u>

During the years ended 31 December 2008 and 2007, diluted earnings per share are calculated on the same basis as basic earnings per share. The share options granted did not have dilutive effect as at 31 December 2008.

- (i) The number of shares at the beginning of the years ended 31 December 2008 and 2007 includes 1,843,000 shares in issue and 16,998,157,000 ordinary shares to be issued pursuant to the capitalisation issue as described in Note 25(a)(ii) as if the shares were outstanding throughout the period.

14. Property and equipment

	Construction in progress	Office equipment	Vehicles	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Cost				
At 1 January 2007	–	3,930	8,795	12,725
Additions	30,176	954	1,254	32,384
Transfer to investment properties	(476)	–	–	(476)
Disposals	–	(2)	(4,792)	(4,794)
At 31 December 2007	<u>29,700</u>	<u>4,882</u>	<u>5,257</u>	<u>39,839</u>
At 1 January 2008	29,700	4,882	5,257	39,839
Additions	1,296,330	7,724	5,070	1,309,124
Transfer to investment properties	(649,431)	–	–	(649,431)
Transfer to inventories	(355,408)	–	–	(355,408)
Disposals	–	(20)	–	(20)
At 31 December 2008	<u>341,191</u>	<u>12,586</u>	<u>10,327</u>	<u>364,104</u>
Accumulated depreciation				
At 1 January 2007	–	2,627	4,439	7,066
Charge for the year	–	327	1,131	1,458
Written back on disposals	–	(2)	(3,914)	(3,916)
At 31 December 2007	<u>–</u>	<u>2,952</u>	<u>1,656</u>	<u>4,608</u>
At 1 January 2008	–	2,952	1,656	4,608
Charge for the year	–	1,134	355	1,489
Written back on disposals	–	(18)	–	(18)
At 31 December 2008	<u>–</u>	<u>4,068</u>	<u>2,011</u>	<u>6,079</u>
Net book value				
At 31 December 2007	<u>29,700</u>	<u>1,930</u>	<u>3,601</u>	<u>35,231</u>
At 31 December 2008	<u>341,191</u>	<u>8,518</u>	<u>8,316</u>	<u>358,025</u>

15. Investment properties

	2008	2007
	RMB'000	RMB'000
Cost		
Balance at 1 January	575,579	572,229
Transfer from property and equipment	649,431	476
Additions	122,428	2,874
Transfer to inventories	(321,715)	–
Disposals	(104)	–
Balance at 31 December	<u>1,025,619</u>	<u>575,579</u>
Accumulated depreciation		
Balance at 1 January	120,392	83,657
Charge for the year	32,275	36,735
Transfer to inventories	(61,640)	–
Written back on disposals	(75)	–
Balance at 31 December	<u>90,952</u>	<u>120,392</u>
Net book value	<u><u>934,667</u></u>	<u><u>455,187</u></u>

All of the investment properties owned by the Group are located in the PRC.

According to the Property Valuation Reports issued by BMI Appraisals Limited and CB Richard Ellis Ltd., which are independent qualified valuers in Hong Kong, on 27 April 2009 and 30 September 2008, the fair value of the Group's investment properties as at 31 December 2008 and 2007 are RMB5,521,000,000 and RMB5,101,000,000, respectively.

16. Land use rights

	2008	2007
	RMB'000	RMB'000
Cost		
Balance at 1 January	50,328	55,029
Transfer to inventories	(32,087)	(4,701)
Balance at 31 December	<u>18,241</u>	<u>50,328</u>
Accumulated amortization		
Balance at 1 January	1,939	692
Charge for the year	1,030	1,257
Transfer to inventories	(1,679)	(10)
Balance at 31 December	<u>1,290</u>	<u>1,939</u>
Net book value	<u><u>16,951</u></u>	<u><u>48,389</u></u>

Land use rights represent lease prepayments for acquiring rights to use land and obtaining land use right certificates. The land is all located in the PRC, for the Group's own use properties and investment properties. According to the legal counsel, the Group is not required to pay land use right premiums and to obtain the land use right certificates for underground projects developed. Since the Group has no plan to obtain land use right certificates for the underground projects developed in 2008, no additional expenditure on land use rights incurred in 2008.

17. Investments in subsidiaries – the Company

	2008	2007
	RMB'000	RMB'000
Unlisted shares, at cost	–	–

As at 31 December 2008, the Company had direct or indirect interests in the following subsidiaries, which are private companies, particulars of which are set out below:

Name of subsidiary	Place and date of incorporation/ establishment	Issued/ paid-in capital	Attributable equity interest		Principal activities
			Direct	Indirect	
Fine Genius Enterprises Limited	British Virgin Islands 25 October 2007	USD1	100%	–	Investment holding
Billion Luck Enterprises Limited	British Virgin Islands 27 September 2007	USD1	–	100%	Investment holding
Fast Reach Group Limited	British Virgin Islands 12 September 2007	USD1	–	100%	Investment holding
King Wealthy Enterprises Limited	British Virgin Islands 30 August 2007	USD1	–	100%	Investment holding
Superb Power Enterprises Limited	British Virgin Islands 27 September 2007	USD1	–	100%	Investment holding
Victory Faith Group Limited	British Virgin Islands 27 September 2007	USD1	–	100%	Investment holding
Blooming Future Group Limited	British Virgin Islands 28 November 2007	USD1	–	100%	Investment holding
Bright Smart Holdings Limited	British Virgin Islands 3 December 2007	USD1	–	100%	Investment holding
Cheerfar Enterprises Limited	British Virgin Islands 8 January 2008	USD1	–	100%	Investment holding
Easy Cheer Enterprises Limited	British Virgin Islands 4 January 2008	USD1	–	100%	Investment holding
Magic Dynasty Enterprises Limited	British Virgin Islands 7 December 2007	USD1	–	100%	Investment holding
Mega Thru Enterprises Limited	British Virgin Islands 3 January 2008	USD1	–	100%	Investment holding
Joyous Rise Enterprises Limited	British Virgin Islands 29 November 2007	USD1	–	100%	Investment holding
Brilliant China Enterprises Limited	British Virgin Islands 6 February 2008	USD1	–	100%	Investment holding
Maxwing Enterprises Limited	British Virgin Islands 31 January 2008	USD1	–	100%	Investment holding
Proper Way Enterprises Limited	British Virgin Islands 31 January 2008	USD1	–	100%	Investment holding
Allyking Enterprises Limited	British Virgin Islands 11 January 2008	USD1	–	100%	Investment holding
Head Park Enterprises Limited	British Virgin Islands 9 January 2008	USD1	–	100%	Investment holding
Huge Extent Enterprises Limited	British Virgin Islands 11 January 2008	USD1	–	100%	Investment holding
Newest Sino Enterprises Limited	British Virgin Islands 30 January 2008	USD1	–	100%	Investment holding

Name of subsidiary	Place and date of incorporation/ establishment	Issued/ paid-in capital	Attributable equity interest		Principal activities
			Direct	Indirect	
Great Smooth Enterprises Limited	British Virgin Islands 9 January 2008	USD1	–	100%	Investment holding
Renhe Commercial Management Limited	Hong Kong 18 December 2007	HKD1	–	100%	Investment holding
China Supreme Investments Limited	Hong Kong 14 September 2007	HKD1	–	100%	Investment holding
Global Home Limited	Hong Kong 21 September 2007	HKD1	–	100%	Investment holding
Gold Track Group Limited	Hong Kong 14 September 2007	HKD1	–	100%	Investment holding
Longain Park Limited	Hong Kong 14 September 2007	HKD1	–	100%	Investment holding
Star Legend Group Limited	Hong Kong 14 September 2007	HKD1	–	100%	Investment holding
Summer Joy Investments Limited	Hong Kong 14 September 2007	HKD1	–	100%	Investment holding
Best Record Investments Limited	Hong Kong 4 December 2007	HKD1	–	100%	Investment holding
Easy Trip Limited	Hong Kong 2 January 2008	HKD1	–	100%	Investment holding
Great Peaceful Limited	Hong Kong 2 January 2008	HKD1	–	100%	Investment holding
Lead Wealthy Limited	Hong Kong 2 January 2008	HKD1	–	100%	Investment holding
New Peace Limited	Hong Kong 2 January 2008	HKD1	–	100%	Investment holding
Upper Choice Investments Limited	Hong Kong 3 December 2007	HKD1	–	100%	Investment holding
Join Gain Group Limited	Hong Kong 18 December 2007	HKD1	–	100%	Investment holding
Gain Swift Limited	Hong Kong 2 January 2008	HKD1	–	100%	Investment holding
Goal Profit Limited	Hong Kong 4 January 2008	HKD1	–	100%	Investment holding
Total Nice Investments Limited	Hong Kong 18 December 2007	HKD1	–	100%	Investment holding
Super Ally Limited	Hong Kong 10 April 2008	HKD1	–	100%	Investment holding
Dawn Success Limited	Hong Kong 2 January 2008	HKD1	–	100%	Investment holding
Mass Harvest Investments Limited	Hong Kong 2 January 2008	HKD1	–	100%	Investment holding
Alliance Safe Investments Limited	Hong Kong 31 January 2008	HKD1	–	100%	Investment holding
Harbin Renhe Public Facilities Co., Ltd. ("Harbin Renhe Public")	Harbin, the PRC 11 January 1992	RMB 20,000,000	–	100%	Development, lease and management of underground shopping mall
Harbin Baorong Public Facilities Co., Ltd. ("Harbin Baorong")	Harbin, the PRC 24 October 2000	RMB 60,000,000	–	100%	Development, lease and management of underground shopping mall

Name of subsidiary	Place and date of incorporation/ establishment	Issued/ paid-in capital	Attributable equity interest		Principal activities
			Direct	Indirect	
Harbin Renhe Century Public Facilities Co., Ltd. ("Harbin Renhe Century")	Harbin, the PRC 7 March 2003	RMB 30,000,000	–	100%	Development, lease and management of underground shopping mall
Guangzhou Renhe New World Public Facilities Co., Ltd. ("Guangzhou Renhe")	Guangzhou, the PRC 3 August 2005	RMB 95,000,000	–	100%	Development, lease and management of underground shopping mall
Zhengzhou Renhe New World Investment Management Co., Ltd. ("Zhengzhou Renhe")	Zhengzhou, the PRC 15 May 2007	RMB 300,000,000	–	100%	Development, lease and management of underground shopping mall
Shenyang New World Renhe Public Facilities Management Co., Ltd. ("Shenyang Renhe")	Shenyang, the PRC 30 April 2008	USD 49,800,000	–	100%	Development, lease and management of underground shopping mall
Tianjin Renhe New World Public Facilities Co., Ltd. ("Tianjin Renhe")	Tianjin, the PRC 13 May 2008	HKD 220,000,000	–	100%	Development, lease and management of underground shopping mall
Wuhan Renhe New World Public Facilities Management Co., Ltd. ("Wuhan Renhe")	Wuhan, the PRC 19 May 2008	RMB 200,000,000	–	100%	Development, lease and management of underground shopping mall
Nanchang Renhe New World Public Facilities Co., Ltd. ("Nanchang Renhe")	Nanchang, the PRC 20 May 2008	RMB 300,000,000	–	100%	Development, lease and management of underground shopping mall
Harbin Renhe Spring Public Facilities Co., Ltd. ("Harbin Renhe Spring")	Harbin, the PRC 18 July 2008	HKD 450,000,000	–	100%	Development, lease and management of underground shopping mall
Harbin New World Renhe Public Facilities Co., Ltd. ("Harbin New World")	Harbin, the PRC 18 July 2008	HKD 450,000,000	–	100%	Development, lease and management of underground shopping mall
Liaoning Renhe New World Public Facilities Co., Ltd. ("Liaoning Renhe")	Shenyang, the PRC 31 July 2008	USD 24,972,000	–	100%	Development, lease and management of underground shopping mall

18. Inventories

The Group constructs underground shopping malls and transfers the operating rights of certain units of the underground shopping malls to buyers. Inventories balance represents the cost of the units of the underground shopping malls of which the operating rights will be transferred to buyers subsequently.

19. Trade and other receivables

	2008	2007
	RMB'000	RMB'000
Trade receivables (Note (ii))	1,834,008	6,045
Prepayments and deposits for construction work and purchase of equipment	689,234	771
Other receivables	25,014	17,734
Amounts due from related parties (Note 32(c))	–	378,799
	<u>2,548,256</u>	<u>403,349</u>
Less: allowance for doubtful debts	6,370	6,370
	<u>2,541,886</u>	<u>396,979</u>

The balance of trade and other receivables are expected to be settled or recovered within one year.

(i) Ageing analysis and impairment of trade and other receivables

The balances of trade and other receivables are neither past due nor impaired except for certain receivables amounting to RMB6,370,000 which are past due for more than one year and full impairment is provided.

The Group's credit policy is set out in Note 31(a).

(ii) Trade receivables arose from the transfer of operation rights

The Group normally requested a 30% cash payment upon the purchase from buyers and the remaining 70%, in most cases, would be settled by mortgage loans obtained by buyers from commercial banks. As at 31 December 2008, certain buyers were in the process of obtaining such mortgage loans.

20. Bank deposits

	2008	2007
	RMB'000	RMB'000
Bank deposits for guarantees for mortgage loans:		
– repayable within one year	100,437	50,218
– repayable after more than one year	28,617	156,487
	<u>129,054</u>	<u>206,705</u>

The Group's subsidiaries in PRC have entered into agreements with certain banks with respect to mortgage loans provided to buyers of the operation rights and the Group makes deposits as security for repayment of the loans under these agreements. The deposits will be released accordingly along with the repayment of loan principal by the buyers.

21. Cash and cash equivalents

	The Group		The Company	
	2008	2007	2008	2007
	RMB'000	RMB'000	RMB'000	RMB'000
Cash on hand	928	528	20	–
Cash at bank	3,232,650	1,516,919	905,117	1,423,563
	<u>3,233,578</u>	<u>1,517,447</u>	<u>905,137</u>	<u>1,423,563</u>

22. Bank loans

The balance as at 31 December 2007 represented an unsecured loan borrowed from China Investment Bank, Heilongjiang Branch via Harbin Nanfang Underground Engineering Development Services Company, the former investor of Harbin Renhe Public. The loan was subsequently transferred to China Everbright Bank, Harbin Sophia Branch ("Everbright Bank") due to the reform of China Investment Bank. As at 31 December 2007, the balance included principal of RMB8,500,000 and interest/penalty of RMB10,684,000. According to the terms of the loan repayment agreement between Harbin Renhe Public and Everbright Bank dated 28 April 2008, the principal of RMB8,500,000 was repaid on 31 March 2008 and the remaining unpaid interest and penalty were waived by China Everbright Bank.

23. Trade and other payables

	Note	The Group		The Company	
		2008	2007	2008	2007
		RMB'000	RMB'000	RMB'000	RMB'000
Receipts in advance	(i)	124,715	548,016	–	–
Construction payables	(ii)	129,496	48,527	–	–
Other taxes payable	(iii)	134,230	8,280	–	–
Deposits	(iv)	67,815	53,358	–	–
Salary and welfare expenses payable		33,645	3,938	18,252	–
Professional service fee payables ...		17,885	–	15,157	–
Dividends payable		–	23,879	–	–
Amounts due to related parties	32(c)	–	29,342	500	13,335
Others		23,508	8,344	–	–
		<u>531,294</u>	<u>723,684</u>	<u>33,909</u>	<u>13,335</u>

(i) As at 31 December 2008 and 2007, the amount of receipts in advance expected to be recognised as income after more than one year are RMB29,094,000 and RMB61,109,000, respectively.

(ii) The aging analysis of construction payables at each balance sheet date is as follows:

	The Group		The Company	
	2008	2007	2008	2007
	RMB'000	RMB'000	RMB'000	RMB'000
Due within one year	123,625	44,665	–	–
Overdue	5,871	3,862	–	–
	<u>129,496</u>	<u>48,527</u>	<u>–</u>	<u>–</u>

(iii) Other taxes payable mainly represents the payables of business tax, which is 5% of revenue.

(iv) These represent rental deposits paid by tenants for the privilege to renew the operating lease contracts upon expiry and to sign new operating lease contracts for the units of the Group's underground shopping malls to be opened in the future and deposits collected from customers to secure the execution of the lease agreements.

24. Income tax in the balance sheet

(a) Current taxation in the consolidated balance sheet represents:

	2008	2007
	RMB'000	RMB'000
PRC Enterprise Income Tax payable		
At the beginning of the year	13,443	13,006
Provision for the year (Note 8(a))	428,199	11,291
Tax paid	(69,853)	(10,854)
	<u>371,789</u>	<u>13,443</u>

(b) Deferred tax liabilities recognised/not recognised

The deferred tax liabilities recognised in the consolidated balance sheet as at 31 December 2008 relate to the withholding tax as described in Note 8(a)(iv) at the rate of 5% on the profits of the Group's PRC subsidiaries for the year ended 31 December 2008, which are to be distributed in the foreseeable future.

As at 31 December 2008, temporary differences relating to the undistributed profits of the Group's PRC subsidiaries amounted to RMB373,702,000 (2007: RMB Nil). Deferred tax liabilities of RMB18,685,000 (2007: RMB Nil) have not been recognised in respect of the tax that would be payable on the distribution of these retained profits as the Company controls the dividend policy of these subsidiaries and it has been determined that it is probable that profits will not be distributed in the foreseeable future.

(c) Deferred tax assets not recognised

There are no significant deductible temporary differences, which require to recognise deferred tax assets for both 2008 and 2007

25. Capital and reserves

(a) Share capital

	Note	2008		2007	
		Number of shares (in thousands)	RMB in thousands	Number of shares (in thousands)	RMB in thousands
Authorised:					
Ordinary shares of HKD0.01 each		40,000,000		37,645	
Non-redeemable preference share HKD0.01 each		–		355	
		<u>40,000,000</u>		<u>38,000</u>	
Issued and fully paid:					
At 1 January		1,843	17	–	–
Capitalisation issue	(ii)	16,998,157	–	1,615	15
Shares issued under the Global Offering	(iii)	3,000,000	26,438	228	2
At 31 December		<u>20,000,000</u>	<u>26,455</u>	<u>1,843</u>	<u>17</u>

(i) *Share capital as at 31 December 2007*

The Company was incorporated in Cayman Islands on 20 November 2007 with an authorised share capital of HKD380,000 divided into 38,000,000 ordinary shares of par value HKD0.01 each. As part of the Reorganisation, the authorised share capital of the Company changed to be HKD380,000 divided into 355,000 class A preference shares of a par value of HKD0.01 each and 37,645,000 ordinary shares of a par value of HKD0.01 each as at 31 December 2007.

According to the articles of association, the holders of class A preference shares and ordinary shares enjoy the same rights attaching to shares without prejudice. Each class A preference share carries one vote right. The holders of class A preference shares are all entitled to the dividends declared and generally to enjoy all of the rights attaching to shares. The Company has no obligation (contingent or otherwise) to repurchase or otherwise acquire or retire any shares according to the articles of association and agreement entered into among the Company, the holders of class A preference shares and other investors. One class A preference share can be converted into one ordinary share ("Conversion Rate"). Immediately prior to an initial public offering, all the class A preference shares then outstanding shall be automatically converted into or exchanged for fully paid ordinary shares at the Conversion Rate without the payment of any additional consideration.

(ii) *Capitalisation issue*

Pursuant to the resolutions of the Company's shareholders passed on 25 August 2008, as a result of the issue of Hong Kong Offer Shares pursuant to the Global Offering, the Company's directors are authorised to allot and issue a total of 16,998,157,000 shares credited as fully paid at par to the holders of shares on the register of members of the Company at the close of business on 25 August 2008 (or as they may direct) in proportion to their respective shareholdings (save that no shareholders shall be entitled to be allotted or issued any fraction of a share).

(iii) *Shares issued under the Global Offering*

In October 2008, the Company completed the Listing and issued an aggregate of 3,000,000,000 ordinary shares of par value HKD0.01 each at an offer price of HKD1.13 per share, to the public in Hong Kong and other selected institutional and professional investors. The Company raised approximately HKD3,233,907,000 (equivalent to RMB2,849,913,000) in total net of related expenses from the share offer.

(iv) *Terms of unexpired and unexercised share options at balance sheet date*

Exercise period	Exercise price	2008	2007
		Number	Number
		'000	'000
23 April 2009 to 31 December 2013	HKD1.34	467,500	–
23 April 2010 to 31 December 2013	HKD1.34	280,500	–
23 April 2011 to 31 December 2013	HKD1.34	187,000	–
		935,000	–

Each option entitles the holder to subscribe for one ordinary share in the Company. Further details of these options are set out in Note 27 to the financial statements.

(b) Nature and purpose of reserves

(i) Share premium

The application of the share premium account is governed by the Companies Law of Cayman Islands. Under the Companies Law, the funds in the share premium account of the Company are distributable to the shareholders of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as they fall due in the ordinary course of the business.

(ii) Capital surplus

Capital surplus mainly represents the book value of assets injected by the investors of Harbin Baorong and Harbin Renhe Century in excess of their share of the registered capital, and the fair value of the estimated number of unexercised share options granted to employees of the Company (Note 27) recognised in accordance with the accounting policy adopted for share-based payments in Note 2(p)(iii).

(iii) Reserve fund

Pursuant to the Articles of Association of the PRC subsidiaries now comprising the Group, appropriations to the general reserve fund were made at a certain percentage of profit after tax determined in accordance with the accounting rules and regulations of the PRC. The percentage for this appropriation was decided by the directors of the subsidiaries. From 1 January 2008, the Group's PRC subsidiaries are required to transfer 10% of their profit after tax to statutory reserve fund in accordance with the relevant PRC regulations since these subsidiaries became wholly foreign owned enterprises by then. The transfer could no longer be recognised when the accumulated statutory reserve fund reaches 50% of the registered capital. This reserve fund can be utilised in setting off accumulated losses or increasing capital of the subsidiaries and is non-distributable other than in liquidation. The directors of the PRC subsidiaries determined to transfer 10% of the profit after tax of 2008 to reserve fund although the reserve fund balance of certain PRC subsidiaries reached 50% of the registered capital.

(iv) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations.

(v) Merger reserves

The merger reserves represent the aggregate amount of paid-in capital of the PRC subsidiaries now comprising the Group after elimination of investments in these subsidiaries.

(c) Distributability of reserves

For dividend purposes, the amount which the PRC subsidiaries can legally distribute by way of a dividend is by reference to the profits as reflected in their PRC statutory financial statements prepared in accordance with PRC GAAP. These profits differ from those reflected in this report, which are determined in accordance with IFRSs.

As at 31 December 2008, the reserve available for distribution was RMB4,089,423,000 (31 December 2007: RMB1,410,227,000).

(d) Reserve of the Company

		<u>Share premium</u>	<u>Capital surplus</u>	<u>Exchange reserve</u>	<u>Retained earnings</u>	<u>Total</u>
		<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>
	Note	25(b)(i)	25(b)(ii)	25(b)(iv)		
At 1 January 2007		–	–	–	–	–
Profit for the year		–	–	–	247	247
Issue of shares	25(a)	1,416,665	–	–	–	1,416,665
Exchange difference on translation of financial statements of foreign operations		–	–	(6,685)	–	(6,685)
At 31 December 2007		<u>1,416,665</u>	<u>–</u>	<u>(6,685)</u>	<u>247</u>	<u>1,410,227</u>
Profit for the year		–	–	–	186,507	186,507
Issue of new shares, net of issuing expenses	25(a)	2,823,475	–	–	–	2,823,475
Dividends to equity shareholders	12(b)	–	–	–	(257,212)	(257,212)
Equity settled share-based transactions	27	–	44,816	–	–	44,816
Exchange difference on translation of financial statements of foreign operations		–	–	(73,574)	–	(73,574)
At 31 December 2008		<u><u>4,240,140</u></u>	<u><u>44,816</u></u>	<u><u>(80,259)</u></u>	<u><u>(70,458)</u></u>	<u><u>4,134,239</u></u>

(e) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can fund its development, lease and management of underground shopping malls, and continue to provide returns for shareholders, by pricing rental and operation rights commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

The Group monitors its capital structure on the basis of a gearing ratio, being the total of bank and interest bearing borrowings divided by the total assets. As at 31 December 2008 and 2007, the gearing ratios of the Group were Nil and 0.72%, respectively.

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

26. Employee benefit plan

Pursuant to the relevant labour rules and regulations in the PRC, the Group participates in defined contribution retirement benefit schemes (the "Schemes") organised by the relevant local government authorities in the cities the PRC subsidiaries operate. The Group is required to make contributions to the Schemes at the rate ranges from 12% to 22% of the eligible employee's salaries. The local government authorities are responsible for the entire pension obligations payable to retired employees.

The Group has no other obligation for the payment of pension benefits associated with the Schemes and other post-retirement benefits beyond the annual contributions described above.

27. Equity settled share-based transactions

Wealthy Aim Holdings Limited, which is wholly-owned by the Company's immediate holding company, Super Brilliant Investment Limited ("Super Brilliant"), adopted a share option scheme on 15 April 2008 whereby Wealthy Aim Holdings Limited invited employees of the Group, to take up options at HKD1 consideration to acquire shares of the Company from Wealthy Aim Holdings Limited. Each option gives the holder the right to acquire ordinary shares in the Company.

(a) The terms and conditions of the grants that existed during the year are as follows, whereby all options are settled by physical delivery of shares:

	Number of instruments	Vesting conditions	Contractual life of options
	'000		
Options granted to directors on:			
– 15 April 2008	195,500	15 April 2008 to 22 April 2009	15 April 2008 to 31 December 2013
– 15 April 2008	117,300	15 April 2008 to 22 April 2010	15 April 2008 to 31 December 2013
– 15 April 2008	78,200	15 April 2008 to 22 April 2011	15 April 2008 to 31 December 2013
Options granted to employees on:			
– 15 April 2008	272,000	15 April 2008 to 22 April 2009	15 April 2008 to 31 December 2013
– 15 April 2008	163,200	15 April 2008 to 22 April 2010	15 April 2008 to 31 December 2013
– 15 April 2008	108,800	15 April 2008 to 22 April 2011	15 April 2008 to 31 December 2013
	935,000		

(b) The number and weighted average exercise price of share options are as follows:

	Weighted average exercise price	Number of options
	HKD	'000
Outstanding at 1 January 2008	–	–
Granted during the year	1.34	935,000
Outstanding at 31 December 2008	1.34	935,000
Exercisable at 31 December 2008	1.34	–

The options outstanding at 31 December 2008 had an exercise price of HKD1.34 and a weighted average remaining contractual life of 60 months.

(c) Fair value of share options and assumptions

The fair value of services received in return for share options granted is measured by reference to the fair value of share options granted. The estimate of the fair value of the share options granted is measured based on a Black-Scholes Model. The contractual life of the share options is used as an input into this model. Expectations of early exercise are incorporated into the Black-Scholes Model.

	2008
Fair value at measurement date	RMB0.095
Share price	RMB0.577
Exercise price	HKD1.340
Expected volatility (expressed as weighted average volatility used in the modelling under Black-Scholes Model)	43.40%
Option life (expressed as weighted average life used in the modelling under Black-Scholes Model)	3.68years
Expected dividends	0.69%
Risk-free interest rate (based on Exchange Fund Notes)	1.788%

The expected volatility is based on the historic volatility of the share price over the most recent period, adjusted for any expected changes to future volatility based on publicly available information. Expected dividends are based on the dividends policies of the Company.

Share options were granted under a service condition. This condition has not been taken into account in the grant date fair value measurement for the services received. There were no market conditions associated with the share option grants.

28. Contingencies

(a) Guarantees

The Group has provided guarantees and made deposits to bank to assist the buyers of operation rights to obtain bank loans (Note 20). The outstanding guarantees as at 31 December 2008 and 2007 amounted to RMB294,240,000 and RMB169,003,000, respectively. The guarantees and deposit will be released accordingly along with the repayment of loan principal by the buyers.

(b) Property tax

According to the "Notice of the State Administration of Taxation on Several Issues Concerning the Levy of Property Tax on Foreign Investment Enterprises" (Guo Shui Fa [2000] No. 44), FIEs are exempted from property tax for the aerial defence project since 1 January 2000. According to "the Ministry of Finance and the State Administration of Taxation, Notice on the Levy of Property Taxes Relating to Underground Buildings with Housing Function" (Cai Shui [2005] No. 181, "No. 181"), from 1 January 2006, underground properties are subject to property tax which is levied at 12% of the related income. Currently, there are no specific tax rules or regulations stipulating whether No. 181 does not apply to FIEs and FIEs should be continually exempted from property tax. Given the PRC subsidiaries of the Group are all FIEs, and according to the tax regulations on the exemption as mentioned in Note 7(d), the Group therefore has not made any provision for property tax in this respect. If the PRC tax authorities issued any regulations in the future clarifying that the requirements of No. 181 are also applicable to FIEs, the Group needs to make property tax provision accordingly. The estimated potential impact of property tax to be recognised in profit or loss during the year amounted to RMB12,909,000 (2007: RMB6,317,000) and the estimated accumulated potential impact of property tax amounted to RMB33,278,000 as at 31 December 2008 (31 December 2007: RMB20,369,000).

29. Operating lease

(a) Leases as lessor

The Group leases out its investment properties under operating leases. The future minimum lease payments under non-cancellable leases are as follows:

	2008	2007
	RMB'000	RMB'000
Less than one year	125,544	171,199
Between one and five years	78,167	289,540
More than five years	2,154	5,882
	<u>205,865</u>	<u>466,621</u>

(b) Leases as lessee

Non-cancellable operating lease rentals are payable as follows:

	2008	2007
	RMB'000	RMB'000
Less than one year	11,528	567
Between one and five years	16,909	1,800
More than five years	900	1,163
	<u>29,337</u>	<u>3,530</u>

30. Capital commitments

As at 31 December 2008 and 2007, the Group has the following commitments in respect of the construction of underground shopping mall not provided for in the financial statements:

	2008	2007
	RMB'000	RMB'000
Contracted for	317,140	107,949
Authorised but not contracted for	139,329	–
	<u>456,469</u>	<u>107,949</u>

31. Financial risk management and fair values

Exposure to credit, liquidity, interest rate and currency risks arises in the normal course of the Group's business. The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

(a) Credit risk

Cash is deposited with financial institutions with acceptable credit quality. Except for cash of the Group's PRC subsidiaries deposited in the PRC banks, cash in the Group's subsidiaries outside PRC was deposited in The Hongkong and Shanghai Banking Corporation Limited and China Merchants Bank. Management does not expect any of these financial institutions will fail to meet their obligations.

The Group's credit risk is primarily attributable to trade and other receivables. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

Credit evaluations are performed on all customers requiring credit over a certain amount. Given the Group requests the tenants to pay rental and other service fees in advance, the credit risks of rental and service fee receivables are considered low. In respect of the balances of trade receivables due from the buyers of the operation rights, the Group normally arranges bank financing for buyers up to 70% of the total purchase price and provides guarantee to secure repayment obligations of the buyers. For details of the guarantee, please refer to Note 28(a).

As at 31 March 2009, RMB285,460,000 of trade receivables have been collected and the directors of the Company are of the opinion that the remaining balance of trade receivables is collectible once the mortgage loans are obtained from banks and no impairment is considered necessary.

If a buyer fails to repay the bank loans, the bank may demand the Group to repay the outstanding amount of the loans and any unpaid interests thereon. Under such circumstances, the Group is able to transfer the operation rights to other buyers to recover any amounts paid by the Group to the bank but there can be no assurance that the price of the transfer of operation rights can be equal to or greater than the amount of loan principals and interests requested by the bank.

(b) Liquidity risk

The Group manages cash including the short term investment of cash surpluses and the raising of loans to cover expected cash demands on a group basis. The Group’s policy is to regularly monitor its liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and readily realisable marketable securities and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

The following table details the remaining contractual maturities at the balance sheet date of the Group’s and the Company’s financial liabilities which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the balance sheet date) and the earliest date the Group and the Company can be required to pay:

	2008					2007				
	Contractual undiscounted cash outflow					Contractual undiscounted cash outflow				
	Balance sheet carrying amount	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	Total	Balance sheet carrying amount	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
The Group										
Bank loans	-	-	-	-	-	19,184	(19,184)	-	-	(19,184)
Trade and other payables, excluding receipt in advance ..	406,579	(406,579)	-	-	(406,579)	151,335	(151,335)	-	-	(151,335)
	<u>406,579</u>	<u>(406,579)</u>	<u>-</u>	<u>-</u>	<u>(406,579)</u>	<u>170,519</u>	<u>(170,519)</u>	<u>-</u>	<u>-</u>	<u>(170,519)</u>
The Company										
Trade and other payables	33,909	(33,909)	-	-	(33,909)	13,335	(13,335)	-	-	(13,335)

(c) Interest rate risk

The interest rates on the Group’s interest-bearing loans are on fixed rate basis. No sensitivity analysis is prepared accordingly.

As at 31 December 2008, it is estimated that a general increase/decrease of 100 basis point in bank deposit interest rates, with all other variable held constant, would increase/decrease the Group’s profit after tax and retained earnings by approximately RMB30,066,000 (31 December 2007: RMB14,237,000).

Given the current turbulent market, the estimated increase/decrease in interest rates are based on the Group’s best estimate considering the historical information and the forecast of the future economic situation. The actual interest rate fluctuation may be different from the Group’s estimate.

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the balance sheet date and had been applied to the exposure to interest rate risk for non-derivative financial instruments in existence at that date. The 100 basis point increase or decrease represents management’s assessment of a reasonable possible change in respective interest rates over the period until the next annual balance sheet date.

(d) Foreign currency risk

RMB is not freely convertible into foreign currencies. All foreign exchange transactions involving RMB must take place through the People's Bank of China ("PBOC") or other institutions authorised to buy and sell foreign exchange. The exchange rate adopted for the foreign exchange transactions are the rates of exchange quoted by the PBOC that would be subject to a managed float against an unspecified basket of currencies.

Foreign currency payments, including the remittance of earnings outside the PRC, are subject to the availability of foreign currency (which depends on the foreign currency denominated earnings of the Group) or must be arranged through the PBOC with government approval.

All the Group's cash and bank balances in RMB were placed with banks in the PRC. RMB is not a freely convertible currency and the remittance of funds out of the PRC is subject to the exchange restriction imposed by the PRC government.

All the revenue-generating operations of the Group are transacted in RMB. The Group is exposed to foreign currency risk on financing transactions denominated in currencies other than the functional currency of the PRC subsidiaries (RMB) and the overseas group entities (HKD). Depreciation or appreciation of the RMB and HKD against foreign currencies can affect the Group's results. The Group did not hedge its foreign currency exposure.

The following table details the Group's and the Company's recognised assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate.

The Group	2008		2007	
	United State Dollars	Hong Kong Dollars	United State Dollars	Hong Kong Dollars
	'000	'000	'000	'000
Cash and cash equivalents	54,674	274,549	133,919	4,555

The Company	2008	2007
	United State Dollars	United State Dollars
	'000	'000
Cash and cash equivalents	6	133,919

The following table indicates the approximate change in the Group's profit after tax in response to reasonably possible changes in the foreign exchange rates to which the Group has significant exposure at the balance sheet date. This analysis assumes that all other variables, in particular interest rates, remain constant.

	2008		2007	
	Increase/ (decrease) in foreign exchange rates	Increase/ (decrease) in profit after tax	Increase/ (decrease) in foreign exchange rates	Increase/ (decrease) in profit after tax
		RMB'000		RMB'000
HKD	0.4%	(1,495)	0.4%	(3,913)
	(0.4)%	1,495	(0.4)%	3,913
RMB	5%	(23,396)	-	-
	(5)%	23,396	-	-

Given the current turbulent market, the reasonably possible changes estimated by the Group are based on the Group's best estimate considering the historical information and the forecast of the future economic situation. Actual changes in foreign exchange rates may be different from the Group's estimate.

(e) Fair values

The carrying amounts of significant financial assets and liabilities approximate their respective fair values as at 31 December 2008.

The method and major assumptions used in estimating the fair value of the share options granted to employees of the Group are set out in Note 27.

32. Material related party transactions and balances

(a) Key management personnel remuneration

Remuneration for key management personnel of the Group, including amounts paid to the Company's directors as disclosed in Note 9 and certain of the highest paid employees as disclosed in Note 10, is as follows:

	2008	2007
	RMB'000	RMB'000
Salaries and other emoluments	31,342	1,623
Retirement plan contributions	105	19
Equity settled share-based payment	22,326	–
	<u>53,773</u>	<u>1,642</u>

(b) Material related party transactions

	2008	2007
	RMB'000	RMB'000
Advances to related parties		
– Directors	5	1,008
– Harbin Renhe Group Co. Ltd. (Note (i))	10	201,507
– Other related parties (Note (ii))	417	127,039
Repayments from related parties		
– Directors	5	233
– Harbin Renhe Group Co. Ltd. (Note (i))	110,149	129,680
– Other related parties (Note (ii))	6,434	252,713
Advances from related parties		
– Directors	89	14
– Harbin Renhe Group Co. Ltd. (Note (i))	777	84,645
– Other related parties (Note (ii))	948	26,189
Repayments to related parties		
– Directors	14,249	1,800
– Harbin Renhe Group Co. Ltd. (Note (i))	23,724	81,090
– Other related parties (Note (ii))	11,631	58,213
Repayments of bank loan by Harbin Renhe Group Co. Ltd. on behalf of the Group	–	196,000
Operating lease to		
– Directors	19	19
– Other related parties	397	285
Operating lease from		
– Other related parties	1,609	–
Guarantee provided to related parties (Note (iii))	–	80,000

(c) Related party balances

		2008	2007
	Note	RMB'000	RMB'000
Amounts due from related parties			
– Directors		–	1,000
– Harbin Renhe Group Co. Ltd.	(i)	–	169,710
– Other related parties	(ii)	–	208,089
		<u>–</u>	<u>378,799</u>
Amount due to related parties			
– Directors		–	14,160
– Harbin Renhe Group Co. Ltd.	(i)	–	3,555
– Other related parties	(ii)	–	11,627
		<u>–</u>	<u>29,342</u>

- (i) Harbin Renhe Group Co., Ltd. is a company controlled by Mr. Dai Yongge, the Company's director. The advances to/from Harbin Renhe Group Co., Ltd. represent non-trade fundings to/from Harbin Renhe Group Co., Ltd., which are unsecured, interest free and have no fixed repayment terms.
- (ii) The advances to/from other related parties are unsecured, interest free and have no fixed repayment terms. According to agreements signed among the Group, Harbin Renhe Group Co., Ltd. and other related parties in December 2007, certain balances of amounts due to/from other related parties were transferred to Harbin Renhe Group Co., Ltd., which has been settled during the year.
- (iii) The Group provided guarantee to related parties for bank loans. The guarantee was released in the year 2008.

33. Possible impact of amendments, new standards and interpretations issued but not yet adopted

Up to the date of issue of these financial statements, the IASB has issued a number of amendments, new standards and interpretations which are not yet effective for the year ended 31 December 2008 and which have not been adopted in these financial statements.

The Group is in the process of making an assessment of what the impact of these amendments, new standards and new interpretations is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the Group's or the Company's results of operations and financial position.

In addition, IFRS 8, "Operating Segments" and revised IAS 1, "Presentation of financial statements", which are effective for annual periods beginning on or after 1 January 2009, may result in new or amended disclosures in the financial statements.

34. Ultimate holding company

The directors of the Company consider the ultimate holding company of the Company as at 31 December 2008 to be Shining Hill Investments Limited, which is incorporated in British Virgin Islands.

35. Accounting estimates and judgements

The Group's financial condition and results of operations are sensitive to accounting methods, assumptions and estimates that underlie the preparation of the Financial Information. The Group bases the assumptions and estimates on historical experience and on various other assumptions that the Group believes to be reasonable and which form the basis for making judgements about matters that are not readily apparent from other sources. On an on-going basis, management evaluates its estimates. Actual results may differ from those estimates as facts, circumstances and conditions change.

The selection of critical accounting policies, the judgements and other uncertainties affecting application of those policies and the sensitivity of reported results to changes in conditions and assumptions are factors to be considered when reviewing the Financial Information. The significant accounting policies are set forth in Note (2). The Group believes the following critical accounting policies involve the most significant judgements and estimates used in the preparation of the Financial Information.

(a) Impairment losses for bad and doubtful debts

The Group estimates impairment losses for bad and doubtful debts resulting from the inability of the customers and other debtors to make the required payments. The Group bases the estimates on the aging of the receivable balance, debtors creditworthiness, and historical write-off experience. If the financial condition of the customers and debtors were to deteriorate, actual write-offs would be higher than estimated.

(b) Impairment losses of non-current assets

If circumstances indicate that the net book value of a non-current asset may not be recoverable, the asset may be considered "impaired", and an impairment loss may be recognised in accordance with IAS 36 "Impairment of Assets". The carrying amounts of non-current assets are reviewed periodically in order to assess whether the recoverable amounts have declined below the carrying amounts. These assets are tested for impairment whenever events or changes in circumstances indicate that their recorded carrying amounts may not be recoverable. When such a decline has occurred, the carrying amount is reduced to recoverable amount. The recoverable amount is the greater of the net selling price and the value in use. It is difficult to precisely estimate selling price because quoted market prices for the Group's assets are not readily available. In determining the value in use, expected cash flows generated by the asset are discounted to their present value, which requires significant judgement relating to level of sales volume, selling price and amount of operating costs. The Group uses all readily available information in determining an amount that is a reasonable approximation of recoverable amount, including estimates based on reasonable and supportable assumptions and projections of sale volume, selling price and amount of operating costs.

(c) Depreciation

Property and equipment and investment properties are depreciated on a straight-line basis over the estimated useful lives, after taking into account the estimated residual value. The Group reviews the estimated useful lives of the assets regularly in order to determine the amount of depreciation expense to be recorded during any reporting period. The useful lives are based on the Group's historical experience with similar assets and taking into account anticipated technological changes. The depreciation expense for future periods is adjusted if there are significant changes from previous estimates.

Four Years Financial Summary

	Year ended 31 December			
	2005	2006	2007	2008
	RMB'000	RMB'000	RMB'000	RMB'000
RESULTS				
Revenue	65,162	162,662	366,495	3,050,281
Cost of sales	(17,072)	(38,047)	(81,138)	(530,196)
Gross profit	48,090	124,615	285,357	2,520,085
Gross profit %	73.80%	76.61%	77.86%	82.62%
Other operating income	7,919	5,214	54,237	61,827
Administrative expenses	(8,089)	(15,540)	(12,892)	(108,888)
Other operating expenses	(12,880)	(33,436)	(34,032)	(73,578)
Profit from operations	35,040	80,853	292,670	2,399,446
Finance income	13	378	3,131	19,046
Finance expenses	(15,421)	(15,261)	(17,835)	(12,534)
Net finance (expense)/income	(15,408)	(14,883)	(14,704)	6,512
Profit before income tax	19,632	65,970	277,966	2,405,958
Income tax	(7,728)	(17,480)	(11,291)	(502,940)
Profit for the year	<u>11,904</u>	<u>48,490</u>	<u>266,675</u>	<u>1,903,018</u>

	As at 31 December			
	2005	2006	2007	2008
	RMB'000	RMB'000	RMB'000	RMB'000
ASSETS AND LIABILITIES				
Total assets	872,217	1,638,817	2,659,938	7,343,161
Total liabilities	(701,214)	(1,417,579)	(768,324)	(979,492)
Total equity attributable to equity shareholders of the Company	<u>171,003</u>	<u>221,238</u>	<u>1,891,614</u>	<u>6,363,669</u>



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Hong Kong

September 30, 2008

The Directors
Renhe Commercial Holdings Company Limited
BOCI Asia Limited
The Hongkong and Shanghai Banking Corporation Limited
Morgan Stanley Asia Limited
UBS AG

Dear Sirs,

Introduction

We set out below our report on the financial information relating to Renhe Commercial Holdings Company Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group"), including the consolidated income statements, the consolidated statements of changes in equity and the consolidated statements of cash flows of the Group for each of the three years ended December 31, 2005, 2006 and 2007, and the three months ended March 31, 2008 (the "Track Record Period"), and the consolidated balance sheets of the Group as at December 31, 2005, 2006 and 2007 and March 31, 2008, and the balance sheets of the Company as at December 31, 2007 and March 31, 2008, together with a summary of significant accounting policies and other explanatory notes thereto (the "Financial Information") for inclusion in the prospectus of the Company dated September 30, 2008 (the "Prospectus") in connection with the initial listing of the Company's shares on the Main Board of The Stock Exchange of Hong Kong Limited (the "Main Board").

The Company was incorporated in the Cayman Islands on November 20, 2007 and registered as an exempted company with limited liability under the Companies Law Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. Pursuant to a group reorganization (the "Reorganization") as detailed in the section headed "History and Reorganization" in the Prospectus, the Company became the holding company of the subsidiaries now comprising the Group, details of which are set out in Section A below. The Company has not carried on any business since the date of its incorporation save for the Reorganization.

The statutory financial statements for each of the three years ended December 31, 2005, 2006 and 2007 or for the financial periods since the respective dates of establishment, where this is a shorter period, in respect of the following companies, all of which were established and operate in the People's Republic of China (the "PRC"), were prepared in accordance with the relevant accounting rules and regulations applicable to enterprises established in the PRC and were audited by the respective statutory auditors as indicated below:

Name of Company	Financial Period	Auditor (ii)
Harbin Renhe Public Facilities Co., Ltd. ("Harbin Renhe Public") (i)	Year ended December 31, 2005	Beijing Yongtuo Certified Public Accountant Co., Ltd.
	Year ended December 31, 2006	Heilongjiang Zeming Certified Public Accountant Co., Ltd.
	Year ended December 31, 2007	Beijing Yongtuo Certified Public Accountant Co., Ltd.

Name of Company	Financial Period	Auditor (ii)
Harbin Baorong Public Facilities Co., Ltd. ("Harbin Baorong") (i)	Year ended December 31, 2005	Beijing Yongtuo Certified Public Accountant Co., Ltd.
	Year ended December 31, 2006	Heilongjiang Zeming Certified Public Accountant Co., Ltd.
	Year ended December 31, 2007	Beijing Yongtuo Certified Public Accountant Co., Ltd.
Harbin Renhe Century Public Facilities Co., Ltd. ("Harbin Renhe Century") (i)	Year ended December 31, 2005, 2006 and 2007	Beijing Yongtuo Certified Public Accountant Co., Ltd.
Guangzhou Renhe New World Public Facilities Co., Ltd. ("Guangzhou Renhe")	Year ended December 31, 2005, 2006 and 2007	Guangdong Shu Cheng Certified Public Accountants Co., Ltd.
Zhengzhou Renhe New World Investment Management Co., Ltd. ("Zhengzhou Renhe")	Year ended December 31, 2007	Henan Lixin Xingyu Certified Public Accountant Co., Ltd.

(i) The English translation of the names is for reference only. The official names of these entities are in Chinese.

(ii) These firms of certified public accountant are registered in the PRC. The English translation of the names is for reference only. The official names of these firms are in Chinese.

Except for the above, no audited financial statements have been prepared for the Company and other subsidiaries of the Company for each of the three years ended December 31, 2005, 2006 and 2007, as these companies are not subject to statutory audit requirements in their jurisdiction of incorporation. We have, however, reviewed all significant transactions of these companies from their respective dates of incorporation to March 31, 2008 for the purpose of this report. No audited financial statements have been prepared for the Company and its subsidiaries for the three months ended March 31, 2008.

Basis of preparation

The Financial Information has been prepared by the directors of the Company based on the audited financial statements or, where appropriate, unaudited management accounts of the companies now comprising the Group on the basis set out in Section A below, after making such adjustments as are appropriate. Adjustments have been made, for the purpose of this report, to restate these financial statements to conform with the accounting policies referred to in Section C, which are in accordance with International Financial Reporting Standards ("IFRSs") promulgated by the International Accounting Standards Board ("IASB") and the disclosure requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

Directors' responsibility for the Financial Information

The directors of the Company are responsible for the preparation and the true and fair presentation of the Financial Information in accordance with IFRSs. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of Financial Information that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Reporting accountants' responsibility

Our responsibility is to express an opinion on the Financial Information based on our audit. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and we have carried out such additional procedures as we considered necessary in accordance with the Auditing Guideline "Prospectuses and the Reporting Accountant" (Statement 3.340) issued by the HKICPA. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the Financial Information is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Financial Information. The procedures selected depend on the reporting accountant's judgement, including the assessment of the risks of material misstatement of the Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountant considers internal control relevant to the entity's preparation and true and fair presentation of the Financial Information in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Financial Information.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

We have not audited any financial statements of the companies now comprising the Group in respect of any period subsequent to March 31, 2008.

Opinion

In our opinion, for the purpose of this report and on the basis of presentation set out in Section A below, all adjustments considered necessary have been made and the Financial Information gives a true and fair view of the Group's consolidated results and cash flows for the Track Record Period and the Group's consolidated state of affairs as at December 31, 2005, 2006, 2007 and March 31, 2008, and of the Company's state of the affairs as at December 31, 2007 and March 31, 2008.

Comparative financial information

For the purpose of this report, we have also reviewed the unaudited financial information of the Group including the consolidated income statement, the consolidated statement of changes in equity and the consolidated statement of cash flows for the three months ended March 31, 2007, together with the notes thereon (the "March 31, 2007 Corresponding Information"), for which the directors are responsible, in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA. Our responsibility is to express a conclusion on the March 31, 2007 Corresponding Information based on our review.

A review consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly we do not express an audit opinion on the March 31, 2007 Corresponding Information.

Based on our review, for the purpose of this report, nothing has come to our attention that causes us to believe that the March 31, 2007 Corresponding Information is not prepared, in all material respects, in accordance with the same basis adopted in respect of the Financial Information.

A. Basis of Presentation

The Financial Information set out in this report has been prepared in accordance with IFRSs and its interpretations promulgated by the IASB. This Financial Information also complies with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

Because the ultimate controlling equity holder which controlled the Group before and after the Reorganization is the same, the Financial Information has been prepared as a reorganization of business under common control. Accordingly, the relevant assets and liabilities of the companies comprising the Group have been recognized at historical cost except for assets/liabilities which are stated at their fair value in accordance with the accounting policies as described in Section C(1).

The consolidated income statements, consolidated statements of changes in equity and the consolidated statements of cash flows of the Group as set out in section B(1), B(3) and B(4), respectively include the results of operations of the companies comprising the Group for the Track Record Period (or where the companies were incorporated/established at a date later than January 1, 2005, for the period from the date of incorporation/establishment to March 31, 2008), as if the current group structure has been in existence throughout the entire Track Record Period. The consolidated balance sheets as at December 31, 2005, 2006, 2007 and March 31, 2008 as set out in Section B(2) have been prepared to present the state of affairs of the companies comprising the Group as at the respective dates as if the current group structure had been in existence as at the respective dates.

All material intra-group transactions and balances have been eliminated on consolidation.

As at March 31, 2008 the Company had direct or indirect interests in the following subsidiaries, which are private companies, particulars of which are set out below:

Name of subsidiary	Place and date of incorporation/ establishment	Issued/ paid-in capital	Attributable equity interest		Principal activities
			Direct	Indirect	
Fine Genius Enterprises Limited	British Virgin Islands October 25, 2007	USD1	100%	–	Investment holding
Billion Luck Enterprises Limited	British Virgin Islands September 27, 2007	USD1	–	100%	Investment holding
Fast Reach Group Limited	British Virgin Islands September 12, 2007	USD1	–	100%	Investment holding
King Wealthy Enterprises Limited	British Virgin Islands August 30, 2007	USD1	–	100%	Investment holding
Superb Power Enterprises Limited	British Virgin Islands September 27, 2007	USD1	–	100%	Investment holding
Victory Faith Group Limited	British Virgin Islands September 27, 2007	USD1	–	100%	Investment holding
Blooming Future Group Limited	British Virgin Islands November 28, 2007	USD1	–	100%	Investment holding
Bright Smart Holdings Limited	British Virgin Islands December 3, 2007	USD1	–	100%	Investment holding

Name of subsidiary	Place and date of incorporation/ establishment	Issued/ paid-in capital	Attributable equity interest		Principal activities
			Direct	Indirect	
Cheerfar Enterprises Limited	British Virgin Islands January 8, 2008	USD1	–	100%	Investment holding
Easy Cheer Enterprises Limited	British Virgin Islands January 4, 2008	USD1	–	100%	Investment holding
Magic Dynasty Enterprises Limited	British Virgin Islands December 7, 2007	USD1	–	100%	Investment holding
Mega Thru Enterprises Limited	British Virgin Islands January 3, 2008	USD1	–	100%	Investment holding
Joyous Rise Enterprises Limited	British Virgin Islands November 29, 2007	USD1	–	100%	Investment holding
Renhe Commercial Management Limited	Hong Kong December 18, 2007	HKD1	–	100%	Investment holding
China Supreme Investments Limited	Hong Kong September 14, 2007	HKD1	–	100%	Investment holding
Global Home Limited	Hong Kong September 21, 2007	HKD1	–	100%	Investment holding
Gold Track Group Limited	Hong Kong September 14, 2007	HKD1	–	100%	Investment holding
Longain Park Limited	Hong Kong September 14, 2007	HKD1	–	100%	Investment holding
Star Legend Group Limited	Hong Kong September 14, 2007	HKD1	–	100%	Investment holding
Summer Joy Investments Limited	Hong Kong September 14, 2007	HKD1	–	100%	Investment holding
Best Record Investments Limited	Hong Kong December 4, 2007	HKD1	–	100%	Investment holding
Easy Trip Limited	Hong Kong January 2, 2008	HKD1	–	100%	Investment holding
Great Peaceful Limited	Hong Kong January 2, 2008	HKD1	–	100%	Investment holding
Lead Wealthy Limited	Hong Kong January 2, 2008	HKD1	–	100%	Investment holding
New Peace Limited	Hong Kong January 2, 2008	HKD1	–	100%	Investment holding

Name of subsidiary	Place and date of incorporation/ establishment	Issued/ paid-in capital	Attributable equity interest		Principal activities
			Direct	Indirect	
Upper Choice Investments Limited	Hong Kong December 3, 2007	HKD1	-	100%	Investment holding
Harbin Renhe Public (i)	Harbin, the PRC January 11, 1992	RMB10,000,000	-	100%	Development, lease and management of underground shopping mall
Harbin Baorong	Harbin, the PRC October 24, 2000	RMB60,000,000	-	100%	Development, lease and management of underground shopping mall
Harbin Renhe Century	Harbin, the PRC March 7, 2003	RMB30,000,000	-	100%	Development, lease and management of underground shopping mall
Guangzhou Renhe	Guangzhou, the PRC August 3, 2005	RMB35,000,000	-	100%	Development, lease and management of underground shopping mall
Zhengzhou Renhe	Zhengzhou, the PRC May 15, 2007	RMB50,000,000	-	100%	Development, lease and management of underground shopping mall

- (i) Since its establishment and as of March 31, 2008, the equity interest in Harbin Renhe Public is held by the Company and Harbin Nanfang Underground Engineering Development Services Company ("Harbin Nanfang") equally. Harbin Nanfang has not made capital contribution to Harbin Renhe Public as otherwise required under the joint venture contract. According to the relevant PRC regulations and the PRC lawyer's opinion, Harbin Nanfang is not entitled to enjoy any owner's rights and benefits in Harbin Renhe Public. Accordingly, the Company has 100% effective equity interest in Harbin Renhe Public.

B. Financial Information

1. Consolidated Income Statements

	Section C	Years ended December 31,			Three months ended March 31,	
		2005	2006	2007	2007	2008
		RMB in thousands	RMB in thousands	RMB in thousands	RMB in thousands	RMB in thousands
						(unaudited)
Revenue	2	65,162	162,662	366,495	230,251	409,758
Cost of sales	3	(17,072)	(38,047)	(81,138)	(52,846)	(86,813)
Gross profit		48,090	124,615	285,357	177,405	322,945
Other operating income.....	4	7,919	5,214	54,237	9,243	21,766
Administrative expenses.....		(8,089)	(15,540)	(12,892)	(2,450)	(5,005)
Other operating expenses		(12,880)	(33,436)	(34,032)	(8,016)	(8,686)
Profit from operations		35,040	80,853	292,670	176,182	331,020
Finance income		13	378	3,131	645	7,737
Finance expenses.....		(15,421)	(15,261)	(17,835)	(4,382)	(2,257)
Net finance						
(expense)/income	5(b)	(15,408)	(14,883)	(14,704)	(3,737)	5,480
Profit before income tax ..	5	19,632	65,970	277,966	172,445	336,500
Income tax	6	(7,728)	(17,480)	(11,291)	(1,841)	(57,491)
Profit for the year/period ..		11,904	48,490	266,675	170,604	279,009
Attributable to equity holders of the Company		11,904	48,490	266,675	170,604	279,009
Dividends payable to equity holders of the Company attributable to the year/period:						
Final dividend declared after the balance sheet date	9(a)	23,713	–	257,212	–	–
Earnings per share (RMB cents)	10	0.07	0.29	1.57	1.00	1.64

The accompanying notes form part of the Financial Information.

2. Consolidated Balance Sheets

	Section C Note	At December 31,			At March 31,
		2005	2006	2007	2008
		RMB in thousands	RMB in thousands	RMB in thousands	RMB in thousands
Non-current assets					
Property and equipment.....	11	97,490	5,659	35,231	134,653
Investment properties.....	12	170,610	488,572	455,187	377,846
Land use rights.....	13	7,307	54,337	48,389	39,147
Restricted bank deposits	16	–	183,537	156,487	147,349
Total non-current assets.....		<u>275,407</u>	<u>732,105</u>	<u>695,294</u>	<u>698,995</u>
Current assets					
Inventories.....	14	–	38,376	–	–
Trade and other receivables.....	15	62,621	38,201	18,180	27,616
Amounts due from related parties .	27(c)	514,849	778,677	378,799	364,930
Restricted bank deposits	16	–	45,554	50,218	49,169
Cash and cash equivalents.....	17	19,340	5,904	1,517,447	1,334,637
Total current assets.....		<u>596,810</u>	<u>906,712</u>	<u>1,964,644</u>	<u>1,776,352</u>
Current liabilities					
Loans	18	176,120	214,759	19,184	–
Trade and other payables.....	19	412,857	868,747	670,009	263,038
Amounts due to related parties.....	27(c)	30,920	239,552	29,342	6,005
Rental deposits	20	–	39,455	454	1,833
Current taxation	21(a)	3,170	13,006	13,443	38,813
Dividends payable.....		26,934	29,879	23,879	281,091
Total current liabilities.....		<u>650,001</u>	<u>1,405,398</u>	<u>756,311</u>	<u>590,780</u>
Net current (liabilities)/assets....		<u>(53,191)</u>	<u>(498,686)</u>	<u>1,208,333</u>	<u>1,185,572</u>
Total assets less current liabilities		<u>222,216</u>	<u>233,419</u>	<u>1,903,627</u>	<u>1,884,567</u>
Non-current liabilities					
Loans	18	16,513	–	–	–
Long term rental deposits	20	34,700	12,181	12,013	7,712
Deferred tax liabilities	21(b)	–	–	–	14,455
Total non-current liabilities.....		<u>51,213</u>	<u>12,181</u>	<u>12,013</u>	<u>22,167</u>
Net assets.....		<u>171,003</u>	<u>221,238</u>	<u>1,891,614</u>	<u>1,862,400</u>
Equity					
Issued/combined paid-in capital.....	22(a)	109,545	135,000	17	17
Capital surplus.....	22(b)	37,317	37,320	37,320	37,320
Reserve fund	22(c)	14,880	20,071	44,716	45,590
Retained earnings.....		9,261	28,847	270,877	291,800
Exchange reserve		–	–	(6,685)	(57,696)
Share premium	22(d)	–	–	1,416,665	1,416,665
Merger reserves.....	22(e)	–	–	128,704	128,704
Total equity attributable to equity holders.....		<u>171,003</u>	<u>221,238</u>	<u>1,891,614</u>	<u>1,862,400</u>

The accompanying notes form part of the Financial Information.

3. Consolidated Statements of Changes in Equity

Section C	Issued/ combined	paid-in capital	Capital surplus	Reserve fund	Retained earnings	Exchange reserve	Share premium	Merger reserves	Total
		RMB in thousands	RMB in thousands	RMB in thousands	RMB in thousands	RMB in thousands	RMB in thousands	RMB in thousands	RMB in thousands
	Note	22(a)	22(b)	22(c)			22(d)	22(e)	
At January 1, 2005		85,000	37,298	12,802	22,537	-	-	-	157,637
Capital injection	22(a)	24,545	19	-	-	-	-	-	24,564
Profit for the year		-	-	-	11,904	-	-	-	11,904
Transfer to reserve fund....		-	-	2,078	(2,078)	-	-	-	-
Dividends to equity holders	9(b)	-	-	-	(23,102)	-	-	-	(23,102)
At December 31, 2005		109,545	37,317	14,880	9,261	-	-	-	171,003
Capital injection	22(a)	25,455	3	-	-	-	-	-	25,458
Profit for the year		-	-	-	48,490	-	-	-	48,490
Transfer to reserve fund....		-	-	5,191	(5,191)	-	-	-	-
Dividends to equity holders	9(b)	-	-	-	(23,713)	-	-	-	(23,713)
At December 31, 2006		135,000	37,320	20,071	28,847	-	-	-	221,238
Capital injection	22(a)	7,704	-	-	-	-	-	-	7,704
Profit for the year		-	-	-	266,675	-	-	-	266,675
Transfer to reserve fund....		-	-	24,645	(24,645)	-	-	-	-
Paid-in capital of the subsidiaries after elimination of investments in these subsidiaries		(142,704)	-	-	-	-	-	128,704	(14,000)
Issue of shares		17	-	-	-	-	1,416,665	-	1,416,682
Exchange difference on translation of financial statements of foreign operations		-	-	-	-	(6,685)	-	-	(6,685)
At December 31, 2007		17	37,320	44,716	270,877	(6,685)	1,416,665	128,704	1,891,614
Profit for the period		-	-	-	279,009	-	-	-	279,009
Transfer to reserve fund....		-	-	874	(874)	-	-	-	-
Dividends to equity holders	9(b)	-	-	-	(257,212)	-	-	-	(257,212)
Exchange difference on translation of financial statements of foreign operations		-	-	-	-	(51,011)	-	-	(51,011)
At March 31, 2008		17	37,320	45,590	291,800	(57,696)	1,416,665	128,704	1,862,400

The accompanying notes form part of the Financial Information.

4. Consolidated Statements of Cash Flows

Section C Note	Years ended December 31,			Three months ended March 31,	
	2005	2006	2007	2007	2008
	RMB in thousands	RMB in thousands	RMB in thousands	RMB in thousands	RMB in thousands
				(unaudited)	
Operating activities					
Profit for the year/period	11,904	48,490	266,675	170,604	279,009
Adjustments for:					
Depreciation	17,648	23,596	38,193	9,900	8,063
Amortization	205	289	1,257	314	257
Waived bank loan	–	–	–	–	(10,684)
Net finance expense/(income)	15,408	14,883	14,704	3,737	(5,480)
Loss/(gain) on sales of property and equipment	–	212	(3,658)	–	–
Income tax	7,728	17,480	11,291	1,841	57,491
Operating profit before changes in working capital	52,893	104,950	328,462	186,396	328,656
(Increase)/decrease in restricted bank deposits	–	(229,091)	22,386	(24,153)	10,187
(Increase)/decrease in trade and other receivables	(1,749)	1,734	(5,513)	(8,468)	(10,721)
Increase/(decrease) in trade and other payables	217,049	395,601	(152,526)	(146,888)	(326,885)
(Increase)/decrease in inventories	–	(38,376)	38,376	38,376	–
Income tax paid	(6,801)	(7,644)	(10,854)	(1,918)	(17,666)
Net cash generated from/ (used in) operating activities	261,392	227,174	220,331	43,345	(16,429)
Investing activities					
Proceeds from sales of property and equipment	–	–	4,536	–	–
Interest received	13	378	3,131	645	7,737
Purchase of property and equipment	(83,413)	(3,404)	(14,901)	(1,515)	(1,599)
Purchase of land use rights ..	–	(47,857)	–	–	–
Additions to investment properties	(2,612)	(161,953)	(89,936)	(44,265)	(113,755)
Advances to related parties ..	(416,722)	(797,024)	(329,554)	(121,860)	(432)
Repayments from related parties	323,502	533,196	382,626	133,720	14,301
(Advances to)/repayments from third parties	(33,015)	17,302	(33,862)	1,691	10,000
Net cash used in investing activities	(212,247)	(459,362)	(77,960)	(31,584)	(83,748)

The accompanying notes form part of the Financial Information.

Section C	Years ended December 31,			Three months ended March 31,	
	2005	2006	2007	2007	2008
	RMB in thousands	RMB in thousands	RMB in thousands	RMB in thousands	RMB in thousands
				(unaudited)	
Financing activities					
Capital contribution from equity holders.....	24,564	25,458	1,437,721	-	-
Advances from related parties.....	136,194	379,001	110,848	13,655	1,814
Repayments to related parties.....	(138,682)	(182,204)	(141,103)	(21,061)	(25,151)
Advances from third parties .	19	5,255	10,400	-	-
Repayments to third parties.....	19	(15,806)	-	(8,200)	-
(Repayments)/receipt of loans	(15,907)	20,880	(1,000)	-	(8,500)
Dividends paid.....	(11,301)	(20,768)	(6,000)	-	-
Interest paid.....	(14,236)	(14,015)	(16,409)	(4,059)	215
Net cash (used in)/from financing activities.....	(29,919)	218,752	1,375,857	(11,465)	(31,622)
Net increase/(decrease) in cash and cash equivalents.....	19,226	(13,436)	1,518,228	296	(131,799)
Cash and cash equivalents at beginning of year/period.....	114	19,340	5,904	5,904	1,517,447
Effect of foreign exchange rate changes .	-	-	(6,685)	-	(51,011)
Cash and cash equivalents at end of year/period.....	19,340	5,904	1,517,447	6,200	1,334,637

The accompanying notes form part of the Financial Information.

C. Notes to the Financial Information

1. Summary of significant accounting policies

(a) Statement of compliance

The Financial Information set out in this report has been prepared in accordance with IFRSs and its interpretations promulgated by the IASB. This Financial Information also complies with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The IASB has issued a number of new and revised IFRSs. For the purpose of preparing this Financial Information, the Group has adopted all these new and revised IFRSs to the Track Record Period, except for any new standards or interpretations that are not yet effective for the accounting period ended March 31, 2008. The revised and new accounting standards and interpretations issued but not yet effective for the accounting period ended March 31, 2008 are set out in note 32.

(b) Basis of preparation of the Financial Information

The Financial Information is presented in Renminbi ("RMB"), rounded to the nearest thousand, which is the functional currency of the subsidiaries carrying on the principle activities of the Group. The Company and its overseas subsidiaries' functional currency is Hong Kong dollar ("HKD"). Since the Group's operations are conducted in the PRC, the Group has adopted RMB as its presentation currency.

The Financial Information has been prepared on the historical cost basis except where stated otherwise in the accounting policies set out below.

(c) Use of estimates and judgements

The preparation of Financial Information in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Judgements made by management in the application of IFRSs that have significant effect on the Financial Information and estimates with a significant risk of material adjustment in the next year are discussed in note 29.

The accounting policies set out below have been applied consistently to all periods presented in this Financial Information.

(d) Subsidiaries

(i) Subsidiaries

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity, so as to obtain benefits from its activities. In assessing control, potential voting rights that currently are exercisable are taken into account. The financial statements of subsidiaries are included in the Financial Information from the date that control commences until the date that control ceases.

(ii) Transactions eliminated on consolidation

Intra-group balances and transactions and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the Financial Information. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

(e) Foreign currency

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at the exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortized cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortized cost in foreign currency translated at the exchange rate at the end of the year. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on retranslation are recognised in profit or loss.

The results of foreign operations are translated to RMB at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Balance sheet items including goodwill are translated to RMB at exchange rates at the reporting date. The resulting exchange differences are recognised directly in a separate component of equity.

(f) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition.

(g) Trade and other receivables

Trade and other receivables are initially recognised at fair value and thereafter stated at amortized cost less impairment losses for bad and doubtful debts (note 1(l)).

(h) Investment properties

Investment properties are properties held to earn rental income, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes. Investment properties are measured at cost less accumulated depreciation and accumulated impairment losses (note 1(l)). The depreciation policy is the same as that of property and equipment (note 1(i)).

Investment properties will be transferred to inventories when, and only when, there is a change in use, i.e. the properties are no longer available for rent, but for transferring operation rights.

Property that is being constructed or developed for future use as investment property is classified as property and equipment and stated at cost until construction or development is completed.

(i) Property and equipment

(i) Recognition and measurement

Items of property and equipment are measured at cost less accumulated depreciation and accumulated impairment losses (note 1(l)).

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located, and borrowing costs (note 1(s)).

When parts of an item of property and equipment have different useful lives, they are accounted for as separate items of property and equipment.

Gains and losses on disposal of an item of property and equipment are determined by comparing the proceeds from disposal with the carrying amount of property and equipment and are recognised net within "other operating income" in the income statement.

(ii) Subsequent expenditures

The cost of replacing part of an item of property and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied with the part will flow to the Group and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of property and equipment are recognised in profit or loss as incurred.

(iii) Depreciation

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property and equipment.

The estimated useful lives are as follows:

- Underground properties under leasehold land are depreciated over the shorter of the unexpired term of lease and their estimated useful lives, being no more than 40 years after the date of completion.
- Machinery 10 years
- Decoration 5 years
- Office equipment 5 years
- Vehicles 5 years

Construction in progress represents underground properties and various machinery and equipment under construction and pending installation, and is stated at cost less impairment losses (note 1(l)). Cost comprises direct and indirect costs of construction incurred during the periods of construction.

Construction in progress is transferred to property and equipment when the asset is substantially ready for its intended use. No depreciation is provided for construction in progress.

Depreciation methods, useful lives and residual values are reviewed at each reporting date.

(j) Land use rights

Land use rights represent lease prepayments for acquiring rights to use land in the PRC with period of 40 years. Land use rights granted with consideration are recognised initially at acquisition cost. Land use rights are classified and accounted for in accordance with the intended use of the properties under the related land.

For properties that are held for own use and investment properties, the corresponding lease prepayments are separately stated as land use rights in the balance sheet. Land use rights for properties held for own use and investment properties are stated at cost, less accumulated amortization and any impairment losses (note 1(l)). Amortization is charged to profit or loss on a straight-line basis over the period of the land use rights.

(k) Inventories

Inventories represent units of underground shopping mall under development and completed units of which operation rights will be transferred subsequently. The cost of inventories comprises specifically identified cost, including the acquisition cost of land, aggregate cost of development, materials and supplies, wages and other direct expenses, an appropriate proportion of overheads and borrowing costs capitalised (note 1(s)). Net realisable value represents the estimated selling price less estimated costs of completion and costs to be incurred in transferring the operating right of units. Inventories are measured at the lower of cost and the net realisable value.

(l) Impairment

(i) Financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses are recognised in profit or loss.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortized cost, the reversal is recognised in profit or loss.

(ii) Non-financial assets

The carrying amount of the Group's non-financial assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets ("the cash-generating unit").

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss.

Impairment losses recognised in prior periods are assessed at each reporting date for any indication that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognised.

(m) Trade and other payables

Trade and other payables are initially recognised at fair value and thereafter stated at amortized cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(n) Loans and borrowings

Loans and borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, loans and borrowings are stated at amortized cost with any difference between the amount initially recognised and redemption value being recognised in profit or loss over the period of the loans and borrowings, together with any interest and fees payable, using the effective interest method.

(o) Preference shares

Preference shares are classified as equity if they are non-redeemable, or redeemable only at the Company's option, and any dividends are discretionary. Dividends on preference shares classified as equity are recognised as distributions within equity.

Preference shares are classified as liabilities if they are redeemable on a specific date or at the option of the shareholders, or if dividend payments are not discretionary. The liability is recognised in accordance with the Group's policy for loans and borrowings set out in note 1(n) and accordingly dividends thereon are recognised on an accruals basis in profit or loss as part of finance costs.

(p) Employee defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for the statutory defined contribution pension plans are recognised as an expense in profit or loss when they are due.

(q) Financial guarantees issued, provisions and contingent liabilities

(i) Financial guarantees issued

Financial guarantees are contracts that require the issuer (i.e. the guarantor) to make specified payments to reimburse the beneficiary of the guarantee (the "holder") for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Where the Group issues a financial guarantee, the fair value of the guarantee (being the transaction price, unless the fair value can otherwise be reliably estimated) is initially recognised as deferred income within trade and other payables. Where consideration is received or receivable for the issuance of the guarantee, the consideration is recognised in accordance with the Group's policies applicable to that category of asset where no such consideration is received or receivable, an immediate expense is recognised in profit or loss on initial recognition of any deferred income.

The amount of the guarantee initially recognised as deferred income is amortized in the income statement over the term of the guarantee as income from financial guarantees issued. In addition, provisions are recognised in accordance with note 1(q)(ii) if and when (i) it becomes probable that the holder of the guarantee will call upon the Group under the guarantee, and (ii) the amount of that claim on the Group is expected to exceed the amount currently carried in trade and other payables in respect of that guarantee i.e. the amount initially recognised, less accumulated amortization.

(ii) Provisions and contingent liabilities

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(r) Revenue recognition

Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in the income statement as follows:

(i) Lease income from operating lease

Lease income from operating lease is recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income, over the term of the lease. Contingent rental are recorded as income in the periods in which they are earned.

(ii) Revenue from transfer of operation rights

Revenue from transfer of operation rights is recognised when the significant risks and rewards of the operation rights have been transferred to the customers. Revenue from transfer of operation rights excludes sales tax and is after deduction of any trade discounts.

(iii) Services

Revenue from services rendered is recognised in profit or loss in proportion to the stage of completion of the transaction at the reporting date. The stage of completion is assessed by reference to surveys of work performed.

(iv) Interest income

Interest income is recognised as it accrues using the effective interest method.

(s) Borrowing costs

Borrowing costs are expensed in profit or loss in the period in which they are incurred, except to the extent that they are capitalised as being directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

(t) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised directly in equity, in which case they are recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the assets can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at each balance sheet date and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividend is recognised.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

- in the case of current tax assets and liabilities, the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or
- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:
 - the same taxable entity; or
 - different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(u) Related parties

For the purposes of the Financial Information, a party is considered to be related to the Group if:

- (i) the party has the ability, directly or indirectly through one or more intermediaries, to control the Group or exercise significant influence over the Group in making financial and operating policy decisions, or has joint control over the Group;
- (ii) the Group and the party are subject to common control;
- (iii) the party is an associate of the Group or a joint venture in which the Group is a venturer;
- (iv) the party is a member of key management personnel of the Group or the Group's parent, or a close family member of such an individual, or is an entity under the control, joint control or significant influence of such individuals;
- (v) the party is a close family member of a party referred to in (i) or is an entity under the control, joint control or significant influence of such individuals; or
- (vi) the party is a post-employment benefit plan which is for the benefit of employees of the Group or of any entity that is a related party of the Group.

Close family members of an individual are those family members who may be expected to influence, or be influenced by, that individual in their dealings with the entity.

(v) Dividends

Dividends are recognized as a liability in the period in which they are declared.

(w) Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing projects or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards, that are different from those of other segments. The business segments are determined based on the Group's management and internal reporting structure.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly other income and administrative expenses, other receivables and trade and other payables.

Segment capital expenditure is the total cost incurred during the period to acquire property and equipment.

Given the Group is mainly engaged in underground shopping mall leasing business and the operations of the Group are all in the PRC, no business or geographical segment information is presented.

2. Revenue

	Years ended December 31,			Three months ended March 31,	
	2005	2006	2007	2007	2008
	RMB in thousands	RMB in thousands	RMB in thousands	RMB in thousands	RMB in thousands
				(unaudited)	
Lease income.....	65,162	100,781	176,505	40,261	44,249
Transfer of operation rights.....	–	61,881	189,990	189,990	365,509
	<u>65,162</u>	<u>162,662</u>	<u>366,495</u>	<u>230,251</u>	<u>409,758</u>

3. Cost of sales

Cost of sales represents mainly the amortization of land use rights, depreciation of the investment properties and costs of construction of properties relating to the operation rights transferred out during the Track Record Period.

	Years ended December 31,			Three months ended March 31,	
	2005	2006	2007	2007	2008
	RMB in thousands	RMB in thousands	RMB in thousands	RMB in thousands	RMB in thousands
				(unaudited)	
Lease income.....	17,072	23,001	37,992	9,779	7,994
Transfer of operation rights.....	–	15,046	43,146	43,067	78,819
	<u>17,072</u>	<u>38,047</u>	<u>81,138</u>	<u>52,846</u>	<u>86,813</u>

4. Other operating income

	Years ended December 31,			Three months ended March 31,	
	2005	2006	2007	2007	2008
	RMB in thousands	RMB in thousands	RMB in thousands	RMB in thousands	RMB in thousands
				(unaudited)	
Revenue from property management and relevant services	7,919	5,426	50,579	9,243	11,082
Net (loss)/gain on sales of property and equipment	–	(212)	3,658	–	–
Waived bank loan (note 18)	–	–	–	–	10,684
	<u>7,919</u>	<u>5,214</u>	<u>54,237</u>	<u>9,243</u>	<u>21,766</u>

5. Profit before income tax

(a) Personnel expenses

	Years ended December 31,			Three months ended March 31,	
	2005	2006	2007	2007	2008
	RMB in thousands	RMB in thousands	RMB in thousands	RMB in thousands	RMB in thousands
				(unaudited)	
Wage, salaries and other benefits..	5,649	8,675	14,037	3,246	3,594
Contributions to defined contribution retirement plans (note 23).....	47	238	620	544	556
Others.....	581	661	388	83	13
	<u>6,277</u>	<u>9,574</u>	<u>15,045</u>	<u>3,873</u>	<u>4,163</u>

(b) Net finance (expense)/income

	Years ended December 31,			Three months ended March 31,	
	2005	2006	2007	2007	2008
	RMB in thousands	RMB in thousands	RMB in thousands	RMB in thousands	RMB in thousands
				(unaudited)	
Finance income					
– Interest income on bank deposits	13	378	3,131	645	7,737
Finance expenses					
– Interest expenses	(15,419)	(15,248)	(17,771)	(4,381)	–
– Net foreign exchange loss.....	–	–	–	–	(2,257)
– Bank charges and others.....	(2)	(13)	(64)	(1)	–
Net finance (expense)/income.....	<u>(15,408)</u>	<u>(14,883)</u>	<u>(14,704)</u>	<u>(3,737)</u>	<u>5,480</u>

(c) Other items

	Years ended December 31,			Three months ended March 31,	
	2005	2006	2007	2007	2008
	RMB in thousands	RMB in thousands	RMB in thousands	RMB in thousands	RMB in thousands
				(unaudited)	
Auditors' remuneration – audit	9	23	75	29	56
Repair and maintenance.....	431	2,406	4,752	1,066	1,284
Utilities charges	3,767	6,818	8,599	1,835	2,024
Depreciation of property and equipment.....	781	884	1,458	434	326
Operating lease charges.....	–	546	478	45	330
Penalty	–	–	–	–	1,782

The penalty as at March 31, 2008 represents the payment to Guangzhou City Planning Bureau (the "Planning Bureau") for the alteration of the use and design of certain parts of underground shopping mall of Guangzhou Renhe, which were in violation of the construction planning permit originally issued by the Planning Bureau.

(d) Property tax

The property tax rate levied on the rental income and the transfer of operation rights income applicable to the Group's subsidiaries in the PRC is 12%. According to the "Supplementary Provisions of Policies for Encouragement of Foreign Investment in Heilongjiang Province" (Hei Zheng Fa [1991] No. 38), foreign investment enterprises in Heilongjiang Province are entitled to property tax exemption for five years from the month of business license being obtained. Accordingly, Harbin Baorong and Harbin Renhe Century are entitled to property tax exemption for the period from 2000 to 2005, and from 2003 to 2008, respectively.

According to the "Provisions on Collection and Exemption of Property Tax for Foreign Investment Enterprises in Guangdong Province" (Ren Min Zheng Fu Ling [2002] No. 75), foreign investment enterprises in Guangdong Province are entitled to property tax exemption for three years since its establishment or purchase of property. Guangzhou Renhe is entitled to property tax exemption for the period from 2005 to 2008.

6. Income tax

(a) Income tax in the consolidated income statements represents:

	Years ended December 31,			Three months ended March 31,	
	2005	2006	2007	2007	2008
	RMB in thousands	RMB in thousands	RMB in thousands	RMB in thousands	RMB in thousands
					(unaudited)
Current tax					
Provision for the year/period					
– PRC Enterprise Income Tax (note 21(a)).....	7,728	17,480	11,291	1,841	43,036
Deferred tax					
Origination of temporary difference (note 21(b)).....	–	–	–	–	14,455
	<u>7,728</u>	<u>17,480</u>	<u>11,291</u>	<u>1,841</u>	<u>57,491</u>

The provision for income tax represents PRC Enterprise Income Tax.

The provision for PRC Enterprise Income Tax for the Group's subsidiaries in the PRC is based on the applicable income tax rate of 27% (24% represents the state income tax rate and 3% represents the local income tax rate) of the taxable income as determined in accordance with the relevant income tax rules and regulations of the PRC during the Track Record Period.

According to the Tax Regulation of Foreign Investment on Aerial Defence Project, (No 121 (1997) Cai Shui Zi), Harbin Renhe Century and Guangzhou Renhe are entitled to a tax holiday of full exemption of the state income tax for 2006 and 2007, and a tax holiday of 50% reduction in the state income tax rate for the years from 2008 to 2010. Harbin Baorong is entitled to a tax holiday of 50% reduction in the state income tax rate for 2005 and 2006.

Harbin Renhe Century, Harbin Baorong and Guangzhou Renhe are entitled to the exemption of local income tax for the years from 2006 to 2015, from 2002 to 2011, and from 2006 to 2010, respectively.

In March 2007, the Fifth Plenary Session of the Tenth National People's Congress passed the Corporate Income Tax Law of the People's Republic of China which will take effect on January 1, 2008. From January 1, 2008, the statutory income tax rate applicable to the Group's subsidiaries in the PRC is 25%. The Group's subsidiaries in the PRC that have not fully utilized their five-year tax holiday (i.e. two-year exemption and subsequent three-year 50% reduction of the applicable tax rate), will be allowed to continue to receive the benefits of the tax holiday.

According to the Implementation Rules of the Corporate Income Tax Law, the overseas investor to the foreign investment companies ("FIEs") shall be liable for withholding tax at 10% on the dividend derived from the profits of the year 2008 and thereafter of FIEs in China. In addition, tax treaties between China and other countries could override the withholding tax rate on dividend if a tax treaty provides a more favourable withholding tax rate. Under the Sino-Hong Kong Double Tax Arrangement, a Hong Kong company will be liable for withholding tax at the rate of 5% for dividend income derived from the PRC if the Hong Kong company holds 25% of equity interests or more of the Chinese company directly. The withholding tax rate applicable to the Group's PRC subsidiaries is 5%.

Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands, the Group is not subject to any income tax in the Cayman Islands and the British Virgin Islands.

No provision for Hong Kong Profits Tax has been made as the Group did not earn any income subject to Hong Kong Profits Tax during the Track Record Period.

(b) Reconciliation between tax expense and accounting profit at applicable tax rates:

	Years ended December 31,			Three months ended March 31,	
	2005	2006	2007	2007	2008
	RMB in thousands	RMB in thousands	RMB in thousands	RMB in thousands	RMB in thousands
Profit before income tax	19,632	65,970	277,966	(unaudited) 172,445	336,500
Income tax calculated at the rates applicable to respective companies comprising the Group	5,301	17,812	75,051	46,560	84,125
Tax effect of non-deductible interest expenses	3,867	3,790	4,429	427	–
Tax effect of non-taxable income from waived bank loan (note 18).....	–	–	–	–	(1,843)
Effect of tax exemption/reduction..	(1,440)	(3,690)	(68,367)	(45,167)	(38,619)
Effect of withholding tax at 5% on the profits of the Group's PRC subsidiaries.	–	–	–	–	14,455
Others.....	–	(432)	178	21	(627)
	<u>7,728</u>	<u>17,480</u>	<u>11,291</u>	<u>1,841</u>	<u>57,491</u>

7. Directors' remuneration

Details of directors' remuneration are as follows:

	Directors' fees	Salaries, allowances and benefits in kind	Discretionary bonuses	Retirement scheme contributions	Total
	RMB in thousands	RMB in thousands	RMB in thousands	RMB in thousands	RMB in thousands
Year ended December 31, 2005					
<i>Chairperson</i>					
Dai Yongge.....	-	-	-	-	-
<i>Executive directors</i>					
Wang Hongfang	-	-	-	-	-
Wang Luding	-	60	-	-	60
Wang Chunrong	-	44	-	2	46
Zhang Dabin.....	-	120	-	-	120
<i>Non-executive directors</i>					
Hawken Xiu Li	-	-	-	-	-
Ho Gilbert Chi Hang	-	-	-	-	-
Ho James Hsiang Ming.....	-	-	-	-	-
Jiang Mei	-	-	-	-	-
Zhang Xingmei	-	240	-	-	240
<i>Independent non-executive directors</i>					
Fan Ren-Da.....	-	-	-	-	-
Wang Yifu	-	-	-	-	-
Wang Shengli	-	-	-	-	-
	-	464	-	2	466
Year ended December 31, 2006					
<i>Chairperson</i>					
Dai Yongge.....	-	80	-	-	80
<i>Executive directors</i>					
Wang Hongfang	-	-	-	-	-
Wang Luding	-	70	-	-	70
Wang Chunrong	-	41	-	3	44
Zhang Dabin.....	-	120	-	2	122
<i>Non-executive directors</i>					
Hawken Xiu Li	-	-	-	-	-
Ho Gilbert Chi Hang	-	-	-	-	-
Ho James Hsiang Ming.....	-	-	-	-	-
Jiang Mei	-	-	-	-	-
Zhang Xingmei	-	320	-	-	320
<i>Independent non-executive directors</i>					
Fan Ren-Da.....	-	-	-	-	-
Wang Yifu	-	-	-	-	-
Wang Shengli	-	-	-	-	-
	-	631	-	5	636

	Directors' fees	Salaries, allowances and benefits in kind	Discretionary bonuses	Retirement scheme contributions	Total
	RMB in thousands	RMB in thousands	RMB in thousands	RMB in thousands	RMB in thousands
Year ended December 31, 2007					
<i>Chairperson</i>					
Dai Yongge.....	–	240	–	–	240
<i>Executive directors</i>					
Wang Hongfang	–	35	–	–	35
Wang Luding	–	100	–	1	101
Wang Chunrong	–	50	–	3	53
Zhang Dabin.....	–	190	–	3	193
<i>Non-executive directors</i>					
Hawken Xiu Li	–	–	–	–	–
Ho Gilbert Chi Hang	–	–	–	–	–
Ho James Hsiang Ming.....	–	–	–	–	–
Jiang Mei	–	–	–	–	–
Zhang Xingmei	–	340	–	–	340
<i>Independent non-executive directors</i>					
Fan Ren-Da.....	–	–	–	–	–
Wang Yifu	–	–	–	–	–
Wang Shengli	–	–	–	–	–
	–	955	–	7	962
Three months ended March 31, 2007 (unaudited)					
<i>Chairperson</i>					
Dai Yongge.....	–	60	–	–	60
<i>Executive directors</i>					
Wang Hongfang	–	15	–	–	15
Wang Luding	–	15	–	–	15
Wang Chunrong	–	9	–	1	10
Zhang Dabin.....	–	30	–	1	31
<i>Non-executive directors</i>					
Hawken Xiu Li	–	–	–	–	–
Ho Gilbert Chi Hang	–	–	–	–	–
Ho James Hsiang Ming.....	–	–	–	–	–
Jiang Mei	–	–	–	–	–
Zhang Xingmei	–	120	–	–	120
<i>Independent non-executive directors</i>					
Fan Ren-Da.....	–	–	–	–	–
Wang Yifu	–	–	–	–	–
Wang Shengli	–	–	–	–	–
	–	249	–	2	251

	Directors' fees	Salaries, allowances and benefits in kind	Discretionary bonuses	Retirement scheme contributions	Total
	RMB in thousands	RMB in thousands	RMB in thousands	RMB in thousands	RMB in thousands
Three months ended					
March 31, 2008					
<i>Chairperson</i>					
Dai Yongge.....	–	60	–	–	60
<i>Executive directors</i>					
Wang Hongfang	–	30	–	–	30
Wang Luding	–	30	–	1	31
Wang Chunrong	–	25	–	1	26
Zhang Dabin.....	–	60	–	1	61
<i>Non-executive directors</i>					
Hawken Xiu Li	–	–	–	–	–
Ho Gilbert Chi Hang	–	–	–	–	–
Ho James Hsiang Ming.....	–	–	–	–	–
Jiang Mei	–	–	–	–	–
Zhang Xingmei	–	60	–	–	60
<i>Independent non-executive directors</i>					
Fan Ren-Da.....	–	–	–	–	–
Wang Yifu	–	–	–	–	–
Wang Shengli	–	–	–	–	–
	–	265	–	3	268

During the Track Record Period, no amount was paid or payable by the Group to the directors or any of the five highest paid individuals set out in note 8 below as an inducement to join or upon joining the Group or as compensation for loss of office. There was no arrangement under which a director waived or agreed to waive any remuneration during the Track Record Period.

8. Individuals with highest emoluments

Of the five individuals with the highest emoluments, 3, 4 and 4, for the years ended December 31, 2005, 2006 and 2007, respectively, and 3 (unaudited) and 4 for the three months ended March 31, 2007 and 2008, respectively, are directors whose emoluments are disclosed in note 7. The aggregate of the emoluments in respect of the other individuals are as follows:

	Years ended December 31,			Three months ended March 31,	
	2005	2006	2007	2007	2008
	RMB in thousands	RMB in thousands	RMB in thousands	RMB in thousands	RMB in thousands
				(unaudited)	
Salaries and other emoluments.....	120	60	100	30	30
Retirement plan contributions	2	3	–	2	1
	<u>122</u>	<u>63</u>	<u>100</u>	<u>32</u>	<u>31</u>

The emoluments of the individuals other than directors with the highest emoluments are within the following bands:

	Years ended December 31,			Three months ended March 31,	
	2005	2006	2007	2007	2008
	Number of individuals	Number of individuals	Number of individuals	Number of individuals	Number of individuals
				(unaudited)	
RMB nil to RMB1,000,000.....	<u>2</u>	<u>1</u>	<u>1</u>	<u>2</u>	<u>1</u>

9. Dividends

The Group's PRC incorporated subsidiaries declared dividends to their then equity holders during the Track Record Period. Dividends were distributed based on the profit after taxation determined in accordance with the accounting rules and regulations of the PRC, which resulted in the distributed amount higher than the distributable profit determined in accordance with IFRSs.

Pursuant to the resolutions passed at the board of directors' meetings held by certain PRC incorporated subsidiaries, the following dividends were declared to their then equity holders during the Track Record Period.

(a) Dividends attributable to the year/period

	Years ended December 31,			Three months ended March 31,	
	2005	2006	2007	2007	2008
	RMB in thousands	RMB in thousands	RMB in thousands	RMB in thousands	RMB in thousands
				(unaudited)	
Harbin Renhe Public.....	6,483	–	–	–	–
Harbin Baorong.	15,014	–	48,573	–	–
Harbin Renhe Century.....	2,216	–	4,935	–	–
Guangzhou Renhe	–	–	203,704	–	–
	<u>23,713</u>	<u>–</u>	<u>257,212</u>	<u>–</u>	<u>–</u>

The final dividend proposed after the balance sheet date has not been recognised as a liability at the balance sheet date.

(b) Dividends attributable to the previous financial years

	Years ended December 31,			Three months ended March 31,	
	2005	2006	2007	2007	2008
	RMB in thousands	RMB in thousands	RMB in thousands	RMB in thousands	RMB in thousands
				(unaudited)	
Harbin Renhe Public.....	11,322	6,483	–	–	–
Harbin Baorong.	11,780	15,014	–	–	48,573
Harbin Renhe Century.....	–	2,216	–	–	4,935
Guangzhou Renhe	–	–	–	–	203,704
	<u>23,102</u>	<u>23,713</u>	<u>–</u>	<u>–</u>	<u>257,212</u>

In February 2008, the Group's certain PRC subsidiaries distributed dividends amounting to RMB257,212,000 to the Company via the Group's overseas subsidiaries. The same amount of dividends was then distributed to Super Brilliant Investments Limited ("Super Brilliant"), the Company's controlling shareholder.

The dividend rates are not presented as such information is not meaningful for the purpose of this report. These dividends are not indicative of the Group's future dividend policy. The dividends payable will be settled before the listing on the Main Board.

10. Earnings per share

The calculation of basic earnings per share is based on the profit attributable to equity holders of the Company of RMB11,904,000, RMB48,490,000, RMB266,675,000 and RMB279,009,000 during the Track Record Period, and 1,843,000 shares in issue and 16,998,157,000 ordinary shares to be issued pursuant to the Capitalization Issue, as described in the section headed "Share Capital" in the Prospectus, as if the shares were outstanding throughout the Track Record Period.

The diluted earning per share for the Track Record Period is the same as the basic earnings per share as the preference shares will be automatically converted into ordinary shares at conversion rate of 1:1 upon the initial listing of the Company's shares on the Main Board.

11. Property and equipment

	Construction in progress	Office equipment	Vehicles	Total
	RMB in thousands	RMB in thousands	RMB in thousands	RMB in thousands
Cost				
At January 1, 2005	–	2,878	5,928	8,806
Additions	94,346	565	–	94,911
At December 31, 2005	94,346	3,443	5,928	103,717
Additions	257,943	537	2,867	261,347
Transfer to investment properties	(352,289)	–	–	(352,289)
Disposals	–	(50)	–	(50)
At December 31, 2006	–	3,930	8,795	12,725
Additions	30,176	954	1,254	32,384
Transfer to investment properties	(476)	–	–	(476)
Disposals	–	(2)	(4,792)	(4,794)
At December 31, 2007	29,700	4,882	5,257	39,839
Additions	99,613	137	–	99,750
Disposals	–	(20)	–	(20)
At March 31, 2008	129,313	4,999	5,257	139,569
Accumulated depreciation				
At January 1, 2005	–	2,283	3,163	5,446
Charge for the year	–	144	637	781
At December 31, 2005	–	2,427	3,800	6,227
Charge for the year	–	245	639	884
Written back on disposals	–	(45)	–	(45)
At December 31, 2006	–	2,627	4,439	7,066
Charge for the year	–	327	1,131	1,458
Written back on disposals	–	(2)	(3,914)	(3,916)
At December 31, 2007	–	2,952	1,656	4,608
Charge for the period	–	112	214	326
Written back on disposals	–	(18)	–	(18)
At March 31, 2008	–	3,046	1,870	4,916
Net book value				
At December 31, 2005	94,346	1,016	2,128	97,490
At December 31, 2006	–	1,303	4,356	5,659
At December 31, 2007	29,700	1,930	3,601	35,231
At March 31, 2008	129,313	1,953	3,387	134,653

12. Investment properties

	At December 31,			At March 31,
	2005	2006	2007	2008
	RMB in thousands	RMB in thousands	RMB in thousands	RMB in thousands
Cost				
Balance at January 1.....	236,279	238,690	572,229	575,579
Transfer from property and equipment	–	352,289	476	–
Additions	2,411	3,099	2,874	230
Transfer to inventories	–	(19,783)	–	(75,535)
Disposals.....	–	(2,066)	–	–
Balance at the end of the year/period	238,690	572,229	575,579	500,274
Accumulated depreciation				
Balance at January 1.....	51,213	68,080	83,657	120,392
Charge for the year/period	16,867	22,712	36,735	7,737
Transfer to inventories	–	(5,276)	–	(5,701)
Written back on disposals.....	–	(1,859)	–	–
Balance at the end of the year/period	68,080	83,657	120,392	122,428
Net book value	170,610	488,572	455,187	377,846

All of the investment properties owned by the Group are located in the PRC. As at December 31, 2005, 2006, 2007 and March 31, 2008, investment properties with a total carrying value of RMB170,610,000, RMB142,932,000, RMB130,320,000 and RMB Nil were pledged as collateral for the Group's borrowings, respectively (note 18).

The Group has not obtained property certificate of Guangzhou Renhe's underground properties, with a total carrying value of RMB Nil, RMB345,640,000, RMB324,867,000 and RMB251,258,000 as at December 31, 2005, 2006 and 2007 and March 31, 2008, respectively.

According to the Property Valuation Report issued by CB Richard Ellis Ltd., a firm of independent qualified valuer in Hong Kong, on September 9, 2008, the fair value of the Group's investment properties as at December 31, 2005, 2006, 2007 and March 31, 2008 are RMB1,141,200,000, RMB1,455,900,000, RMB5,101,000,000 and RMB5,101,000,000, respectively.

13. Land use rights

	At December 31,			At March 31,
	2005	2006	2007	2008
	RMB in thousands	RMB in thousands	RMB in thousands	RMB in thousands
Cost				
Balance at January 1.....	7,751	7,751	55,029	50,328
Addition.....	–	47,857	–	–
Transfer to inventories	–	(579)	(4,701)	(9,235)
Balance at the end of the year/period	<u>7,751</u>	<u>55,029</u>	<u>50,328</u>	<u>41,093</u>
Accumulated amortization				
Balance at January 1.....	239	444	692	1,939
Charge for the year/period	205	289	1,257	257
Transfer to inventories	–	(41)	(10)	(250)
Balance at the end of the year/period	<u>444</u>	<u>692</u>	<u>1,939</u>	<u>1,946</u>
Net book value	<u>7,307</u>	<u>54,337</u>	<u>48,389</u>	<u>39,147</u>

Land use rights represent lease prepayments for acquiring rights to use land, which is all located in the PRC, for own use properties and investment properties.

Zhengzhou Renhe has not obtained land use right certificate with a total carrying value of RMB Nil during the Track Record Period.

As at December 31, 2005, 2006 and 2007 and March 31, 2008, land use rights with a total carrying value of RMB7,307,000, RMB6,580,000, RMB2,203,000 and RMB Nil were pledged as collateral for the Group's loans, respectively (note 18).

14. Inventories

The Group constructs underground shopping malls and transfers the operating rights of certain units of the underground shopping malls to buyers. Inventories balance represents the cost of the units of the underground shopping malls of which the operating rights will be transferred to buyers subsequently. The net realizable value of inventories as at December 31, 2006 amounted to RMB168,986,000.

15. Trade and other receivables

	At December 31,			At March 31,
	2005	2006	2007	2008
	RMB in thousands	RMB in thousands	RMB in thousands	RMB in thousands
Trade receivables.....	1,296	1,296	6,045	9,810
Prepayments.....	6,119	1,135	771	15,401
Other receivables.....	61,576	42,140	17,734	8,775
	68,991	44,571	24,550	33,986
Less: allowance for doubtful debts.....	6,370	6,370	6,370	6,370
	<u>62,621</u>	<u>38,201</u>	<u>18,180</u>	<u>27,616</u>

The balances of trade and other receivables are neither past due nor impaired except for certain receivables amounting to RMB6,370,000 which are past due for more than one year and full impairment is provided.

Other receivables mainly represent fundings to third parties, which are unsecured, interest free and have no fixed repayment terms.

The balances of trade and other receivables, including deposits and advances to third parties, are expected to be settled or recovered within one year.

16. Restricted bank deposits

Guangzhou Renhe has entered into agreements with certain banks with respect to mortgage loans provided to buyers of the operation rights. Guangzhou Renhe makes deposits as security for repayment of the loans under these agreements. The deposits will be released accordingly along with the repayment of loan principal by the buyers.

17. Cash and cash equivalents

	At December 31,			At March 31,
	2005	2006	2007	2008
	RMB in thousands	RMB in thousands	RMB in thousands	RMB in thousands
Cash on hand.....	6,400	1,968	528	170
Cash at bank.....	12,940	3,936	1,516,919	1,334,467
	<u>19,340</u>	<u>5,904</u>	<u>1,517,447</u>	<u>1,334,637</u>

All the Group's cash and bank balances in RMB were placed with banks in the PRC. RMB is not a freely convertible currency and the remittance of funds out of the PRC is subject to the exchange restriction imposed by the PRC government.

Included in cash and cash equivalents in the consolidated balance sheets are the following amounts denominated in a currency other than the functional currency of the entity to which they relate:

	At December 31,			At March 31,
	2005	2006	2007	2008
United States dollars ("USD") in thousands.....	<u>-</u>	<u>-</u>	<u>133,919</u>	<u>134,319</u>

18. Loans

This note provides information about the contractual terms of the Group's interest-bearing loans, which are measured at amortized cost.

	At December 31,			At March 31,
	2005	2006	2007	2008
	RMB in thousands	RMB in thousands	RMB in thousands	RMB in thousands
Long term loans				
– Unsecured loan	16,513	–	–	–
Long term loans due within one year				
– Unsecured loan	–	17,759	19,184	–
Short term loans				
– Secured loans.....	176,120	197,000	–	–
	176,120	214,759	19,184	–

	Currency	Nominal interest rate	Date of maturity	At December 31,			At March 31,
				2005	2006	2007	2008
				RMB in thousands	RMB in thousands	RMB in thousands	RMB in thousands
Unsecured loan	RMB	11.088%	December 21, 2007	16,513	17,759	19,184	–
Secured loan.....	RMB	7.956%	September 27, 2007	–	197,000	–	–
Secured loan.....	RMB	7.137%	September 28, 2006	176,120	–	–	–
				176,120	197,000	–	–

The balances of secured loans as at December 31, 2005 and 2006 represent short term loans borrowed from Harbin Commercial Bank, Dazhi Branch via tenants and other individuals, bearing annual interest rate ranges from 7.137% to 7.956%. The loans were secured by properties and land use rights (note 12 and note 13). Harbin Renhe Group Co., Ltd. repaid the loans on behalf of the Group amounting to RMB196 million during the year ended December 31, 2007 (note 27(b)). The remaining balance of RMB1 million has been repaid by the Group itself.

The balance of unsecured loan as at December 31, 2005, 2006 and 2007 represent long term loan borrowed from China Investment Bank, Heilongjiang Branch via Harbin Nanfang, the other investor of Harbin Renhe Public. The loan was subsequently transferred to China Everbright Bank Harbin Sophia Branch ("Everbright Bank") due to the reform of China Investment Bank. As at December 31, 2007, the loan balance included RMB8,500,000 of loan principal and RMB10,684,000 of penalty/interest expenses. According to the terms of loan repayment agreement between Harbin Renhe Public and Everbright Bank, the principle of RMB8,500,000 was repaid as at March 31, 2008 and the remaining unpaid interests and penalty were waived by Everbright Bank. The agreement was officially signed on April 28, 2008.

19. Trade and other payables

	At December 31,			At March 31,
	2005	2006	2007	2008
	RMB in thousands	RMB in thousands	RMB in thousands	RMB in thousands
Receipt in advance	323,858	684,949	548,016	161,918
Construction payables	55,700	124,705	48,527	39,841
Deposits	31,541	40,761	52,904	47,949
Other taxes payable	384	5,993	8,280	364
Welfare expenses payable	1,027	2,080	3,938	4,387
Advances from third parties	–	8,200	–	–
Others	347	2,059	8,344	8,579
	<u>412,857</u>	<u>868,747</u>	<u>670,009</u>	<u>263,038</u>

Other taxes payable mainly represents the payables of business tax, which is 5% of revenue.

Advances from third parties mainly represent fundings from third parties, which are unsecured, interest free and have no fixed repayment terms.

As at December 31, 2005, 2006, 2007 and March 31, 2008, the amount of receipt in advance expected to be recognised as income after more than one year are RMB182,232,000, RMB370,926,000, RMB61,109,000 and RMB60,371,000, respectively. The aging analysis of construction payables at each balance sheet date is as follows:

	At December 31,			At March 31,
	2005	2006	2007	2008
	RMB in thousands	RMB in thousands	RMB in thousands	RMB in thousands
Due within 1 year	19,729	104,542	44,665	38,441
Overdue	35,971	20,163	3,862	1,400
	<u>55,700</u>	<u>124,705</u>	<u>48,527</u>	<u>39,841</u>

The credit terms of construction payables generally range from one to six months.

20. Rental deposits

Rental deposits represent deposits paid by tenants for the privilege to renew the operating lease contracts upon expiry.

21. Income tax in the balance sheet

(a) Current taxation in the consolidated balance sheets represents:

	At December 31,			At March 31,
	2005	2006	2007	2008
	RMB in thousands	RMB in thousands	RMB in thousands	RMB in thousands
PRC Enterprise Income Tax payable				
At the beginning of the year/period	2,243	3,170	13,006	13,443
Provision for the year/period (note 6)	7,728	17,480	11,291	43,036
Tax paid	(6,801)	(7,644)	(10,854)	(17,666)
	<u>3,170</u>	<u>13,006</u>	<u>13,443</u>	<u>38,813</u>

(b) Deferred tax liabilities recognised

The deferred tax liabilities recognised in the consolidated balance sheet as at March 31, 2008 represent withholding tax at the rate of 5% on the profits of the Group's PRC subsidiaries which are held by the Group's Hong Kong subsidiaries for the three months ended March 31, 2008. Please refer to note 6(a).

(c) Deferred tax assets not recognised

There are no significant deductible temporary differences, which require to recognise deferred tax assets for the Track Record Period.

22. Capital and reserves

(a) Issued/combined paid-in capital

For the purpose of this report, the issued/combined paid-in capital of the Group as at December 31, 2005 and 2006 represents the aggregate amount of the Company's share of the nominal value of the registered/paid-in capital of the PRC subsidiaries now comprising the Group at the respective dates.

The issued capital of the Company as at December 31, 2007 and March 31, 2008 represented a total number of shares of 1,843,000 with a par value at HKD0.01 each (note 31(a)).

(b) Capital surplus

Capital surplus mainly represents the book value of assets injected by the investors of Harbin Baorong and Harbin Renhe Century in excess of their share of the registered capital.

(c) Reserve fund

Pursuant to the Articles of Association of the PRC subsidiaries now comprising the Group, appropriations to the general reserve fund were made at a certain percentage of profit after taxation determined in accordance with the accounting rules and regulations of the PRC. The percentage for this appropriation was decided by the directors of the subsidiaries. From January 1, 2008, the Group's PRC subsidiaries are required to transfer 10% of their profit after taxation to statutory reserve fund in accordance with the relevant PRC regulations since these subsidiaries became wholly foreign owned enterprises by then. The transfer will no longer be recognised when the accumulated statutory reserve fund reaches 50% of the registered capital. This reserve fund can be utilised in setting off accumulated losses or increasing capital of the subsidiaries and is non-distributable other than in liquidation.

(d) Share premium

The application of the share premium account is governed by the Companies Law. Under the Companies Law, the funds in the share premium account of the Company are distributable to the shareholders of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as they fall due in the ordinary course of the business.

(e) Merger reserves

The merger reserves represent the aggregate amount of paid-in capital of the PRC subsidiaries now comprising the Group after elimination of investments in these subsidiaries.

(f) Distributability of reserves

As at December 31, 2007 and March 31, 2008, in addition to the share premium mentioned in note 22(d), the aggregate amount of reserves available for distribution for equity holders of the Company amounted to RMB247,000 and RMB3,656,000 respectively.

(g) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can fund its development, lease and management of underground shopping malls, and continue to provide returns for shareholders, by pricing rental and operation rights commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

The Group monitors its capital structure on the basis of a gearing ratio, being the total of bank and interest bearing borrowings divided by the total assets. As at December 31, 2005, 2006, 2007 and March 31, 2008, the gearing ratios of the Group were 22.09%, 13.10%, 0.72% and Nil, respectively.

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

23. Employee retirement plan

Pursuant to the relevant labour rules and regulations in the PRC, the Group participates in defined contribution retirement benefit schemes (the "Schemes") organised by the relevant local government authorities in Harbin, Guangzhou and Zhengzhou whereby the Group is required to make contributions to the Schemes at the rate of 22%, 12% and 20%, respectively, of the eligible employee's salaries. The local government authorities are responsible for the entire pension obligations payable to retired employees.

The Group has no other obligation for the payment of pension benefits associated with the Schemes and other post-retirement benefits beyond the annual contributions described above.

24. Contingencies

(a) Guarantees

The Group has provided guarantees and made deposits to bank to assist the buyers of operation rights to obtain bank loans (note 16). The outstanding guarantees as at December 31, 2005, 2006, 2007 and March 31, 2008 amounted to RMB Nil, RMB196,245,000, RMB169,003,000 and RMB158,803,000, respectively. The Group has made bank deposits for the guaranteed amount. The guarantees and deposits will be released accordingly along with the repayment of loan principal by the buyers.

The Group also provided guarantee to its related parties and third parties for bank loans. The details are as follows:

		<u>Amount</u>	<u>Loan expiry date</u>
		RMB in thousands	
Related parties			
– Harbin Renhe Group Co., Ltd.	(i)	200,000	November 16, 2009
– (formerly known as "Harbin Renhe Industrial Co., Ltd")	(ii)	15,000	November 29, 2002
– Harbin Jurong New Power Co., Ltd.	(iii)	80,000	November 1, 2008
Third parties			
– Harbin Baofeng Pharmaceutical Co., Ltd.	(iv)	20,000	November 17, 2004/ November 28, 2004

The directors of the Company are of the opinion that the related parties and the third parties have ability to repay the bank loans. Therefore, the Group has not made any provision on the above guarantees. In addition, the ultimate controlling equity holder has promised to bear any losses and obligation arising from the provision of guarantees. An agreement was signed between the ultimate controlling equity holder and the PRC subsidiaries comprising the Group on December 31, 2007 stipulating that the ultimate controlling equity holder will bear all the obligations on the guarantees provided by the Group. An update on the status of the guarantees is set out below:

- (i) The amount was repaid by Harbin Renhe Group Co., Ltd. on December 23, 2007. The guarantee has been released accordingly.
- (ii) RMB10 million and RMB5 million were repaid by Harbin Renhe Group Co., Ltd. on March 31, 2003 and March 10, 2008, respectively. The guarantee has been released accordingly.
- (iii) The amount was repaid by Harbin Jurong New Power Co., Ltd. on February 13, 2008. The guarantee has been released accordingly.
- (iv) The directors of the Company are of the opinion that Harbin Baofeng Pharmaceutical Co., Ltd. has the ability to repay the loan. No provision is necessary for the guarantee.

In addition, the guarantee was expired in November 2006. According to the relevant PRC regulations and the PRC lawyer's opinion, the Group will not be liable for the guarantee since the bank did not request the Group to exercise the guarantee within the valid period.

(b) Property tax

According to the "Notice of the State Administration of Taxation on Several Issues Concerning the Levy of Property Tax on Foreign Investment Enterprises" (Guo Shui Fa [2000] No. 44), FIEs are exempted from property tax for the aerial defence project since January 1, 2000. According to "the Ministry of Finance and the State Administration of Taxation, Notice on the Levy of Property Taxes Relating to Underground Buildings with Housing Function" (Cai Shui [2005] No. 181, "No. 181"), from January 1, 2006, underground properties are subject to property tax which is levied at 12% of the related income. Currently, there are no specific tax rules or regulations stipulating whether No. 181 is applicable to aerial defence project developed by FIEs. The directors of the Company are of the opinion that No.181 does not apply to FIEs and FIEs should be continually exempted from property tax. Given the PRC subsidiaries of the Group are all FIEs, and according to the tax regulations on the exemption as mentioned in note 5(d), the Group therefore has not made any provision for property tax in this respect. If the PRC tax authorities issued any regulations in the future clarifying that the requirements of No. 181 are also applicable to FIEs, the Group needs to make property tax provision accordingly. Since the tax exemption period of Harbin Renhe Public and Harbin Baorong expired during the Track Record Period, the estimated potential impact of property tax to be recognised in profit or loss amounted to RMB Nil, RMB14,052,000, RMB6,317,000 and RMB1,688,000 for the year ended December 31, 2005, 2006 and 2007 and three months ended March 31, 2008, respectively.

25. Operating leases

(a) Leases as lessor

The Group leases out its investment properties under operating leases. The future minimum lease payments under non-cancellable leases are as follows:

	At December 31,			At March 31,
	2005	2006	2007	2008
	RMB in thousands	RMB in thousands	RMB in thousands	RMB in thousands
Less than one year.....	65,758	128,606	171,199	174,973
Between one and five years.....	113,500	292,780	289,540	278,678
More than five years.....	5,135	4,386	5,882	5,629
	<u>184,393</u>	<u>425,772</u>	<u>466,621</u>	<u>459,280</u>

(b) Leases as lessee

Non-cancellable operating lease rentals are payable as follows:

	At December 31,			At March 31,
	2005	2006	2007	2008
	RMB in thousands	RMB in thousands	RMB in thousands	RMB in thousands
Less than one year.....	416	493	567	1,418
Between one and five years.....	332	117	1,800	1,800
More than five years.....	–	–	1,163	1,163
	<u>748</u>	<u>610</u>	<u>3,530</u>	<u>4,381</u>

26. Capital commitments

As at December 31, 2005, 2006, 2007 and March 31, 2008, the Group has the following commitments in respect of the construction of underground shopping mall not provided for in the Financial Information:

	At December 31,			At March 31,
	2005	2006	2007	2008
	RMB in thousands	RMB in thousands	RMB in thousands	RMB in thousands
Contracted for.....	7,414	2,858	107,949	475,053
Authorised but not contracted for.....	–	–	–	300,405
	<u>7,414</u>	<u>2,858</u>	<u>107,949</u>	<u>775,458</u>

27. Material related party transactions and balances

(a) Key management personnel remuneration

Remuneration for key management personnel of the Group, including amounts paid to the Company's directors as disclosed in note 7 and certain of the highest paid employees as disclosed in note 8, is as follows:

	Years ended December 31,			Three months ended March 31,	
	2005	2006	2007	2007	2008
	RMB in thousands	RMB in thousands	RMB in thousands	RMB in thousands	RMB in thousands
Salaries and other emoluments.....	868	1,093	1,623	372	468
Retirement plan contributions	6	14	19	5	5
	<u>874</u>	<u>1,107</u>	<u>1,642</u>	<u>377</u>	<u>473</u>

(b) Material related party transactions

	Years ended December 31,			Three months ended March 31,	
	2005	2006	2007	2007	2008
	RMB in thousands	RMB in thousands	RMB in thousands	RMB in thousands	RMB in thousands
Advances to related parties					
– Directors	69,840	–	1,008	1,008	5
– Harbin Renhe Group Co., Ltd. (note (i)).	81,462	357,039	201,507	83,932	10
– Other related parties (note (ii)).	265,420	439,985	127,039	36,920	417
Repayments from related parties					
– Directors	164,276	438	233	26	–
– Harbin Renhe Group Co., Ltd. (note (i))	81,462	66,068	129,680	20,544	14,301
– Other related parties (note (ii)).	77,764	466,690	252,713	113,150	–
Advances from related parties					
– Directors	–	2,844	14	6	89
– Harbin Renhe Group Co., Ltd. (note (i))	121,633	291,378	84,645	1,164	777
– Other related parties (note (ii)).	14,561	96,614	26,189	12,485	948
Repayments to related parties					
– Directors	–	1,058	1,800	1,820	14,032
– Harbin Renhe Group Co., Ltd. (note (i))	127,959	119,048	81,090	1,164	–
– Other related parties (note(ii))	10,723	62,098	58,213	18,077	11,119

	Years ended December 31,			Three months ended March 31,	
	2005	2006	2007	2007	2008
	RMB in thousands	RMB in thousands	RMB in thousands	RMB in thousands	RMB in thousands
Service received from related parties					
– Other related parties (note (iii)) ..	1,615	58,890	–	–	–
Repayment of bank loan by Harbin Renhe Group Co., Ltd. on behalf of the Group (note (i))...	–	–	196,000	–	–
Operating lease to					
– Directors	19	19	19	5	5
– Other related parties.....	159	683	285	63	91
Operating lease from					
– Other related parties.....	–	–	–	–	300
Guarantee received from related parties (note (iv))	–	197,000	–	–	–
Guarantee provided to related parties (note (v)).....	–	280,000	80,000	–	–

(c) Related party balances

	At December 31,			At March 31,
	2005	2006	2007	2008
	RMB in thousands	RMB in thousands	RMB in thousands	RMB in thousands
Amounts due from related parties				
– Directors	663	225	1,000	1,005
– Harbin Renhe Group Co., Ltd. (note (i))	–	290,971	169,710	155,419
– Other related parties (note (ii)).....	514,186	487,481	208,089	208,506
	<u>514,849</u>	<u>778,677</u>	<u>378,799</u>	<u>364,930</u>
Amounts due to related parties				
– Directors	–	1,786	14,160	217
– Harbin Renhe Group Co., Ltd. (note (i))	17,120	189,450	3,555	4,332
– Other (note (ii))	13,800	48,316	11,627	1,456
	<u>30,920</u>	<u>239,552</u>	<u>29,342</u>	<u>6,005</u>

(i) Harbin Renhe Group Co., Ltd. is a company controlled by Mr. Dai Yongge, the Company's director. The advances to/from Harbin Renhe Group Co., Ltd. represent non-trade fundings to/from Harbin Renhe Group Co., Ltd, which are unsecured, interest free and have no fixed repayment terms. Harbin Renhe Group Co., Ltd. paid RMB196 million to Harbin Renhe Public and Harbin Renhe Century on December 24, 2007. On the same day, Harbin Renhe Public and Harbin Renhe Century repaid RMB196 million of the Group's short term bank loans via tenants and individuals.

(ii) The advances to/from other related parties are unsecured, interest free and have no fixed repayment terms. According to agreements signed among the Group, Harbin Renhe Group Co., Ltd. and other related parties in December 2007, certain balances of amounts due to/from other related parties were transferred to Harbin Renhe Group Co., Ltd.

The Group expects the advances due from related parties are to be settled or recovered within one year.

(iii) Heilongjiang Province No.1 Construction Company No. 2 Construction Team is a party controlled by a close family member of Mr. Dai Yongge, the Company's director. It provided construction service to Guangzhou Renhe during the Track Record Period.

- (iv) Harbin Hada Fruit and Vegetable Wholesale Market Co., Ltd. is a company controlled by Mr. Dai Yongge, the Company's director. It pledged assets to the bank for the Group's loans obtained via tenants and individuals (note 18). The guarantee has been released given the loans have been repaid during the year ended December 31, 2007.
- (v) The Group provided guarantee to Harbin Renhe Group Co., Ltd., and Harbin Jurong New Power Co., Ltd., for bank loans (note 24(a)).

The Group expects that all non-trade balances due from/to related parties will be fully settled before listing on the Main Board.

28. Financial instruments

Exposure to credit, interest rate and currency risk arises in the normal course of the Group's business. These risks are limited by the Group's financial management policies and practices described below.

(a) Credit risks

Cash is deposited with financial institutions with sound credit quality. Given their high credit quality, management does not expect any of these financial institutions will fail to meet their obligations.

Management has a policy in place and the exposure to credit risk is monitored on an ongoing basis. Given the Group requests the tenants to pay rental and other service fees in advance, the credit risks of rental and service fee receivables are considered low. The Group closely monitor the amount due from related parties. The receivable amount is expected to be settled in a short period. At December 31, 2005, 2006, 2007 and March 31, 2008, the Group had no significant concentrations of credit risk. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheet.

However, as mentioned in note 16, Guangzhou Renhe makes deposits as security for mortgage bank loans provided to the buyers of the operation rights. If a buyer fails to repay the bank loans, the bank may demand Guangzhou Renhe to repay the outstanding amount of the loans and any unpaid interests thereon. Under such circumstances, Guangzhou Renhe is able to transfer the operation rights to other buyers to recover any amounts paid by Guangzhou Renhe to the bank but there can be no assurance that the price of the transfer of operation rights can be equal to or greater than the amount of loan principals and interests requested by the bank.

(b) Liquidity risk

The Group manages cash including the short term investment of cash surpluses and the raising of loans to cover expected cash demands on a group basis. The Group's policy is to regularly monitor its liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and readily realizable marketable securities and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

The maturities of the Group's non-derivative financial liabilities have been disclosed in note 18, 19 and 27(c).

(c) Interest rate risks

The interest rates on the Group's interest-bearing loans are on fixed rate basis. No sensitivity analysis is prepared accordingly. The interest rate on the loans is disclosed in note 18.

As at March 31, 2008, it is estimated that a general increase/decrease of 100 basic points in bank deposit interest rates for foreign currency deposits other than RMB, with all other variable held constant, would increase/decrease the Group's profit after tax and retained earnings by approximately RMB13,088,000 (at December 31, 2007: RMB14,237,000, 2006: RMB Nil, 2005: RMB Nil).

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the balance sheet date and had been applied to the exposure to interest rate risk for non-derivative financial instruments in existence at that date. The 100 basis point increase or decrease represents management's assessment of a reasonable possible change in respective interest rates over the period until the next annual balance sheet date. Management does not expect any reasonable possible change in bank deposit interest rates for RMB deposit over the period until the next annual balance sheet date will have a significant impact on the Group's result or financial position.

(d) Foreign currency risk

RMB is not freely convertible into foreign currencies. All foreign exchange transactions involving RMB must take place through the People's Bank of China ("PBOC") or other institutions authorised to buy and sell foreign exchange. The exchange rate adopted for the foreign exchange transactions are the rates of exchange quoted by the PBOC that would be subject to a managed float against an unspecified basket of currencies.

Foreign currency payments, including the remittance of earnings outside the PRC, are subject to the availability of foreign currency (which depends on the foreign currency denominated earnings of the Group) or must be arranged through the PBOC with government approval.

All the revenue-generating operations of the Group are transacted in RMB. The Group is exposed to foreign currency risk on financing transactions denominated in currencies other than the functional currency of the PRC subsidiaries (RMB) and the overseas group entities (HKD). Depreciation or appreciation of the RMB and HKD against foreign currencies can affect the Group's results. The Group did not hedge its foreign currency exposure.

An 0.4% strengthening/weakening of HKD against USD as at the respective balance sheet dates would (decrease)/increase profit after tax by the amount shown below. This analysis assumes that all other variables, in particular interest rates, remain constant.

	Years ended December 31,			Three months ended
	2005	2006	2007	March 31,
	RMB in thousands	RMB in thousands	RMB in thousands	RMB in thousands
USD				
Profit for the year/period				
0.4% increase in HKD	—	—	(3,913)	(3,771)
0.4% decrease in HKD	—	—	3,913	3,771

Since the PRC subsidiaries have not conducted transactions in foreign currency during the Track Record Period, the strengthening/weakening of RMB has no impact on the Group's profit after tax.

(e) Fair value of the financial instruments

The carrying amounts of significant financial assets and liabilities approximate their respective fair values as at December 31, 2005, 2006, 2007 and March 31, 2008.

(i) *Cash and cash equivalents, restricted bank deposits, other receivables, trade and other payables, rental deposits and amounts due from/to related parties.*

The carrying values approximate their fair values because of the short maturities of these items.

(ii) *Loans*

The carrying amount of loans approximates their fair value based on the borrowing rates currently available for bank loans with similar terms and maturities.

(iii) *Other long-term liabilities*

The fair value of long-term liabilities is estimated by discounting future cash flows using current market interest rates for debt with substantially the same characteristics and maturities.

29. Accounting estimates and judgements

The Group's financial condition and results of operations are sensitive to accounting methods, assumptions and estimates that underlie the preparation of the Financial Information. The Group bases the assumptions and estimates on historical experience and on various other assumptions that the Group believes to be reasonable and which form the basis for making judgements about matters that are not readily apparent from other sources. On an on-going basis, management evaluates its estimates. Actual results may differ from those estimates as facts, circumstances and conditions change.

The selection of critical accounting policies, the judgements and other uncertainties affecting application of those policies and the sensitivity of reported results to changes in conditions and assumptions are factors to be considered when reviewing the Financial Information. The significant accounting policies are set forth in note 1. The Group believes the following critical accounting policies involve the most significant judgements and estimates used in the preparation of the Financial Information.

(a) Impairment losses for bad and doubtful debts

The Group estimates impairment losses for bad and doubtful debts resulting from the inability of the customers and other debtors to make the required payments. The Group bases the estimates on the aging of the receivable balance, debtors creditworthiness, and historical write-off experience. If the financial condition of the customers and debtors were to deteriorate, actual write-offs would be higher than estimated.

(b) Impairment losses of non-current assets

If circumstances indicate that the net book value of a non-current asset may not be recoverable, the asset may be considered "impaired," and an impairment loss may be recognised in accordance with IAS 36 "Impairment of Assets." The carrying amounts of non-current assets are reviewed periodically in order to assess whether the recoverable amounts have declined below the carrying amounts. These assets are tested for impairment whenever events or changes in circumstances indicate that their recorded carrying amounts may not be recoverable. When such a decline has occurred, the carrying amount is reduced to recoverable amount. The recoverable amount is the greater of the net selling price and the value in use. It is difficult to precisely estimate selling price because quoted market prices for the Group's assets are not readily available. In determining the value in use, expected cash flows generated by the asset are discounted to their present value, which requires significant judgement relating to level of sales volume, selling price and amount of operating costs. The Group uses all readily available information in determining an amount that is a reasonable approximation of recoverable amount, including estimates based on reasonable and supportable assumptions and projections of sale volume, selling price and amount of operating costs.

(c) Depreciation

Property and equipment and investment properties are depreciated on a straight-line basis over the estimated useful lives, after taking into account the estimated residual value. The Group reviews the estimated useful lives of the assets regularly in order to determine the amount of depreciation expense to be recorded during any reporting period. The useful lives are based on the Group's historical experience with similar assets and taking into account anticipated technological changes. The depreciation expense for future periods is adjusted if there are significant changes from previous estimates.

30. Ultimate holding company

The directors of the Company consider the ultimate holding company of the Company as at December 31, 2007 and March 31, 2008 to be Shining Hill Investments Limited, which is incorporated in British Virgin Islands.

31. The Company's balance sheet

The balance sheets of the Company as at December 31, 2007 and March 31, 2008 were as follows:

	December 31, 2007	March 31, 2008
	RMB in thousands	RMB in thousands
Investments in subsidiaries	–	–
Trade and other receivables	–	4,310
Amounts due from related parties	16	547,340
Cash and cash equivalents	1,423,563	816,122
Total assets	<u>1,423,579</u>	<u>1,367,772</u>
Share capital	(a) 17	17
Exchange reserve	(6,685)	(58,727)
Share premium	note 22(d) 1,416,665	1,416,665
Retained earnings	(b) 247	3,656
Total equity	<u>1,410,244</u>	<u>1,361,611</u>
Amounts due to related parties	13,335	5,233
Trade and other payables	–	928
Total liabilities	<u>13,335</u>	<u>6,161</u>
Total equity and liabilities	<u>1,423,579</u>	<u>1,367,772</u>

(a) Share capital

	December 31, 2007		March 31, 2008	
	No. of shares (in thousands)	RMB in thousands	No. of shares (in thousands)	RMB in thousands
Authorised:				
Ordinary share of HKD0.01 each	37,645	353	37,645	353
Non-redeemable preference share of HKD0.01 each	355	3	355	3
	<u>38,000</u>	<u>356</u>	<u>38,000</u>	<u>356</u>
Issued and fully paid:				
Ordinary shares	1,615	15	1,495	14
Non-redeemable preference shares	228	2	348	3
	<u>1,843</u>	<u>17</u>	<u>1,843</u>	<u>17</u>

The Company was incorporated in Cayman Islands on November 20, 2007 with an authorised share capital of HKD380,000 divided into 38,000,000 ordinary shares of par value HKD0.01 each. As part of the Reorganization, the authorised share capital of the Company changed to be HKD380,000 divided into 355,000 class A preference shares of a par value of HKD0.01 each and 37,645,000 ordinary shares of a par value of HKD0.01 each as at December 31, 2007. The Company converted 119,795 ordinary shares into 119,795 class A preference shares during the three months period ended March 31, 2008.

According to the articles of association, the holders of class A preference shares and ordinary shares enjoy the same rights attaching to shares without prejudice. Each class A preference share carries one vote right. The holders of class A preference shares are all entitled to the dividends declared and generally to enjoy all of the rights attaching to shares. The Company has no obligation (contingent or

otherwise) to repurchase or otherwise acquire or retire any shares according to the articles of association and agreement entered into among the Company, the holders of class A preference shares and other investors. One class A preference share can be converted into one ordinary share ("Conversion Rate"). Immediately prior to an initial public offering, all the class A preference shares then outstanding shall be automatically converted into or exchanged for fully paid ordinary shares at the Conversion Rate without the payment of any additional consideration.

The Company has not carried on any business since its date of incorporation.

(b) The retained earnings mainly comprised of interest income and foreign exchange gains.

32. Possible impact of amendments, new standards and interpretations issued but not yet adopted

Up to the date of issue of the Financial Information, a number of new standards, amendments to standards and interpretations have been issued but have not been adopted in preparing the Financial Information.

	Effective for annual accounting period beginning on or after
IFRS 8 Operating segments.....	January 1, 2009
Amendment to IAS 32, Financial instruments: Presentation and IAS 1, Presentation of financial statements.....	January 1, 2009
Amendment to IFRS 2, Share-based payment-Vesting conditions and cancellations.....	January 1, 2009
Revised IFRS 3, Business combinations.....	July 1, 2009
IAS 23 (March 2007), "Borrowing costs".....	January 1, 2009
Amendments to IAS 27, Consolidated and separate financial statements.....	July 1, 2009
IFRIC 13, Customer loyalty programmes.....	July 1, 2008
Amendments to IFRS 1, First-time adoption of International Financial Standards, and IAS 27, consolidated and separate financial statements – cost of an investment in a subsidiary – jointly-controlled entity or associate.....	January 1, 2009
Amendment to IAS39, Financial instruments: Recognition and measurement...	July 1, 2009

The Group is in the process of making an assessment of what the impact of these amendments, new standards and new interpretations is expected to be in the period of initial application. To date it has been concluded that the adoption of them is unlikely to have a significant impact on the Group's results of operations and financial position.

D. Subsequent Events

1. Management Incentive Scheme

Super Brilliant, through its wholly-owned subsidiary, implemented a management incentive scheme as of April 15, 2008. The principal terms of the management incentive scheme are set out in the section headed "History and Reorganization – Transfers to Employees" in the Prospectus.

2. Capitalization Issue

Pursuant to the resolutions of the Company's shareholders passed on August 25, 2008, subject to the share premium account of the Company having sufficient balance, or otherwise being credited as a result of the issue of Hong Kong Offer Shares pursuant to the Global Offering, the Company's directors are authorised to allot and issue a total of 16,998,157,000 shares credited as fully paid at par to the holders of shares on the register of members of the Company at the close of business on August 25, 2008 (or as they may direct) in proportion to their respective shareholdings (save that no shareholder shall be entitled to be allotted or issued any fraction of a share) by way of capitalization of the sum of HKD169,981,570 standing to the credit of the share premium account of the Company, and the shares to be allotted and issued pursuant to this resolution shall rank *pari passu* in all respects with the existing issued shares.

3. Subsidiaries Established After March 31, 2008

The Group established some wholly owned subsidiaries after March 31, 2008, which are engaged in either investment holding or development, lease and management of underground shopping mall. Except for Shenyang New World Renhe Public Facilities Management Co., Ltd. ("Shenyang Renhe"), all other subsidiaries have no significant operations as at the date of this report. Shenyang Renhe, which is engaged in development, lease and management of underground shopping mall, was established on April 30, 2008 in the PRC with registered capital of USD49,800,000. The Company holds 100% indirect interest in Shenyang Renhe.

E. Subsequent Financial Statements

No audited financial statements have been prepared by the Group in respect of any period subsequent to March 31, 2008.

Yours faithfully
KPMG
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